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**BY COURIER & RESS**

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

**Re: Board File No. EB-2014-0089  
Kitchener-Wilmot Hydro Inc. - Licence No. ED-2002-0573  
Application for Approval of 2015 Electricity Distribution Rates**

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Dear Ms. Walli:

On October 18, 2012, the Ontario Energy Board (“OEB” or the “Board”) issued its Report of the Board: Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach (the “RRFE Report”). Accordingly, Kitchener-Wilmot Hydro Inc. (the “Applicant” or “KWHI”) submits its 2015 Distribution Rate Application consistent with the filing requirements issued by the Board under Chapter 3 – Incentive Regulation issued July 25, 2014. All procedures and filing requirements as outline in the Board’s IRM Report and subsequent filing guidelines were followed in the preparation of this submission and in the development of the adjusted rates, utilizing the Boards models as required.

KWHI’s submission, which has been electronically filed through the Board’s web portal, consists of two (2) hard copies, which includes the covering letter, Manager’s Summary, completed copies of the 2015 IRM Rate Generator and KWHI’s current and proposed Tariff Sheet, 2014 Revenue Requirement Workform and Rate Rider Calculation Spreadsheet.

KWHI requests that the writer be the main contact for this IRM Application.

As a result of adjustments made by the 2015 IRM Rate Generator, subject to adjustments to be made by Board staff as required, the estimated bill impact for residential customers consuming 800 kWh per month would result in an increase in the total bill of 1.5% or \$1.66. A General Service<50 kW, 2000 kWh per month customer would experience a decrease of 4.69% or \$13.23.



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KWHI is requesting the adjusted rates be approved for implementation on January 1, 2015. Consumption will be pro-rated with pre-January 1<sup>st</sup> consumption at the existing rates and post-January 1<sup>st</sup> consumption at the new rates.

Contact the undersigned should you require any further information.

Respectfully submitted,

*Original Signed By:*

Margaret Nanninga, MBA, CPA, CGA  
Vice President of Finance

kb/attachments

**Kitchener-Wilmot Hydro Inc.**  
**Application for Approval of 2015 Electricity Rates**

**Manager's Summary**

**Preamble**

Kitchener-Wilmot Hydro Inc. (Licence No. ED-2002-0573) distributes electricity to approximately 88,700 customers within the City of Kitchener (primarily urban) and the Township of Wilmot (primarily rural), which contains seven (7) small communities.

On October 18, 2012, the Ontario Energy Board (“OEB” or the “Board”) issued its Report of the Board: Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach (the “RRFE Report”). Accordingly, Kitchener-Wilmot Hydro Inc. (the “Applicant” or “KWHI”) submits its 2015 Distribution Rate Application consistent with the filing requirements issued by the Board under Chapter 3 – Incentive Regulation issued July 25, 2014.

The Application is organized into the following sections:

Cover Letter	
Manager's Summary	
2015 IRM Rate Generator	Appendix A
2014 Approved Revenue Requirement Work Form	Appendix B
2014 Approved Tariff of Rates & Charges	Appendix C
2015 Tariff of Rates and Charges	Appendix D
2015 Rate Rider Allocators & Calculations	Appendix E
EB-2013-0147 Settlement Agreement (partial)	Appendix F

**2014 Cost of Service (EB-2013-0147)**

KWHI notes that it filed a Cost of Service Application in 2013 and received final approval from the Board for rates effective January 1, 2014 with an implementation date of May 1, 2014.

**Loss of Large Use Customer**

KWHI's load forecast was adjusted through its 2014 Cost of Service Application to reflect only one Large Use customer (from two) as one of KWHI's Large Use customers was expected to cease operations during the year 2014.

As part of the 2014 Cost of Service proceeding, the Board-approved Settlement Agreement dated December 4, 2013 (Issues 3.2 and 3.4, pages 20 and 23), the Parties agreed to adjust the number of Large Use customers to one (1) for 2014 and beyond. Further, KWHI was to transfer all distribution revenue earned from the Large Use customer ceasing operations to a regulatory variance account to be cleared upon KWHI's next rebasing. As a result, for 2014, the Board-approved consumption is 31,798,990 kWh and demand is 63,002 kW for the Large Use rate class. KWHI has attached the relevant sections of the Settlement Agreement as Appendix F.

Throughout this IRM application, the consumption (kWh) and demand (kW) values for the Large Use rate class have been adjusted from the amounts reported through the RRR's for December 31, 2013, to reflect the Board-approved values as explained above to ensure that the resulting rates are accurately calculated to reflect the expected kW demand, rather than a forecast based on 2013 actuals.

**RTSR RRR Data**

The kW demand data reported through RRR 2.1.5 for December 31, 2013 by KWHI was incomplete. Note the kWh data as reported through RRR 2.1.5 is correct. The kW demand data submitted included only the retailer data and omitted all SSS customers. KWHI has contacted Board staff on this issue. The submitted versus the correct data is shown in the Table below:

	<b>Submitted Data</b>	<b>Corrected Data</b>
General Service > 50 kW	623,236	2,225,336
Street Light Connections	29,890	44,582

For this IRM application, KWHI has populated the 2015 IRM Rate Generator with actual 2013 non-loss adjusted kW demand (corrected as described above) and the kWh consumption for all rate classes inclusive of the adjustment described above.

The worksheets in the 2015 IRM Rate Generator that have been adjusted for the Large Use customer change and the RRR incomplete data as described above are as follows:

- 14.RTSR RRR Data
- 19. RTSR Ntwrk to Curren WS
- 20. RTSR Adj Conn to Current WS
- 21. RTSR Adj Ntwk to Forcast WS
- 22. RTSR Adj Conn. To Forcst WS

## Rate Riders

- KWHI requests Board approval to implement the following rate riders as a result of this Application:
  - Rate Rider for Disposition of Deferral/Variance Accounts (2015) Recovery – effective from January 1, 2015 until December 31, 2015.
  - Rate Rider for Disposition of Global Adjustment Account (2015) – applicable to non-RPP customers only – effective from January 1, 2015 until December 31, 2015.
  
- The following rate riders are to be discontinued:
  - Rate Rider for Recovery of Stranded Meter Assets – effective from May 1, 2014 until December 31, 2014.
  - Rate Rider for Disposition of Deferral/Variance Accounts (2014) Recovery – effective from May 1, 2014 until December 31, 2014.
  - Rate Rider for Disposition of Global Adjustment Account (2014) – applicable to non-RPP customers only – effective from May 1, 2014 until December 31, 2014.
  - Rate Rider for Disposition of Account 1576 – effective from May 1, 2014 until December 31, 2014.
  - Rate Rider for Disposition of Lost CWIP – effective from May 1, 2014 until December 31, 2014.

## **2015 IRM Rate Generator Notes**

- *2014 Board-Approved Tariff of Rates and Charges*
  - KWHI's 2014 Board-Approved Tariff of Rates and Charges, as issued May 1, 2014, was copied directly into the work forms as required and is attached as Appendix C.
  
- *Price Cap Index*
  - No inputs were applicable to be entered on "24. Rev2Cost\_GPDIP1".
  - The current values (prior to Board staff adjustments) are as follows:

- Price Escalator            1.7%
  - Productivity Factor       0.0%
  - Stretch Factor             0.6%
- The unadjusted resulting total Price Cap Index to be applied to the Applicant's revenue requirement is currently 1.1%.
  - These values will be updated prior to KWHI's rates being announced and as more information becomes available. The updated values will have a direct impact on the final Price Cap Index and the resulting rates.

**Retail Transmission Rates**

The Board's Revision 4.0 to Guideline G-2008-0001 – Electricity Distribution Retail Transmission Service Rates (“RTSRs”) was issued June 28, 2012. Based on the most recent Decision and Rate Order of the Board (EB-2012-0031), new Uniform Transmission Rates (“UTRs”) are effective January 1, 2014 and are as follows:

- Network Service Rate of \$3.82 per kW per month;
- Line Connection Service Rate of \$0.82 per kW; and
- Transformation Connection Service Rate of \$1.98 per kW per month.

The Applicant passes on these UTR charges through two (2) RTSRs. These retail transmission rates are as follows:

- Retail Transmission Rate – Network Service Rate
- Retail Transmission Rate – Line and Transformation Connection Service Rate

For 2015, the Guideline instructs distributors to adjust RTSRs based on a comparison of historical transmission costs adjusted for new UTR levels and revenues generated from existing RTSRs.

KWHI has populated the model with the requested historical data with the exception noted above on page 2.

KWHI does not pay any Transformation Connection charges to the IESO as it owns all of its own transformer stations.

**Deferral and Variance Accounts – Continuity Schedule**

- KWHI has populated the worksheet “5. 2014 Continuity Schedule” of the 2015 IRM Rate Generator with its data.
- Projected carrying charges for 2014 for all deferral and variance accounts on December 31, 2013 balances have been calculated using the prescribed interest

rates as released by the Board at 1.47% per annum. KWHI notes that it has not projected carrying charges from January 1, 2015 to April 30, 2015 as it is applying for rates effective January 1, 2015.

- All ending balances of Group 1 accounts balance to the amounts reported to the Board through KWHI's RRR 2.1.7 with the exception of 1595 – Disposition and Recovery / Refund of Regulatory Balances (2010). This amount is different by \$7 due to a bill adjustment for a customer that was recorded in 2013. The amount was not included in KWHI's 2014 Decision (EB-2013-0147), and, due to its immateriality; the amount was reversed in KWHI's financial records in 2014.
- Disposition of the balance of account 1568 was approved in KWHI's 2014 Cost of Service Application (EB-2013-0147); however, KWHI had not recorded an entry in its general ledger prior to the Board's disposition approval. The Board-approved amount of \$392,254 is being recovered through a rate rider during 2014 and will be recorded to income.

#### **Deferral and Variance Accounts – Allocating Deferral and Variances Balances**

- KWHI is proposing to dispose of its Group 1 variance accounts, but proposes using different allocators than are provided for in “7.Allocating Def-Var Balances” the 2015 IRM Rate Generator model.
- KWHI notes that its allocators for its Deferral and Variance Account balances are different than calculated by the 2015 IRM Rate Generator for two reasons:

##### *Embedded Distributor*

- KWHI has an Embedded Distributor rate class that has only one customer, Waterloo North Hydro (WNHI). Since WNHI is a market participant, it is billed by KWHI in a unique manner distinct from all other customers. KWHI bills WNHI monthly for distribution charges, Retail Transmission Network and Connection only. WNHI is billed directly by the IESO for all other applicable charges for this account. Due to this billing structure, WNHI has not contributed to the accumulation of any variance amounts relating to the following accounts:
  - 1551 - Smart Meter Entity Charge,
  - 1580 - Wholesale Market Services,
  - 1588 - RSVA Power,
  - 1589 - RSVA Global Adjustment.

For these accounts only, KWHI has adjusted the allocation of the variances so that the Embedded Distributor (WNHI) is not included in the allocations for the calculation of a rate rider.

- Additionally, the Embedded Distributor was not included in KWHI's calculation of rate riders for its general pool in its 2010 Cost of Service Application (EB-2009-0267). As such, KWHI has not included it in the allocation of the remaining balance of 1595 – Recovery of Regulatory Asset Balances (2011) and 1595 – Recovery of Regulatory Asset Balances (2012).

#### *Class A Consumers*

- The 2015 IRM Rate Generator model allocates the variance in account 1589 to all rate classes based on the percentage of Total non-RPP kWh regardless of whether the consumers are Class A or Class B consumers for the purposes of allocating the Global Adjustment.
- As discussed in the Draft Rate Order comments as filed April 17, 2014 for EB-2013-0147, KWHI has a Class A consumer as defined by Ontario Regulation 429/04 paragraph 6 (1) 3 in its General Service > 50 kW class. An adjustment to the 2015 IRM Rate Generator model has to be made by Board staff for the kWh consumed by this customer, as this customer has not contributed to the Global Adjustment variance in account 1589. For the allocation of the Global Adjustment variance of 2013, KWHI has adjusted the kW of the General Service > 50 kW class to exclude the kW demand of the Class A consumer. The amount of kW used is the same as per Table 2 in the Draft Rate Order comments of EB-2013-0147.
- In addition, KWHI's Large Use customer is also a Class A consumer, and therefore has not contributed to the Global Adjustment Variance in 2013. The estimated kWh and kW should be adjusted to be zero for the entire rate class.
- KWHI has attached Appendix E – Rate Rider Allocators to be used in place of “7.Allocating Def-Var Balances” from the 2015 IRM Rate Generator Model.
- KWHI requests that the Board staff update the 2015 IRM Rate Generator to reflect the data supplied by KWHI.

#### **Shared Tax Savings**

- KWHI has populated the Shared Tax Savings worksheets in the 2015 IRM Rate Generator. No rate riders have been calculated by the model at this time. KWHI is not aware of any legislated tax changes for 2015.

#### **Tariff of Rates and Charges**

- KWHI has completed the 2015 IRM Rate Generator file but the “27.Final Tariff Schedule” is subject to change due to Board staff adjustments in the future.



- The 2015 IRM Rate Generator gives the description for the Rate Rider for Disposition of Deferral/Variance Accounts (2015) as “- effective until December 31, 2018”. KWHI notes that the description should read “- effective until December 31, 2015”.
- The 2015 IRM Rate Generator gives the description for the Rate Rider for the Disposition of the Global Adjustment as “Rate Rider for Disposition of Deferral/Variance Accounts (2015) - effective until December 31, 2018” KWHI has changed the description to *Rate Rider for Disposition of Global Adjustment Account (2015) – applicable to non-RPP customers only – Effective from January 1<sup>st</sup>, 2015 until December 31, 2015*, to be consistent with the description on KWHI’s current Tariff of Rates and Charges.
- KWHI has attached a separate Excel file for the Tariff of Rates and Charges, as well as attached it to this document as Appendix D.

**Bill Impacts**

- KWHI notes that the bill impacts shown below will be adjusted as required changes are entered into the model by Board staff. KWHI has summarized the results below:

<b>Rate Class</b>	<b>Consumption</b>	<b>Difference (\$)</b>	<b>Difference (%)</b>
Residential RPP	800	\$2.15	1.94%
Residential TOU	800	\$1.66	1.50%
General Service < 50 RPP	2000	(\$12.00)	(4.26%)
General Service < 50 TOU	2000	(\$13.23)	(4.69%)

Respectfully submitted,

*Original Signed By:*

Margaret Nanninga, MBA, CPA, CGA  
 Vice President Finance  
 Kitchener-Wilmot Hydro Inc.