

February 17th, 2016

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, Suite 2700
Toronto, ON M4P 1E4

Dear Ms. Walli,

Re: 2017 Cost of Service Application – Deferral Request

In a letter from the OEB dated December 29th, 2015 West Coast Huron Energy (“WCHE”) learned that it is on the list of distributors scheduled to file a rebasing Cost of Service application for the 2017 rate year with rates effective May 1st, 2017. Given the issues the OEB detailed in the letter, coupled with its own anticipated resource and time constraints, WCHE is requesting a deferral of this application to the 2018 rate year.

WCHE is making this request on the basis that it has been earning an acceptable rate of return on equity each year since its last cost of service application. WCHE revenue has been exceptionally stable which has produced an actual ROE within the plus or minus 300 basis points of the Board approved return of 8.01% (see table below). WCHE recognizes that its 2014 ROE was outside of the 300 basis point range which typically triggers the OEB’s interest in considering the stability of the distributor’s earnings. However, the 2014 results were a significant anomaly as compared to historical results and flowed from a combination of unique events that are not anticipated to be continued or repeated in 2015 or future years. WCHE’s 2014 net income was \$222,000 higher than its approved amount from its last COS, \$113,000 of this amount was due to rate riders for one-time events (LRAM and Smart Meter \$54,000) and increased usage from its large use customer and an increase in customer accounts (\$61,000). These amounts coupled with a one-time gain on sale of a truck (\$34,000) and profit earned on non-rate regulated billable work provided by WCHE staff of \$50,000 put WCHE into its over earning situation. It is expected that only the increase in customer numbers is a sustainable amount and therefore with all things being equal in a normal year WCHE would not earn in excess of its approved ROE. Preliminary forecasts for 2015 show a return on equity well within the 300 basis point range.

Rate of Return on Deemed Equity				
Last COS	2012	2013	2014	2015
8.01%	10.79%	9.40%	14.84%	10.20%

Furthermore, WCHE (with the exception of the Tornado in 2011) has maintained excellent reliability statistics and given that a large majority of the distribution system was replaced in 2011 it is expected that these results will continue in the foreseeable future.

	Excludes Cause Code 2: Loss of Supply				
	2010	2011	2012	2013	2014
SAIDI	0.05	49.41	0.42	3.56	0.24
SAIFI	0.56	1.04	0.19	1.16	1.19

Lastly, The Town of Goderich, the sole shareholder of WCHE, is currently engaged with a third party to determine the future of its utility in order to deal with its imminent staffing constraints due to its aging workforce. Given that some key staff (all of whom would be significantly engaged in the COS process) are set to retire prior to rates being approved for May 1, 2017, it is unknown if WCHE will have the necessary resources required to complete the process in an effective and timely manner. Deferring the COS application until 2018 will permit the utility to deal with this staffing uncertainty. It will also allow WCHE to determine a base year which is likely to be more representative of future years.

Therefore, given all of the above, WCHE requests to defer its 2017 Cost of Service application and continue to file on a Price Cap IR basis. Should you have any questions or concerns, please do not hesitate to contact Judy Kay Treasurer at 519-524-7371.

Respectfully,



Larry McCabe
President