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March 8, 2007

BY COURIER

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

**Re: IRM 2007 EB Number: EB-2007-0549
EDR 2006 RP Number: RP-2005-0020
EDR 2006 EB Number: EB-2005-0386
Kitchener-Wilmot Hydro Inc. Response to Board Staff's Request for
Clarification
2007 Electricity Distribution Rates, Licence No. ED-2002-0573**

Dear Ms. Walli:

On January 23, 2007, Kitchener-Wilmot Hydro Inc., referred to herein as the Applicant, filed its application for 2007 electricity distribution rates. Subsequent to that, on February 1, 2007, the Applicant filed its smart meter addendum with Ontario Energy Board (the Board).

On March 2, 2007, Board staff submitted a request by email to the Applicant for clarification regarding three (3) issues in the Applicant's electricity distribution rate submission. The applicant's response to each question is as follows:

1. *On Sheet 3 – 2006 Tariff Sheet, in Cell D266, the rate dimension shown for the Monthly Distribution Wheeling Service Rate - Shared LV Line is shown as \$/kWh. A review of your utility's current Board-approved Tariff of Rates and Charges shows that the rate dimension is \$/kW. Please clarify whether this was a simple transcription error. If not, please provide a full and complete explanation of the basis for the change in this charge dimension.*

The Applicant's rate dimension for monthly distribution wheeling rate – shared LV Line is \$/kW, not \$/kWh. As mentioned in Manager's Summary accompanying the original application, the Applicant's embedded distributor rate

class is not charged a monthly service charge but is subject to two different volumetric rates (a specific LV line rate and a shared LV line rate). Limitations in the IRM model did not allow for entry and subsequent adjustment of the two rates. Following discussion with Board staff, the Applicant was directed to enter the Embedded Distributor rate class twice, separating the two volumetric rates; thus allowing the model to make the required adjustments to both rates. The simple transaction error must have occurred during the volumetric rate separation, as the model defaults the rate dimension to \$/kWh.

2. *On Sheet 3 – 2006 Tariff Sheet, in row 218, the rate shown for the distribution volumetric rate for the Standby Power customer class is shown as \$0.9952.kWh. A review of your utility’s current Board-approved Tariff of Rates and Charges shows that the Standby Power rate is defined as the applicable Customer Class Distribution Volumetric Rate - \$/kW of contracted power. There is no reference in your application as to why this rate was entered differently to what is on the current Board-approved Tariff of Rates and Charges. Please clarify whether this was a simple transcription error. If not, please provide a full and complete explanation of the basis for using this level of charge.*

The Applicant’s current Board-approved interim rate for Standby Power is the applicable Customer Class Distribution Volumetric Rate - \$/kW of contracted power. The Applicant currently has only one (1) customer being charged the standby charge and the rate of \$0.9952/kW is applicable to that customer’s rate class. The standby rate on “Sheet 3 – 2006 Board-Approved Tariff of Rates and Charges” should have been left blank, as \$0.9952/kWh is not the correct rate.

3. *On Sheet 7 – LCT Adjustment, Cell D17 shows a 2006 Base Revenue Requirement of \$31,437,185.31. A review by Board staff suggests that this amount does not include the Transformer Allowance Credit as is clarified in the Frequently Asked Questions (FAQ) issued by the Board on January 26, 2007, specifically Q. 3 under 2007 IRM Model on pages 5-6 of the FAQ. Please clarify if Kitchener-Wilmot Hydro has calculated any adjusted base revenue requirement to include the Transformer Allowance Credit. If so, please provide the revised adjusted base revenue requirement, and its derivation, that should replace the amount currently shown in Cell D17 on Sheet 7. If you do not believe that the base revenue requirement should be adjusted, please provide a full and complete explanation of your position.*

The revised 2006 Base Revenue Requirement on “Sheet 7 – LCT Adjustment, Cell D17 should be \$32,397,153.58 (\$31,437,185.31 + \$959,968.27) to include the Transformer Allowance Credit. While this issue was clarified in the Frequently Asked Questions (FAQ) issued by the Board on January 26, 2007, the Applicant filed its electricity distribution rate application with the Board on January 23, 2007. The Applicant’s submission was therefore already received by the Board prior to the issuance of the FAQ.

A copy of this letter has been emailed to the Board Secretary as well as to Keith Ritchie, Case Manager of the Applicant's electricity distribution rate application.

Should you require any further information or clarification of any of the above data, kindly contact either myself at (519) 745-4771 ext. 280, or our Vice President of Finance & CFO at ext. 217.

Respectfully submitted,

Original Signed By

R. Charie, B.Comm, C.G.A.
mn

President & CEO

cc Keith Ritchie, Case Manager