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Vice-President, Finance & CFO

WATERLOO NORTH HYDRO INC.

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Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto, Ontario
M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms Walli:

Re: May 1, 2015 Cost of Service Rate Filing Deferral Request

Waterloo North Hydro Inc. (WNH) is scheduled to file its next Cost of Service (COS) Filing effective May 1, 2015, however, further to Chapter 2, Section 2.2 of the Board's *Filing Requirements for Electricity Distribution Rate Applications* issued on July 17, 2013, WNH is requesting approval to align its rate year with its fiscal year. WNH is seeking approval to defer its COS for rates effective January 1, 2016.

WNH performed significant analysis in determining if a request at this time was feasible. WNH considered the following:

- Benefit of having rate changes aligned with its fiscal year
- Financial impact of rebasing May 1, 2015 versus January 1, 2016
- Financial performance within the Board's dead band of 300 basis points
- Service Reliability and Quality

WNH believes the benefits of moving to a rate year that matches its fiscal year are substantial in that this matches distribution rates with the costs upon which the rates are based and approved.

WNH performed a financial analysis on the feasibility of the deferral and noted that an eight month deferral would not negatively impact its financial position by any significant amount.

WNH COS Deferral Letter - continued

WNH notes that its 2012 Annual Regulatory Return on Equity ("ROE") is within the Board's dead band range of ± 300 basis points and estimates that its 2013 and 2014 Regulatory Return on Equity will also fall within this range.

WNH has met all of the Board's Service Quality Standards and met the Quality Reliability Standards except for two large events in 2012, namely Loss of Transmission Supply from Hydro One Networks Inc. on February 29th and Hurricane Sandy on October 29th.

In summary, WNH requests deferral of its rebasing in order for its distribution rates to match the fiscal year of the utility and WNH believes that its requests meets the Board's requirements for such a deferral.

If there are any questions, please contact Chris Amos at 519-888-5541, camos@wnhydro.com or myself at 519-888-5542, asingh@wnhydro.com.

Yours truly,

Original Signed By

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