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June 11, 2013

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: Board File No. EB-2013-0147
Kitchener-Wilmot Hydro Inc. – Letter of Incomplete

Dear Ms. Walli:

On May 17, 2013, Kitchener-Wilmot Hydro Inc. (“KWHI”) filed its Cost of Service application for rates effective January 1, 2014. On June 6, 2013, KWHI received a Letter of Incomplete from the Board. The letter listed missing information requested by the Board prior to the processing of KWHI’s application. KWHI has addressed each item in the attached documentation.

KWHI’s submission, which has been previously electronically filed through the Board’s web portal, consists of two (2) hard copies.

Respectfully submitted,

Original Signed By:

Margaret Nanninga, MBA, CGA
Vice-President Finance

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Filing Requirement Page 5

Executive Summary of Application

FORECAST APPROVAL

KWHI's forecast, filed in the application, was prepared over many months, beginning in October 2012, and completed on May 2, 2013.

The forecast, once completed, was approved by KWHI's President and CEO, Jerry Van Ooteghem, on May 2, 2013. Mr. Van Ooteghem is also a member of KWHI's Board of Directors.

A summary of the entire application, as filed with the Board Secretary, was presented to KWHI's Board of Directors on June 7, 2013.



Filing Requirement Page 31 and 32

CORPORATE ALLOCATIONS

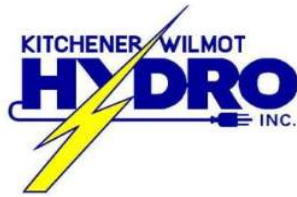
All direct costs incurred by Kitchener Power Corporation (KPC) have recorded directly to KPC's accounting records. No KPC direct costs have been incurred or recorded by KWHI; therefore, no cost allocations were recorded prior to 2012. KWHI plans to begin corporate cost allocations for KPC's indirect costs such as computer use and office supplies during the year 2013.

KESI is an inactive company and has been since its incorporation in 2000. It will cease to be inactive in 2013 when the service agreement between KWHI and KESI is signed. Through the agreement, KESI will subcontract KWHI to perform street lighting capital and maintenance activities on its behalf. As a result, KWHI expects that corporate cost allocations for KESI's costs will begin in 2013.

Attached please find Appendix N for 2010, 2011 and 2012.

The variance between the 2014 Test Year and 2010 Board Approved is \$10K. This is due to the fact that there were not any corporate allocations in the year 2010.

The variance between the 2013 Test Year and 2012 Actual is \$10K. Again, there were not any corporate allocations recorded in the year 2012.



Filing Requirement Page 32 and 33

For the year 2012 for financial reporting purposes, KWHI's audited financial statements were presented in Modified CGAAP.

For regulatory reporting purposes, KWHI has reported 2013 and beyond in MIFRS. To assist with transparency and in line with the Board's Minimum Filing Requirements, 2012 needed to be restated in MIFRS for comparability.

KWHI resubmits Table 4-20 from Exhibit 4 adjusted to detail the depreciation rates between MIFRS and Modified CGAAP. Note there is no difference between Modified CGAAP and MIFRS for the assets listed.

Table 4-20

Depreciation Rates by Asset Type

		CGAAP	Modified CGAAP	MIFRS			CGAAP	Modified CGAAP	MIFRS
1808	Buildings	2.00%			1845	Underground Conductors and Devices	4.00%		
	Structure		2.00%	2.00%		PILC		1.67%	1.67%
	Roof & Other		5.00%	5.00%		Cables & Devices		2.50%	2.50%
1908	Buildings	2.00%			1850	Line Transformers	4.00%		
	Structure		2.00%	2.00%		Pole Top & Padmount		2.50%	2.50%
	Roof & Other		5.00%	5.00%		Submersible		3.33%	3.33%
1815	Transformer Station Equipment - >50 kV	2.50%				Foundations & Vaults		1.67%	1.67%
	Switch Gear & Steel Structures		2.00%	2.00%	1855	Services	4.00%		
	Transformers & Grounding System		2.50%	2.50%		Overhead		2.50%	2.50%
	Protection & Control Devices		4.00%	4.00%		Services		1.67%	1.67%
	DC System		5.00%	5.00%	1860	Metering	4.00%	4.00%	4.00%
	Relays - P&C Devices/SCADA Equipment		6.67%	6.67%	1915	Furniture & Equipment	10.00%	10.00%	10.00%
1820	Distribution Station Equipment - <50 kV	3.33%			1920	Computer Hardware	20.00%	14.3% - 25.0%	14.3% - 25.0%
	Switch Gear & Steel Structures		2.00%	2.00%	1925	Computer Software	20.00%	20% - 33.3%	20% - 33.3%
	Transformers & Grounding System		2.50%	2.50%	1930	Transportation Equipment <3 Tonnes	20.00%	12.50%	12.50%
	Protection & Control Devices		4.00%	4.00%	1930	Transportation Equipment >3 Tonnes	12.50%	10.00%	10.00%
	DC System		5.00%	5.00%	1935	Stores Equipment	10.00%	10.00%	10.00%
	Relays - P&C Devices/SCADA Equipment		6.67%	6.67%	1940	Tools, Shop and Garage Equipment	10.00%	10.00%	10.00%
1830	Poles Towers & Fixtures	4.00%	2.50%	2.50%	1945	Measurement and Testing Equipment	10.00%	10.00%	10.00%
1835	Overhead Conductors	4.00%			1950	Power Operated Equipment	12.50%	12.50%	12.50%
	Conductors		1.67%	1.67%	1955	Communication Equipment	10.00%	10.00%	10.00%
	Devices		2.50%	2.50%	1960	Miscellaneous Equipment	20.00%	20.00%	20.00%
	Voltage Regulators		3.33%	3.33%	1995	Contributed Capital	4.00%	Matches	Matches
	Capacitor Banks		4.00%	4.00%				Related Asset	Related Asset
1840	Underground Conduit	4.00%	1.67%	1.67%					



KWHI resubmits Table 4-21 from Exhibit 4 adjusted to detail the depreciation expenses between MIFRS and Modified CGAAP. Note that the only difference between Modified CGAAP and MIFRS is for Land Rights, which are not depreciated when reporting using MIFRS.

Table 4-21

Depreciation Expense Table

Depreciation	2010 Actual	2011 Actual	2012 Actual	2012 Actual	2012 Actual	2013 Bridge	2014 Test
	CGAAP	CGAAP	CGAAP	Modified CGAAP	MIFRS	MIFRS	MIFRS
1805 Land							
1806 Land Rights	2,653	2,653	2,653	2,653			
1808 Buildings and Fixtures	162,345	179,623	179,220	179,220	214,305	203,500	199,100
1815 Transformer Station Equipment - Normally Primary above 50 kV	1,246,742	1,457,332	1,464,704	1,464,704	1,672,064	1,569,000	1,566,900
1820 Distribution Station Equipment - Normally Primary below 50 kV	77,457	77,457	77,457	77,457	55,840	44,200	43,600
1830 Poles, Towers and Fixtures	1,165,083	1,225,681	1,301,580	1,301,580	552,687	619,500	651,100
1835 O/H Conductors & Devices	1,303,893	1,361,746	1,378,570	1,378,570	378,835	410,700	431,100
1840 Underground Conduit	875,706	890,143	943,918	943,918	168,706	221,900	244,500
1845 Underground Conductors and Devices	1,498,378	1,514,130	1,555,093	1,555,093	596,428	654,100	686,900
1850 Line Transformers	2,064,138	2,083,099	2,045,478	2,045,478	625,822	779,300	818,400
1855 Services	1,617,859	1,629,524	1,748,284	1,748,284	391,511	442,200	478,200
1860 Meters	480,138	339,116	2,985,835	2,985,835	3,016,943	903,500	914,100
1908 Buildings and Fixtures	167,367	183,674	184,308	184,308	423,921	538,900	552,600
1915 Office Furniture and Equipment	64,008	66,684	65,353	65,353	65,353	61,400	75,800
1920 Computer Equipment - Hardware	225,444	199,306	228,708	228,708	219,301	169,000	203,600
1925 Computer Software	259,075	238,943	743,276	743,276	770,015	477,800	666,800
1930 Transportation Equipment	679,525	738,097	747,189	747,189	458,021	535,700	643,000
1935 Stores Equipment	2,567	2,744	3,512	3,512	3,512	4,000	4,000
1940 Tools, Shop and Garage Equipment	71,001	70,927	60,503	60,503	60,503	63,200	72,200
1945 Measurement and Testing Equipment	26,650	27,180	32,783	32,783	32,783	34,100	34,100
1950 Power Operated Equipment	65,945	54,310	57,705	57,705	57,705	54,600	54,600
1955 Communication Equipment	9,951	9,951	271,753	271,753	271,753	89,900	89,800
1960 Miscellaneous Equipment	16,107	14,585	14,931	14,931	14,931	14,700	11,300
1980 System Supervisory Equipment	66,092	64,390	64,009	64,009	95,926	4,100	4,100
1995 Contributions and Grants	(1,669,967)	(1,780,484)	(1,968,390)	(1,968,390)	(102,350)	(194,100)	(248,500)
	10,478,158	10,650,810	14,188,432	14,188,432	10,044,515	7,701,200	8,197,300

Filing Requirement Page 33

Based on KWHI's interpretation of the Filing Requirements:

KWHI filed its application using the 2013 filing guidelines for its 2014 Cost of Service application.

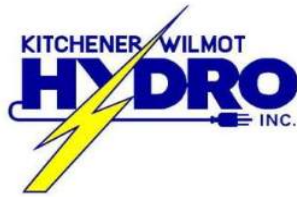
KWHI has not yet decided to use IFRS for financial reporting in 2013. That decision remains outstanding.

KWHI filed its application on the basis of regulatory reporting in MIFRS starting January 1st 2013 with respect to depreciation and capitalization. Note the only difference between MIFRS and Modified CGAAP with regard to depreciation and capitalization is depreciation on Land Rights. Section 2.7.7 (page 33) of the Board's 2013 Filing Guidelines state:

For an applicant that files a 2013 cost of service application on the basis of MIFRS or adheres to IFRS requirements with respect to depreciation and capitalization:

- *The applicant must use the Board sponsored Kinectrics study or provide its own study to justify changes in useful lives.*
- *The applicant must provide a list detailing all asset service lives. The applicant must detail differences of its asset service lives from the Typical Useful Lives (TUL) from the Kinectrics Report and provide a detailed explanation for using a service life that is different from the TUL in the Kinectrics Report.*
- *Applicants must perform a recalculation to determine the average remaining life of the opening balance of assets on the transition date to IFRS (i.e. excluding the transition year capital additions).*
- ***If an applicant chooses to adopt IFRS for financing reporting in 2012, the applicant must complete Appendix 2-CA to Appendix 2-CD (inclusive).***
- *If an applicant chooses to adopt IFRS for financial reporting in 2013, the applicant must complete Appendix 2-CE to Appendix 2-CD (inclusive).*

Note that the Filing Guidelines used were for 2013 Cost of Service filers. By moving the quoted year ahead, KWHI decided that it was appropriate to file Appendix 2-CA to Appendix 2-CD. KWHI has bolded the line above from the Filing Requirements.



Filing Requirement Page 46

Specific Service Charges Cost Analysis

In this application, KWHI has proposed to increase three (3) Specific Service Charges for 2014:

- ✓ Account Set Up/Change of Occupancy Charges
- ✓ Disconnect/Reconnect at Meter – During Regular Hours
- ✓ Disconnect/Reconnect at Meter – After Regular Hours

In addition, KWHI has proposed to introduce one (1) new Specific Service Charge for 2014:

- ✓ Credit Reference/Credit Check (plus credit agency costs)

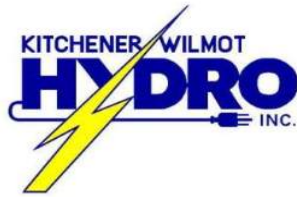
4235 – Account Set Up/Change of Occupancy Charges

KWHI currently has a Board Approved Account/Set Up/Change of Occupancy charge of \$10.

KWHI proposes to increase this charge to \$20 as per the following cost analysis:

Specific Service Charges				
Account Set Up/Change of Occupancy Charges				
LDC Name:	Kitchener-Wilmot Hydro Inc			
Specific Service Charge Description:	Account Set Up/Change of Occupancy			
	Rate/Amount	Hours/Units	O/T Factor	Calculated Cost
L Direct Labour (inside staff) Straight Time	28.50	0.5		\$14.25
U Other Labour (Specify)				
R Payroll Burden %	40%			\$5.70
Total Labour Cost				\$19.95
O Small Vehicle Time	10.00			
T Large Vehicle Time	42.00			
H Other: Material				
E Contract				
R Other	2.00			\$2.00
Total Other				\$2.00
Total Cost				\$21.95
Specific Service Charge Value Requested - Round to nearest \$5				\$20.00

Applications for a service are handled by a Customer Service Representative (CSR). All applications are contracts requiring the customer's signature. Application can be made in



person at the office, email or by fax. The CSR must check the contract for completion. There are 25 fields of data to be established. All information is then manually updated in the CIS by the CSR. It is calculated that a half hour is required per application. CIS update is estimated to be \$2.00.

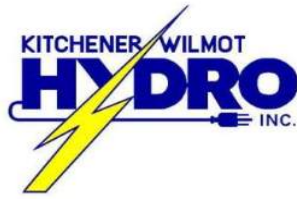
Based on history, KWHI estimates that the average number of occurrences is approximately 16,580 per year, growing to 16,578 with growth to 2014.

4235 – Disconnect/Reconnect at Meter – During Regular Hours

KWHI currently has a Board Approved Disconnect/Reconnect at Meter – During Regular Hours charge of \$45. KWHI proposes to increase this charge to \$65. Below is KWHI's cost analysis for this activity:

Specific Service Charges				
Disconnect/Reconnect at Meter - During Regular Hours				
LDC Name:	<i>Kitchener-Wilmot Hydro Inc.</i>			
Specific Service Charge Description:	\$65 Specific Service Charge Calculation			
	Rate/Amount	Hours/Units	O/T Factor	Calculated Cost
L Direct Labour (inside staff) Straight Time	26.54	0.25		\$6.64
A Direct Labour (inside staff) Overtime				\$0.00
B Direct Labour (field staff) Straight Time	30.79	1		\$30.79
O Direct Labour (field staff) Overtime			0	\$0.00
U Other Labour (Specify)				\$0.00
R Payroll Burden %	40%			\$14.97
Total Labour Cost				\$52.40
O Small Vehicle Time	10.00	1		\$10.00
T Large Vehicle Time	42.00			\$0.00
H Other: Material				\$0.00
E Contract				\$0.00
R Other	2.00			\$2.00
Total Other				\$12.00
Total Cost				\$64.40
Specific Service Charge Value Requested - Round to nearest \$5				\$65.00

When a service is to be either disconnected or reconnected during regular hours, two separate participants are involved. A Collections Representative takes the information from the requesting party, input the seal or unseal into the CIS, produce a work order and contacts a Field Collector to complete the order. This activity is calculated to take 15 minutes. One of two



1 Field Collectors is dispatched to the service in question. KWHI's service area covers 404
2 square kilometers, thus the cost of this activity is dependent on travel time and the location of
3 the Field Collector at the time of dispatch. It is estimated to take an average of 40 minutes to
4 travel to the location and perform the seal/unseal of the service. Sundry costs of \$2.00 include
5 CIS functionality and the printing of the work order.

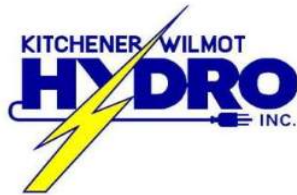
6
7 Based on history, KWHI estimates that the average number of occurrences is approximately
8 857 per year, staying about the same into 2014. KWHI does not propose growth in this
9 category as the average number of occurrences has not been consistent over the last five
10 years.

11
12 **4235 – Disconnect/Reconnect at Meter – After Regular Hours**

13
14 KWHI currently has a Board Approved Disconnect/Reconnect at Meter – After Regular Hours
15 charge of \$75. KWHI proposes to increase this charge to \$185.

16
17 Disconnect/reconnect requests after regular hours are received by KWHI's Control Room. The
18 Control Room employee telephones the Collections Officer to inform him/her of the call-out. It is
19 calculated to take fifteen minutes to complete this transaction. The Collections Officer travels to
20 the office, obtains the work order from the Control Room, retrieves keys if necessary, and
21 leaves in a company vehicle to finish the order. Including travel time, it is estimated to take 2
22 hours to complete this activity. After the disconnect/reconnect, the Collections Officer returns to
23 the office, returns the completed work order to the Control Room. The work order is updated in
24 the CIS the next working day. A \$2.00 charge is estimated for CIS update.

25
26 Below is KWHI's cost analysis for this activity:
27



Specific Service Charges				
Disconnect/Reconnect at Meter - After Regular Hours				
LDC Name:	Kitchener-Wilmot Hydro Inc			
Specific Service Charge Description:	\$185 Specific Service Charge Calculation			
	Rate/Amount	Hours/Units	O/T Factor	Calculated Cost
L Direct Labour (inside staff) Straight Time	39.22	0.25		\$9.81
A Direct Labour (inside staff) Overtime				
B Direct Labour (field staff) Straight Time		0.5		
O Direct Labour (field staff) Overtime 2hr min	30.79	2	2	\$123.16
R Payroll Burden %	40%			\$53.19
Total Labour Cost				\$186.15
O Small Vehicle Time	10.00	2		\$20.00
T Large Vehicle Time	42.00			
R Other	2.00			\$2.00
Total Other				\$22.00
Total Cost				\$208.15
Specific Service Charge Value Requested				\$185.00

Assumes 1 person - One visit on overtime & minimum 2 hr call out

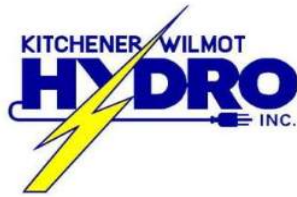
KWHI notes that the generic model above calculates \$208, rather than the \$185 requested. KWHI further notes that the increase to \$185 from the existing \$75 is significant. KWHI does not want to increase this charge to more than what is requested due to the impact to its customers.

Based on history, KWHI estimates that the average number of occurrences is in the 153 range per year, staying about the same into 2014. KWHI does not propose growth in this category as the average number of occurrences is artificially high due to a spike in activity in 2010 during the economic slowdown.

4235 – Credit Reference/Check (plus Credit Agency Costs)

KWHI does not currently have a Board Approved Credit Reference/Check (plus Credit Agency Costs) charge. KWHI currently performs this service free of charge and proposes to begin charging the customers the incremental costs of this service.

Requests from customers to provide Credit References to other LDC's or utilities are received by a Customer Services Clerk in the Billing department. Requests may be received over the



phone, email, regular mail, fax or in person at the office. The clerk will research the customer's account and will fill out documentation to forward to the LDC where the customer is moving. In addition, the letter is scanned and archived into the customer's account as documentation sent out. As well, a supervisor signs off on the reference letter. The reference is then faxed or mailed to the LDC requested. The labour costs above do not include the supervisor's endorsement. Material costs including paper, postage, envelope or fax copy costs and system update time total \$2.00.

KWHI's cost analysis is presented below:

Specific Service Charges Credit/Reference Check				
LDC Name:	Kitchener-Wilmot Hydro Inc.			
Specific Service Charge Description:	\$15.00 Credit Reference/Check			
	Rate/Amount	Hours/Units	O/T Factor	Calculated Cost
L Direct Labour (inside staff) Straight Time	28.50	0.4		\$11.40
A Direct Labour (inside staff) Overtime				
B Direct Labour (field staff) Straight Time				
O Direct Labour (field staff) Overtime				
U Other Labour (Specify)				
R Payroll Burden %	30%			\$3.42
Total Labour Cost				\$14.82
O Small Vehicle Time				
T Large Vehicle Time				
H Other: Material				
E Contract				
R Other	2.00			\$2.00
Total Other				\$2.00
Total Cost				\$16.82
Specific Service Charge Value Requested - Round to nearest \$5				\$15.00

Based on history, KWHI estimates that the average number of occurrences will be approximately 850 per year in 2014.



Filing Requirement - General

Confidentiality

In response to Board staff's request regarding confidentiality, KWHI addresses each question below:

Exhibit 1/Tab 3/Schedule 6/Attachment 1

- This is the Customer Satisfaction Survey report of UtilityPULSE for Kitchener-Wilmot Hydro. Page 2 of the report states: "This is privileged and confidential material and no part may be used outside of Kitchener-Wilmot Hydro without written permission from UtilityPULSE, the electric utility survey division of Simul Corporation."*

KWHI confirms that this document can be placed on the public record and that written permission by UtilityPULSE has been received.

Exhibit 2/Tab 4/Schedule 2/Attachment 1 (attachment to KW Hydro's Asset Management Strategy)

- Cover Page is marked Confidential for "Kitchener Wilmot Hydro Inc., Asset Management Review, (prepared) May 2009, Prepared and Submitted by (AESI Inc. Neil Sandford)*

KWHI confirms that this document can be placed on the public record.

Attachment 2/Tab 7/Schedule 1/Attachment 1

- The cover page of KW Hydro's GEA Plan, revised April 22, 2013, is marked "Private and Confidential"*

KWHI confirms that this document can be placed on the public record.



Following Exhibit 4/Tab 4/Schedule 1/Attachment 2 (a copy of Appendix 2-K)

- *“Kitchener-Wilmot Hydro Inc. Report On The Actuarial Valuation Of Post-Retirement Non-Pension Benefits As At January 1, 2011 FINAL—February 15, 2012” which is marked “Confidential for Discussion Purposes Only”.*

Dion Durrell & Associates Inc. has requested that this document be kept confidential from the public record but available for viewing by the Board, Board staff and registered intervenors to this application. Dion Durrell & Associates Inc. states that there may be proprietary information in the report (and documents submitted) and that it does not want the valuation results (including its report and other documents) to be used for any purpose other than those disclosed in its correspondence. KWHI has therefore included a letter requesting confidentiality with this filing and is submitting a redacted version of its application which does not include the report.

Exhibit 4/Tab 7/Schedule 1/Attachment 2

- *This is the Typical Useful Lives study conducted by Kinectrics for Kitchener-Wilmot Hydro, Waterloo North Hydro, Cambridge & North Dumfries Hydro and Guelph Hydro, and is marked “Confidential & Proprietary Information Contents of this report shall not be disclosed without authority of client.”*

KWHI confirms that this document can be placed on the public record.

KWHI should confirm that the documents are to be placed on the public record in its application and should, where practicable, omit confusing labeling on the sensitivity of such documents.

KWHI confirms that it was an omission on its part to have not addressed these issues of confidentiality with its initial filing of its application. KWHI also notes that the labeling on the documents forms part of each document. KWHI submits that changing the content of the documents would not be appropriate although the removal of the confusing labeling may have assisted Board staff with this issue.