



March 26, 2014

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON
M4P 1E4

Dear Ms. Walli,

**Re: Kingston Hydro Corporation
2015 Cost of Service Rate Application – Deferral Request**

Kingston Hydro Corporation is scheduled to file a Cost of Service (COS) distribution rate application for rates effective May 1, 2015. For the reasons outlined below, Kingston Hydro respectfully requests a deferral of its application beyond the 2015 rate year:

- Kingston Hydro intends to request approval to align its rate year with its fiscal year (Jan. 1 – Dec. 31)
- Kingston Hydro intends to select to have its rates set using the Custom IR.
- Kingston Hydro's financial position is stable. For the most recent year reported to the OEB, ending December 31, 2012, Kingston Hydro's Regulated Return on Equity (ROE) was 10.3% which is within the ± 300 basis points of the ROE dead band. Preliminary calculations show Kingston Hydro's 2013 ROE below the approved 9.58% from Kingston Hydro's 2011 cost of service proceeding but still within the ± 300 basis points. Kingston Hydro does not expect any material deviations in 2014 or 2015.

- Based on Kingston Hydro's 2014 budget and 2015 forecast budget, as approved by its Board of Directors, Kingston Hydro believes that it can adequately manage its resources and financial needs so that an eight month deferral will not negatively and significantly impact its financial position.
- As reported to the OEB, Kingston Hydro has met or been very close to meeting all of the OEB's performance standard threshold requirements with respect to system reliability indicators and electricity service quality requirements/indicators. Kingston Hydro does not foresee any issues with performance standard minimum threshold requirements being met for 2013 and beyond.
- The table below summarizes system reliability indicators (including Code 2), SAIDI & SAIFI as reported to the OEB for 2010-2012, and these have been within the range of Kingston Hydro's 3-year historical performance:

Kingston Hydro Reliability Indicators as Reported to OEB			
Indicator	2010	2011	2012
SAIDI	1.13	1.47	1.88
SAIFI	0.87	1.76	1.19

- Kingston Hydro currently has several significant projects in progress at various stages that will contribute to an enhanced rate application. These include:
 - Review of Customer Information System (CIS) investment and commitment decision – strategic investigation and analysis of CIS options (ie. implementing new, replacing, or upgrading),
 - Additional development of a comprehensive asset management plan that will form part of Kingston Hydro's consolidated distribution system plan,
 - An enhanced customer engagement plan to ensure plans are aligned with customers' needs and expectations.

There is an expectation by the OEB that distributors manage their resources and financial needs. Kingston Hydro believes that it has done so and that deferring the rate rebasing application beyond the 2015 rate year is necessary so as to ensure alliance with the OEB's renewed regulatory framework outcome expectations and application

filing requirements. A deferral beyond the 2015 rate year will afford Kingston Hydro the opportunity to better support the approvals being sought in Kingston Hydro's next Cost of Service submission and respectfully asks that the Ontario Energy Board consider and approve this deferral request.

Respectfully submitted,

A handwritten signature in dark ink, appearing to be 'JK', with a long horizontal flourish extending to the right.

James Keech, P.Eng.
President and Chief Executive Officer