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BY COURIER & RESS

Ms. Kirsten Walli, Board Secretary
ONTARIO ENERGY BOARD
2300 Yonge Street, 26th Floor, P.O. Box 2319
TORONTO, ON M4P 1E4

Re: Kitchener-Wilmot Hydro Inc. – ED-2002-0573
2018 Cost of Service Delay

Dear Ms. Walli:

On December 29, 2015, the OEB issued a letter re: Applications for 2017 and 2018 Electricity Rates. The letter identified Kitchener-Wilmot Hydro Inc. (“KWHI”) as one of the four distributors scheduled to submit a COS application in 2017 for rates effective January 1st, 2018.

KWHI confirms that it is scheduled to rebase for 2018 rates; however, through this writing, KWHI is requesting to delay the filing of its COS application for one year. If the Board accepts this request, KWHI would next file a COS application for rates effective January 1st, 2019.

The request for deferral to 2019 for KWHI’s next COS application is based on several key reasons; financial stability, service reliability, internal resources and a large construction project.

Financial stability

As can be seen by the table below, KWHI’s ROE has been within the 300 basis points of its deemed regulatory rate of return as allowed by the Board in EB-2013-0147. KWHI expects this trend to continue until it next rebases. KWHI will continue to meet its financial obligations within its current approved rates while remaining compliant with 4th Generation Price Cap IR.

Year	Deemed ROE	Achieved ROE
2012	9.85%	10.91%
2013	9.85%	8.94%
2014	9.36%	10.87%
2015 (estimated)	9.36%	10.50%



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Service reliability

KWHI continues to maintain its distribution system to give its customers excellent reliability. The table below show the SAIDI and SAIFI results for the past three years as well as an estimate for the 2015. As can be seen, KWHI continues to meet its system reliability targets.

Year	SAIDI	SAIFI
2012	0.97	0.88
2013	0.87	0.69
2014	0.72	1.03
2015 (estimated)	0.53	0.66

Internal Resource Issues

KWHI is expecting and has experienced the loss of several key personnel in executive and senior positions. These personnel changes are a result of the retirements of its Vice President of Operations as well as other key management personnel in Purchasing, Payroll and IT. These roles are essential resources for the filing of KWHI's COS application. While these positions are likely to be refilled, additional time is required as the new staff members learn their new roles.

Large construction project

The Region of Waterloo is currently undergoing a very large construction project, namely the construction of a Light Rail Transit (LRT) system through the core of the cities of Kitchener and Waterloo. This project requires extensive relocations of KWHI's overhead and underground distribution plant which is placing significant strains on KWHI's management and staff resources. KWHI's operations will return to normal levels once the project is complete, expected in 2017.

KWHI also notes that a five-year rebasing cycle would be consistent with the RRFE, under which almost all LDCs in the province have now rebased. Since KWHI rebased last in 2014 under 3rd Generation filing requirements, filing for January 1st, 2019 rates would be consistent with other distributors using the five year rebasing cycle.

Due to the reasons noted above, KWHI respectfully requests a deferral of its COS to January 1, 2019. Should the Board have any questions regarding this matter please contact the undersigned.

Respectfully submitted,

Original Signed By:

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