



EB-2006-0123

IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S.O. 1998, c.15, Schedule B;

AND IN THE MATTER OF an application by
Kitchener-Wilmot Hydro Inc. for approval of 2006
electricity distribution rates, file number RP-2005-
0020 / EB-2005-0386;

AND IN THE MATTER OF a request by Kitchener-
Wilmot Hydro Inc. for an amendment to Decision and
Order in proceeding RP-2005-0020 / EB-2005-0386.

PROCEDURAL ORDER NO. 1

Pursuant to section 78 of the *Ontario Energy Board Act*, 1998, S.O. c.15, Schedule B, Kitchener-Wilmot Hydro Inc. ("Kitchener-Wilmot Hydro") filed an application for the approval of distribution rates to be effective as of May 1, 2006.

On April 12, 2006, the Board issued its RP-2005-0020 / EB-2005-0386 Decision and Order ("Decision") in connection with Kitchener-Wilmot Hydro's application.

On May 30, 2006, Kitchener-Wilmot Hydro submitted a (revised) Notice of Motion to Review and Vary the Decision (the "Motion"). The Motion sought two items of relief.

The first is a review and variance of the Decision with respect to the disallowance of an historical amount of \$144,451. This amount related to Low Voltage (LV) charges which Kitchener-Wilmot Hydro sought to collect from Waterloo North Hydro, for LV services rendered by Kitchener-Wilmot Hydro to Waterloo North Hydro over the period May 1, 2002 to April 30, 2006.

The second is approval of an amendment to Kitchener-Wilmot Hydro's application. The amendment is to provide for Retail Transmission Rates applying to Waterloo North Hydro, which rates had been omitted from Kitchener-Wilmot Hydro's application.

The Notice of Motion from Kitchener-Wilmot Hydro is attached to this Order as Appendix A.

The Board will consider the Motion from Kitchener-Wilmot Hydro and the relief sought by way of a written hearing, and by this Procedural Order establishes the process for doing so. The Board deems as parties to this proceeding the intervenors in the RP-2005-0020 / EB-2005-0386 proceeding. A list of parties to that proceeding is attached to this Order as Appendix B.

THE BOARD THEREFORE ORDERS THAT:

1. Kitchener-Wilmot Hydro Inc. may file additional material with the Board in support of its motion; this material shall be filed with Board and served on registered intervenors by June 23, 2006.
2. Registered intervenors in the RP-2005-0020 / EB-2005-0386 proceeding may file submissions on this matter with the Board, and if so, shall serve their submissions on Kitchener-Wilmot Hydro Inc. and remaining intervenors on or before June 30, 2006.
3. Kitchener-Wilmot Hydro Inc. may file reply submissions with the Board, and if so, shall serve their reply submissions on registered intervenors on or before July 7, 2006.
4. All filings to the Board noted in this Order must be in the form of 8 hard copies and must be received by the Board by 4:45 p.m. on the stated dates. The Board also requires all filings to be in electronic form. Therefore, all parties must also email electronic copies of their filings to the Board Secretary at Boardsec@oeb.gov.on.ca., or otherwise make them available on CD or diskette. The Board requests that all parties make every effort to provide their filings in MS Word or MS Excel format

for word-processed and spreadsheet documents respectively, or at a minimum in searchable PDF format.

5. Service of documents to parties other than the Board may be effected by email only.

ISSUED at Toronto, June 14, 2006.

ONTARIO ENERGY BOARD

Original signed by

Peter H. O'Dell
Assistant Board Secretary

APPENDIX A

TO PROCEDURAL ORDER NO. 1

EB-2006-0123



Ron W. Charie
PRESIDENT & C.E.O.
TEL : (519) 745-4771
FAX: (519) 571-9338

May 30, 2006

BY COURIER

Ontario Energy Board
2300 Yonge Street, Suite 2700
P.O. Box 2319
Toronto, ON M4P 1E4

Attention: John Zych
Board Secretary

Subject: **Kitchener-Wilmot Hydro Inc. Rate Application – May 1, 2006**
RP-2005-0020/EB-2005-0386
Ontario Energy Board's Decision and Order dated April 12, 2006

Dear Mr. Zych:

Further to my letter of April 26, 2006, enclosed are ten (10) hard copies and one electronic copy of Kitchener-Wilmot Hydro Inc.'s Notice of Motion to Review and Vary part of the Board's Decision and Order RP2005-0020/EB-2005-0386, relating to the historical revenue recovery for Low Voltage wheeling services, as well as retail transmission service rates to our embedded distributor.

With regard to the treatment of Retailer Prudential Credits, the Board also noted, that "the Applicant has recorded in Regulatory Asset Account 2425 amounts related to Retailer Prudential credits." The Board observed that "while the Applicant's distribution customers are unaffected by the Retailer Prudential amounts as recorded by the Applicant, the Board is of the view that the practice of recording of Retailer Prudentials in this account is inconsistent with the Board's Accounting Procedures Handbook for Electricity Distribution Utilities". Further, the Board directed the Applicant to contact Board staff to discuss the proper accounting treatment.

continued . . .

Subsequently, on May 2, 2006, senior staff contacted OEB Audit Department staff. Senior staff related that in fact, Kitchener-Wilmot Hydro Inc. relied on the Board's Accounting Procedures Handbook, "Frequently Asked Questions" issued in December 2003 to record Retailer Prudentials. Question 2 of this document states in part: "... and Account 2425, Other Deferred Credits is credited upon the receipt of the deposit from the retailer". Board staff then directed our senior staff to continue to record Retailer Prudentials in account 2425 until this item was further reviewed and a new direction is issued by the Board.

This is to confirm that in the absence of a new Board direction, and as directed by Board staff, Kitchener-Wilmot Hydro Inc. will continue to record amounts related to Retailer Prudential credits in USofA account 2425.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "R. Charie", with a stylized flourish at the end.

President & C.E.O.

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

Encl.

cc: G. Guthrie
M. Nanninga

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998, S.O. 1998, c.15* (Schedule B);

AND IN THE MATTER OF an Application by Kitchener-Wilmot Hydro Inc. for an order or orders approving or fixing just and reasonable distribution rates and other charges, effective May 1, 2006.

NOTICE OF MOTION

Kitchener-Wilmot Hydro Inc. ("KW Hydro" or the "Applicant") will make a motion to the Ontario Energy Board (the "Board") pursuant to Rule 42 of the Board's Rules of Practice and Procedure (the "Rules") to request the Board to review part of its final Decision and Order in the Application by KW Hydro for an order or orders approving of fixing just and reasonable distribution rates and other charges effective May 1, 2006 (RP-2005-0020/EB-2005-0391) dated April 12, 2006.

PROPOSED METHOD OF HEARING: KW Hydro proposes that the Board deal with the matter by way of a written hearing.

THE MOTION IS FOR AN ORDER:

1. Varying its final Decision and Order to permit KW Hydro to:
 - a. Recover \$144,451 in Low Voltage ("LV") charges from Waterloo North Hydro Inc. (the "embedded distributor" or "Waterloo North Hydro") for the period of May 1, 2002 to April 30, 2006 as a single lump sum payment, and;
 - b. Charge retail transmission service rates (including network charges, which apply universally, and line connection and transformation charges) to its embedded distributor.
2. This Notice of Motion is requesting an adjustment to KW Hydro's May 1, 2006 Board-approved electricity distribution rates for the inclusion of retail transmission service rates for the embedded distributor rate class. The LV issue does not require a change to the Board-approved Tariff of Rates and Charges "Appendix A" effective May 1, 2006.

THE GROUNDS FOR THIS MOTION ARE:

3. With regard to 1 a) recovery of LV charges, pursuant to Subrule 44.01, it was not KW Hydro's intent to request the Board to endorse retroactive ratemaking. In the decision, the Board observed that "agreeing to the Applicant's request would constitute retroactive ratemaking, a practice not endorsed by the Board". Further, the Board stated that, "under Bill 210, the rates for electricity distributors were made final" and that "failure to recover the requested amount will not cause unmanageable financial hardship to the applicant". As a result, the Board did not approve KW Hydro's application for an LV rate for the period requested.
4. As discussed in the attached letter of April 26, 2006 to the Board from KW Hydro's President and CEO, Ron Charie, KW Hydro submitted its original application for LV charges August 23, 2002, as per Board direction (RP-2002-0138). A decision was not made by the Board prior to the passage of Bill 210.
5. In 2001, KW Hydro received approval to track the LV charges in the USofA deferral account 2425 (EB-2001-0593/RP-2000-0041), where they are recorded.
6. KW Hydro now holds \$144,451 of LV charges in its Board-approved deferral account. Since a Board-authorized account exists to track these amounts, it is KW Hydro's position that the Board should authorize a one-time charge for historical LV services to Waterloo North Hydro.
7. It is KW Hydro's position that, under the philosophy of providing just and reasonable rates, it is unfair to have KW Hydro shareholders or its customers absorb costs which should be charged to Waterloo North Hydro's customers.
8. Evidence with regards to the LV charges, including Mr. Charie's April 26, 2006 letter to the Board is attached to this Notice of Motion.
9. With regard to 1 b) retail transmission rates, KW Hydro has provided LV wheeling services to its embedded distributor since 1978.
10. On December 14, 2001, KW Hydro received an order from the Board, approving KW Hydro to charge its embedded distributor retail transmission rates effective May 1, 2002 (RP-2000-0041 – EB-2001-0324 / EB2001-0593).
11. The 2002 approved rates included a network transmission charge of \$2.4879/kW and \$0.8838/kW for transmission connection charges.
12. The Applicant erred in its 2006 electricity distribution rate application by not applying for revised retail transmission rates for its embedded distributor. A separate application was before the Board for approval of distribution wheeling rates for this same customer class. Retail transmission rates for all other classes were adjusted through the 2006 electricity distribution rate process.

13. Historically and prior to market commencement of May 1, 2002, Hydro One Networks had the obligation to supply Waterloo North Hydro's Wellesley DS in the City of Waterloo. Effective upon the opening of the market, KW Hydro assumed the role of host distributor and has continued to transfer load through its distribution facilities from the Detweiler TS delivery point to Waterloo North Hydro.
14. Waterloo North Hydro pays the Independent Electricity System Operator ("IESO") directly for their energy charges supplied from the Detweiler delivery point, as Waterloo North Hydro's actual energy consumption is recorded upstream by another meter and is then netted against (or credited to) the Applicant's power bill and billed directly to Waterloo North Hydro.
15. Retail transmission charges are treated differently. The IESO bills KW Hydro retail transmission charges for the total load from the Detweiler delivery point, including the load attributable to Waterloo North Hydro. KW Hydro must then recover from Waterloo North Hydro their share of the retail transmission charges.
16. KW Hydro, following the Board's 2006 retail transmission rate adjustment methodology, has now added the embedded distributor rate class to the 2006 electricity distribution rate model. The overall result is a reduction to the embedded distributor's retail transmission rate. Retail transmission rates to other classes remain unchanged from the Board's 2006 rate order.
17. KW Hydro therefore requests that the Board's 2006 rate order be adjusted to allow the Applicant to charge retail transmission rates to its embedded distributor at the following reduced rates:
 - a. \$2.2091/kW for network transmission charges.
 - b. \$0.7638/kW for transmission connection charges.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used for the hearing of the motion and are labeled accordingly:

Recovery of LV Charges

- (a) The letter from Ronald Charie, President and CEO of KW Hydro, dated April 26, 2006, to the Board.
- (b) Waterloo North Hydro's letter to Ronald Charie dated June 8, 2001, giving formal notice of KW Hydro's role as host distributor.
- (c) The Board's Decision and Order, with covering letter, dated December 14, 2001, approving the use of USofA account 2425 for deferred distribution wheeling services.

- (d) The Board's July 18, 2002 letter to electricity distributors who have established a distribution wheeling service deferral account.
- (e) KW Hydro's original application to the Board for a distribution wheeling service rate, dated August 23, 2002.
- (f) The letter to KW Hydro from Brian Hewson, Chief Compliance Officer, dated September 27, 2005.
- (g) Ronald Charie's letter to Rene Gatien, President and CEO of Waterloo North Hydro, dated October 24, 2005.
- (h) A spreadsheet showing the calculation of the \$144,451 of deferred LV charges. This spreadsheet was included with KW Hydro's original application of July 28, 2005 to the Board.

Retail Transmission Rates

- (i) Revised sheet 8-6 Retail Transm Rates (Input) of the 2006 Electricity Distribution Rate model.
- (j) Revised sheet 10-3 Rates Schedule (Part 3) of the 2006 Electricity Distribution Rate model.

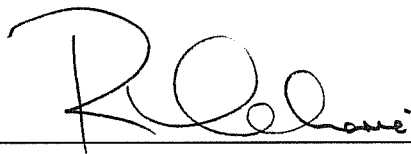
Other

- (k) Such further documentary evidence as KW Hydro may submit and the Board allow. In the event that the Board determines that it will review its Decision, KW Hydro requests the opportunity to file further submissions on this matter.

Dated at Kitchener, Ontario this 30th day of May, 2006

KITCHENER-WILMOT HYDRO INCORPORATED

By: _____



R. Charie, B.Comm, CGA
President and CEO



A

Ron W. Charie
PRESIDENT & C.E.O.

TEL : (519) 745-4771
FAX: (519) 571-9338

April 26, 2006

Ontario Energy Board
2300 Yonge Street, Suite 2700
P.O. Box 2319
Toronto, ON M4P 1E4

Attention: John Zych
Board Secretary

Subject: **Kitchener-Wilmot Hydro Inc. Rate Application – May 1, 2006**
RP-2005-0020/EB-2005-0386
Ontario Energy Board's Decision and Order dated April 12, 2006

Dear Mr. Zych:

Thank you for your notification that the Ontario Energy Board has approved Kitchener-Wilmot Hydro Inc.'s rate application effective May 1, 2006.

Kitchener-Wilmot Hydro Inc. is pleased with the approval with the exception of the Low Voltage Rates provided to Waterloo North Hydro for the period 2002 to 2006.

The appropriate section of the Board's Decision and Order:

"Low Voltage Rates

Kitchener-Wilmot Hydro Inc. provides wheeling distribution services to a portion of Waterloo North Hydro's distribution system, and has applied for Low Voltage ("LV") distribution wheeling rates to be charged as of May 1, 2006. The Applicant has applied for two rates – one for a dedicated line and the other for a shared line. While the Applicant has proposed its own methodology upon which the proposed rates are based, the Board finds the methodology to be similar to the one documented in the Handbook. The Board finds Kitchener-Wilmot Hydro Inc. LV rates to be charged for wheeling services provided to Waterloo North Hydro from May 1, 2006 onwards to be reasonable.

On November 29, 2005, the Applicant amended its original application to seek approval for recovery of historical costs for LV services provided to Waterloo North Hydro since 2002. In 2002, Kitchener-Wilmot Hydro Inc. had applied for approval of LV rates effective upon market opening, but the application was discontinued in late 2002 due to the rate freeze imposed by Bill 210. The Applicant is now requesting approval of recovery of \$144,451 from Waterloo North Hydro.

This request by the Applicant is unusual and the onus is on the Applicant to demonstrate why it is appropriate to recover the out of period amount. Agreeing to the Applicant's request would constitute retroactive ratemaking, a practice not endorsed by the Board, and not permitted by the courts once rates have been declared final. Under Bill 210, the rates for electricity distributors were made final. During the period of the rate freeze (December 2002 to January 2005), applications to the Board for rate changes were permitted only with the leave of the Minister of Energy; either the Applicant did not make such an application, or the application was not referred to the Board by the Minister. For the above reasons, the Board will not authorize the historical LV distribution wheeling rates being sought. In making this finding, the Board has also concluded that failure to recover the requested amount will not cause unmanageable financial hardship to the Applicant."

The sequence of events leading to our application request is as follows:

Wheeling charges to Waterloo North Hydro Inc. have been part of both Waterloo North Hydro Inc.'s and Kitchener-Wilmot Hydro Inc.'s rates since 1978 when the amalgamation of electrical utilities in Waterloo Region was completed. Although it was already part of the rates, a specific approval was required by the Ontario Energy Board as per its letter of July 18, 2002. An application for approval of these existing rates (RP-2002-0138) was submitted dated August 23, 2002 (copy attached). No decision was rendered by the O.E.B. between this date and the passage of Bill 210 (December 9, 2002).

In 2001, Kitchener-Wilmot Hydro Inc. applied and received approval to track these LV charges in a deferral account. Please refer to the Board's Decision and Order dated December 14, 2001 (copy attached), Board File No. EB-2001-0593 (RP-2000-0041).

With the implementation of Bill 210 both Kitchener-Wilmot Hydro Inc. and Waterloo North Hydro Inc. in order to appropriately record revenue and expenses, agreed to continue to pay and receive these long established rates on an "interim" basis subject to reconciliation pending OEB approval of our original wheeling service rate application. However, all funds collected by Kitchener-Wilmot Hydro Inc. for the period were subsequently refunded to Waterloo North Hydro Inc. as directed by the O.E.B.'s Compliance Officer's letter dated September 27, 2005. At that point a full refund was made and these deferred LV charges were recorded in the Board approved Deferral Account #2425. Kitchener-Wilmot Hydro Inc. then amended its 2006 rate application to recover revenue that it legitimately deserves.

The Board in its approval of our 2006 Rates notes:

"In making this finding, the Board has also concluded that failure to recover the requested amount will not cause unmanageable financial hardship to the Applicant".

Kitchener-Wilmot Hydro Inc. contends that neither will it create unmanageable hardship to Waterloo North Hydro Inc. since that Corporation had already allocated these funds out of its existing rates.

We also contend that under the philosophy of providing just and reasonable rates that it is unfair to have Kitchener-Wilmot Hydro Inc. shareholders or its customers absorb costs which appropriately should be charged to Waterloo North Hydro Inc.'s customers.

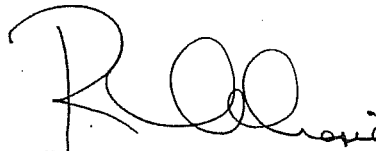
Since a Board authorized account exists to track these deferred LV charges, we request that the Board approve a one-time charge of \$144,451 for historical LV services to Waterloo North Hydro Inc.

Kitchener-Wilmot Hydro Inc. is requesting that the Ontario Energy Board review its decision and allow for the financial transaction between Kitchener-Wilmot Hydro Inc. and Waterloo North Hydro Inc. in the amount of \$144,451 to effect the just and reasonable costs of each Corporation.

Attached to this letter is the following supporting documentation:

- June 8, 2001 letter from Waterloo North Hydro Inc. requesting the use of our distribution facilities.
- OEB Decision and Order dated December 14, 2001 among other things; authorizing the use of Deferred Account #2425 for the revenue requirement associated with Distribution Wheeling Service.
- July 18, 2002 OEB letter directing LDC's to file an application for the establishment of a Distribution Wheeling Service Rate.
- Kitchener-Wilmot Hydro Inc.'s August 23, 2002 Application for a Distribution Wheeling Service Rate.
- September 27, 2005 letter from the OEB's Chief Compliance Officer.
- October 24, 2005 letter from Kitchener-Wilmot Hydro Inc. to Waterloo North Hydro Inc. returning all revenue charged for LV wheeling services since market opening.

Respectfully submitted,



President & C.E.O.

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

Attachment

cc: R. Gaten, President & C.E.O.
Waterloo North Hydro Inc.



RECEIVED

JUN 11 2001

KITCHENER-WILMOT
HYDRO INC.

WATERLOO NORTH HYDRO INC.

A.J. Clark, P.Eng.
General Manager and Secretary

Box 640
300 Northfield Drive East
Waterloo, Ontario N2J 4A3
Telephone 1-519-886-5090
Fax 1-519-886-8592

KITCHENER-WILMOT HYDRO INC.			
TITLE	INFO.	ACT.	INIT.
PRESIDENT			
V.P. OPERATIONS	✓		
V.P. FINANCE	✓		
CUST. SERV.			
INFO. TECH.			
ENGINEERING			
SAFETY SUPV.			
PURCHASING			
SECRETARY			
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June 8, 2001

Mr. R.W. Charie, CGA
President and Secretary
Kitchener-Wilmot Hydro Inc.
301 Victoria Street south
Box 9010
Kitchener ON N2G 4L2

Dear Mr. Charie:

Re: Formal Notice – Supply to our Wellesley D.S.

As per the OEB's direction of May 29, 2001, Waterloo North Hydro Inc. is hereby formally advising Kitchener-Wilmot Hydro Inc. that on market opening, our utility will continue to use your distribution facilities to supply our load at Wellesley and that you will make the necessary arrangements to continue to accommodate our requirement.

Further, we consider your utility to be the "host" utility for this supply and that you will make the necessary arrangements with Hydro One for their distribution facilities that are an integral part of this supply to Wellesley.

Please call us if you have any questions.

Yours truly,

A.J. Clark, P. Eng.
General Manager & Secretary

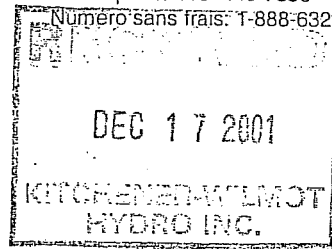
cc: Ms. Suzanne Tong
Ontario Energy Board
PO Box 2319
2300 Yonge Street
26th Floor
TORONTO ON M4P 1E4

Ontario Energy
Board
P.O. Box 2319
26th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'Énergie
de l'Ontario
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2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



December 14, 2001



Mr. Ronald Charie
General Manager & Secretary
Kitchener-Wilmot Hydro Inc.
301 Victoria Street South
Kitchener, ON
N2G 4L2

BY PRIORITY POST

KITCHENER-WILMOT HYDRO INC.			
TITLE	DEC	FC	RC
STENOGRAPHIC			
VP. OPERATIONS			
VP. FINANCE			
CHIEF CLERK			
INFO. TECH.			
ENGINEERING			
SAFETY SERV.			
TRAINING			
SECURITY			
AND			

Dear Mr. Charie:

Re: **Kitchener-Wilmot Hydro Inc. - Other Regulated Charges**
Board File No. EB-2001-0593 [RP-2000-0041]

The Board has today issued its Decision and Order in the above matter and an executed copy is enclosed herewith.

Yours truly,


Peter H. O'Dell
Assistant Board Secretary

Encl.

cc. All Intervenors



RP-2000-0041

EB-2001-0324

EB-2001-0593

IN THE MATTER OF the *Ontario Energy Board Act*, 1998, S.O.
1998, c.15 (Schedule B) of the *Energy Competition Act*, 1998;

AND IN THE MATTER OF an Application by Kitchener-Wilmot
Hydro Inc. for an Order or Orders approving or fixing just and
reasonable rates. (Kitchener-Wilmot Hydro Inc. is a Group1
electricity distributor)

BEFORE: Bob Betts
Presiding Member

Paul Sommerville
Member

DECISION AND ORDER

This Decision and Order refers to an application under section 78 of the *Ontario Energy Board Act, 1998* for the approval of rates to be charged by electricity distributors. In the third phase of this proceeding, Kitchener-Wilmot Hydro Inc.

("KWHI" or the "Applicant") has applied for approval of electricity distribution rates related to the transmission of electricity. KWHI is seeking to have these rates take effect upon the date that subsection 26(1) of the *Electricity Act, 1998* comes into force.

KWHI also applied for certain loss factors that require specific Board approval, in

accordance with the Retail Settlement Code. The Board assigned file number EB-2001-0324 to this phase of the proceeding ("Phase Three").

The Board issued a Procedural Order in this matter on August 29, 2001, setting out the dates for submissions and reply submissions regarding the Application. Intervenors were requested to file any submissions by September 21, 2001 and any applicant responses were due by September 28, 2001. There were no submissions.

On October 19, 2001, the Board commenced the fourth phase of this proceeding on its own motion ("Phase Four"). In Phase Four of this proceeding, the Board is approving other non-competitive electricity distribution rates related to services provided by the Independent Electricity Market Operator, and, where applicable, approving the establishment of a deferral account to record the costs incurred in providing electricity distribution service to other distributors ("Distribution Wheeling Service Costs"). The Board has proposed a Wholesale Market Service Rate ("Standard Wholesale Market Service Rate") in its letter to all licensed electricity distributors, dated October 19, 2001, and requested all licensed electricity distributors to make submissions to the Board by no later than November 5, 2001. In this phase of the proceeding, KWHI filed a submission to the Board accepting the Standard Wholesale Market Service Rate and seeking to establish a deferral account to record Distribution Wheeling Service Costs.

In the fifth phase of this proceeding, the Applicant made submissions with respect to its proposed rate for providing Standard Supply Service ("SSS") rate ("Phase Five"). The Applicant has proposed to charge the weighted average hourly spot market price for the small volume/ residential customers. The Applicant has received an exemption from section 2.5.3 of the SSS Code under EB-1999-0058 on April 4, 2001.

The Board assigned file number EB-2001-0593 to the fourth and fifth phases of this proceeding.

Copies of all submissions, including the evidence filed in this proceeding, are available for review at the Board's offices.

Board Findings

While the Board has considered all of the evidence in this submission, the Board has only referenced the evidence to the extent necessary to provide background to its findings.

Phase Three

The Board is satisfied that there are no significant deviations from the Retail Settlement Code in the Applicant's derivation of the loss factors.

For reasons based upon consistency and materiality, the Board has decided to adopt 1.0000 as the standard distribution loss factor for primary metered customers greater than 5000 kW.

The Board is satisfied that there are no significant deviations from the *Electricity Distribution Rate Handbook* in the Applicant's derivation of the Retail Transmission Service Rates.

The Board finds that the rates applied for are just and reasonable.

Phase Four and Five

The Board has reviewed the proposed SSS administration charge (the "Charge") and is concerned about its appropriateness. This concern relates in part to the question of whether this charge should be applied on a per customer or per connection basis. Applying the charge on a per connection basis has a significant impact on street lighting

customers. An additional concern is whether distributors who have applied for and received an exemption from section 2.5.3 of the SSS code should be authorized to charge this amount. The Board has decided that the Charge will be approved on an interim basis until such time as the Board has an opportunity to review the application of the Charge by the Applicant.

General

The Board has identified two irregularities in the rate schedule template (the "Template") issued by the Board. Where the Template was adopted by the Applicant in the preparation of its submission, the following changes will be made by the Board in considering the submission:

- 1) The third paragraph of the billing determinants section of the Retail Transmission Service Rate schedule should be replaced by the following:

"For an interval metered customer, the network rate will apply to an individual end-use customer's non-coincident peak demand in the month during the peak period defined as between 7 AM and 7 PM (local time) on weekdays that are not statutory holidays. The billing determinant for the Line and Transformation Connection Service Rate is the customer's peak demand at any time of the month".

- 2) The SSS rate for the street lighting class should be "Spot Market Price" instead of "Weighted Average Hourly Spot Market Price".

The Board will make changes to the submission as necessary to account for the two changes listed above.

In addition, the Board will correct typographical errors contained in the rates schedule filed by the Applicant. The Applicant may contact Board Staff if it wishes to obtain the specifics of any corrections made.

THE BOARD ORDERS THAT:

1. The loss factors and rates set out in Appendix "A" of this order are hereby approved, to take effect upon the date that subsection 26(1) of the *Electricity Act, 1998* comes into force with the exception of the Charge which is approved on an interim basis.
2. KWHI shall record in Account Number 2425, Other Deferred Credits, of the Accounting Procedures Handbook KWHI's allocated revenue requirement associated with Distribution Wheeling Service to electricity distributors and the amount collected in rates associated with providing this service. Amounts recorded in this account by KWHI do not imply Board acceptance of these amounts. Interest shall accrue at a rate equal KWHI's debt cost rate (based on the deemed capital structure in the Rate Handbook). Simple interest shall be applied to the opening balances in the account (i.e. interest shall not be compounded). The disposition of amounts recorded herein shall be made in accordance with Board policies and procedures, or as directed by the Board. Amounts included in this account shall be classified in such a manner as to show the origin of each amount. Records relating to this account shall be maintained in sufficient detail to permit review by the Board.

DATED at Toronto, December 14, 2001.

ONTARIO ENERGY BOARD




Peter H. O'Dell
Assistant Board Secretary

Ontario Energy
Board
P.O. Box 2319
26th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
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Facsimile: 416-440-7656
Toll free: 1-888-632-6273

Commission de l'Énergie
de l'Ontario
C.P. 2319
26e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416-481-1967
Télécopieur: 416-440-7656
Numéro sans frais: 1-888-632-6273

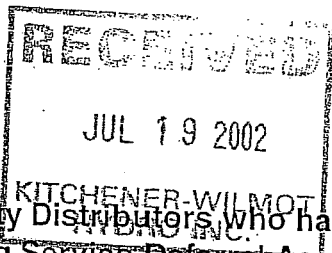
KITCHENER-WILMOT HYDRO INC.			
TITLE	INFO.	ACT	INIT.
PRESIDENT & CEO			
V.P. OPERATIONS			
V.P. FINANCE			
CUST. SERV.			
INFO. TECH.			
ENGINEERING			
SAFETY SUPV.			
PURCHASING			
SECRETARY			
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Ontario

BY PRIORITY POST

July 18, 2002



To: Electricity Distributors who have established a Distribution
Wheeling Service Deferral Account

Re: RP-2002-0138 -- Distribution Wheeling Service Rate Applications

In December 2001, the Ontario Energy Board (the "Board") approved, in some cases on an interim basis while in other cases on a final basis, the establishment of Distribution Wheeling Service Deferral Accounts for distributors listed in Appendix 1.

On June 12, 2002, the Board issued a Decision in the matter of Hydro One Networks Inc. ("HONI") under RP-2000-0023/ EB-2001-0016. In this proceeding, the Board considered HONI's low voltage ("LV") service rates proposal. In that Decision, the Board established two principles relating to the LV rates:

- Only those customers who are physically connected to the LV facilities should be included in the LV cost pool.
- The use of 1999 data is the preferred alternative as the beginning point of introducing the LV rates. The Board expects that in the longer term the use of current data may be more appropriate.

Subject to the specific circumstances of a particular case, the Board intends to apply the above principles in establishing the Distribution Wheeling Service Rates of other distributors. The Board expects all distributors with a Distribution Wheeling Service Deferral Accounts to file an application with the Board no later than August 23, 2002 for the establishment of a Distribution Wheeling Service Rate.

Filing requirements

Section One: Manager's Summary

The manager's summary is an overview of the application and should include:

- a general historic background and description of the provision of the distribution wheeling service and the way in which distribution wheeling service rates were developed under the rules of the former regulator (Ontario Hydro).
- a simple line diagram describing the distribution system illustrating the location of the distributors receiving the distribution wheeling service provided by the Applicant.
- identification of all distributors receiving the distribution wheeling service provided by the Applicant.

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- an overview of the methodology used in determining the revenue requirement for the distribution wheeling service.
- a brief description of the proposed charge determinants and the resulting rates.

Section Two: Distribution Wheeling Service Revenue Requirement

This section should include:

- a detailed description of the Applicant's proposed method for determining the revenue requirement for the provision of distribution wheeling service.
- evidence indicating that the proposed methodology is in compliance with the two principles established under the RP-2000-0023/ EB-2001-0016 Decision; or justification as to why these principles have not been followed.
- evidence indicating that the proposed revenue requirement has NOT been accounted for in the distribution rate unbundling proceeding using the RUD model.

Section Three: Developing a Distribution Wheeling Service Rate

This section should include:

- the reasons for choosing the proposed charge determinants.
- evidence setting out how the proposed rate is calculated.
- evidence setting out how the proposed rate will be implemented (e.g. proposed implementation date).
- comments on the reasonableness of the proposed rate taking into consideration a customer's total bill impact. (Please provide analysis on customer total bill impacts in comparison to the March 1, 2002 distribution rate adjustment).

Section Four: Deferral Account Balance and Proposed Disposition

This section should include:

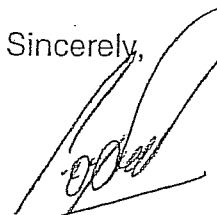
- the balance of the Distribution Wheeling Service Deferral Account as at June 30, 2002.
- a proposal to dispose of the balance in the deferral account.

Section Five: Draft Rate Schedule

The Applicant should provide a draft rate schedule under this section.

All distributors requiring further information should contact Suzanne Tong at 416-440-8106 (tongsu@oeb.gov.on.ca) or Martin Davies at 416-440-8107 (daviesma@oeb.gov.on.ca)

Sincerely,



Peter H. O'Dell
Assistant Board Secretary

Appendix 1

**Distributors who received a approval to establish a Distribution
Wheeling Deferral Account**

- 1 Brantford Power Inc.
- 2 Cambridge and North Dumfries Hydro Inc.
- 3 Casselman Hydro (together with Hydro
- 4 Center Wellington Hydro
- 5 Chatham-Kent Hydro Inc.
- 6 Dutton Hydro Ltd.
- 7 ELK Energy Inc.
- 8 Erie Thames Powerlines Corp.
- 9 Espanola Regional Hydro Dist. Corp.
- 10 Essex Powerlines Corp.
- 11 Halton Hills Hydro
- 12 Hydro Hawkesbury Inc.
- 13 Hydro Ottawa Ltd.
- 14 Kitchener-Wilmot Hydro Inc.
- 15 Markham Hydro
- 16 Orangeville Hydro Ltd.
- 17 Port Colborne Hydro Inc.
- 18 Renfrew Hydro Inc.
- 19 Richmond Hill Hydro Inc.
- 20 St. Catharines Hydro Utility Services Inc.
- 21 Veridian Connections
- 22 Wellington North Power Inc.
- 23 West Nippising Energy Services Ltd.
- 24 Whitby Hydro
- 25 Woodstock Hydro



BORDEN
LADNER
GERVAIS

COPY

E
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CHRISTINE E. LONG
direct tel: 416-367-6683
direct fax: 416-361-2770
e-mail: clong@blgcanada.com

August 23, 2002

Delivered

Mr. Paul B. Pudge
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
26th Floor
Toronto, ON M4P 1E4

Dear Mr. Pudge:

Re: **Kitchener-Wilmot Hydro Inc.**
Board File No. RP-2002-0138
Application for an Order or Orders approving a Distribution Wheeling
Service Rate

We are counsel to Kitchener-Wilmot Hydro Inc. in the above captioned matter. Enclosed please find 10 copies of the Distribution Wheeling Service Rate Application. Also enclosed is a disc containing a copy of the Application.

We trust this is satisfactory. If you have any questions or concerns, please contact the writer.

Yours very truly,
BORDEN LADNER GERVAIS LLP

James Sidlofsky
JCS/CEL/llv

Christine E. Long

enclosure

Copy to: Ms. Gerry Guthrie ✓
::ODMA\PCDOCS\ICCT\345980\1

NOTED
R.B.

CALGARY • MONTREAL • OTTAWA • TORONTO • VANCOUVER



IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S. O. 1998, c.15, Schedule B of the *Energy*
Competition Act, 1998;

AND IN THE MATTER OF an Application by
Kitchener-Wilmot Hydro Inc. for an Order or Orders
approving a Distribution Wheeling Service Rate

DISTRIBUTION WHEELING SERVICE RATE APPLICATION

Section 1: Manager's Summary

- (a) Historical Background and description of the provision of the Distribution Wheeling Service and the way in which Distribution Wheeling Service Rates were developed under the rules of the former regulator (Ontario Hydro).

History

Section 2.6 of the Municipal Service Guide provided that any municipal utility using its own transformation facilities for supply of a load transfer on behalf of another utility could require compensation for the costs determined to be associated with the use of their transformation facilities or shared distribution system costs. The Municipal Service Guide provided that a municipal utility wheeling power through its distribution system on behalf of the then former Ontario Hydro or another utility, could be compensated by means of a wheeling charge. The Service Guide stated that the party receiving the load transfer was responsible for payment of any wheeling charges proposed. The Municipal Services Guide also provided a formula that could be used as a basis for calculating such wheeling charges. The Applicant has however since 1985 consistently applied a formula which is slightly modified from the formula described in the Municipal Services Guide. The formula historically used by the Applicant met the approval of the former Ontario Hydro, now Hydro One Network Services Inc. ("Hydro One Networks") and the former Hydro-Electric Commission. The Applicant proposes to continue using this same formula for the sake of consistency.

- (b) Line Diagram describing the Distribution System illustrating the location of distributors receiving the Distribution Wheeling Service provided by the Applicant.

The attached Line Diagram describes the location of Waterloo North Hydro Inc. in relation to the Applicant's distribution system. Please see the attached Schedule "A".

- (c) Identification of all distributors receiving the Distribution Wheeling Service provided by the Applicant.

Waterloo North Hydro Inc. receives Distribution Wheeling Service from the Applicant.

- (d) An Overview of the method used in determining a revenue requirement for the Distribution Wheeling Service.

Prior to market commencement, May 1, 2002, Hydro One Networks had the obligation to supply Waterloo North Hydro Inc.'s Wellesley DS in the City of Waterloo. Now Waterloo North Hydro Inc. is responsible for payment. As the supply is fed from Detweiler T.S. across Kitchener-Wilmot Hydro Inc. owned feeders, historically the Applicant has charged Hydro One Networks for wheeling the supply through the Applicant's distribution system. The Applicant has determined the revenue requirement for the Distribution Wheeling Service based on 2001 costs. Hydro One Networks has paid for wheeling service charges up to and including April 30, 2002. Therefore the Applicant is submitting this application with data from the year 2001, the last full year for which it received payment for Distribution Wheeling Service. The Applicant is also using a cost formula that has been in place since 1985 and is slightly different than the formula set out in the Municipal Services Guide. The formula used by the Applicant was agreed to by the former Ontario Hydro, now Hydro One Networks and the former Hydro-Electric Commission. The Applicant is continuing with this consistent approach and has determined its rate accordingly.

- (e) A brief description of the proposed charge determinants in resulting rates.

The charge determinants which make-up the resulting rates are clearly described in the calculation set out in the "Schedule "B" Calculation of Wheeling Charges". The Board should note that in section 3 of "Schedule "B" "Interest Expenditure on Undepreciated Capital Costs of Line per km," the interest rate used in this application is the average yield on short-term investments for the prior year, as opposed to the regulated rate of return.

The Applicant has determined rates based on the past practice of determining the utility's associated costs of overhead L.V. facilities. The Applicant has calculated the total cost of overhead distribution lines per km by adding the average capital cost of overhead lines per km, the operating and maintenance costs per km, the depreciation expense of overhead lines per km, the interest expenditure on the undepreciated capital costs of overhead lines per km and the operating and maintenance overhead portion of the general administration expense per km. The Applicant has then calculated a wheeling cost based on the total cost of overhead lines per km multiplied by the line length on which power is wheeled, times the average load wheeled, divided by the total peak load on the section of line on which power is wheeled. In this way the Applicant has determined the Revenue Requirement. To calculate the Distribution Wheeling Service Rate the Applicant has divided the monthly wheeling cost

by the average load wheeled to determine the Distribution Wheeling Service Rate on a kW basis.

Section 2.: Distribution Wheeling Service Revenue Requirement

- (a) **Detailed description of the Applicant's proposed method for determining the Revenue Requirement for the provision of Distribution Wheeling Service.**

There are two sections of line on which power is wheeled. One section of the line (7.21 kms) is an L.V. line that is specific to the Wellesley DS. The other section of the line (1.4 kms), which is closer to the Detweiler T.S., is shared. The Applicant is therefore requesting two Distribution Wheeling Service Rates. The same method is used in each calculation but in the case of the shared L.V. the rate reflects the proportionate usage of the line.

The Distribution Wheeling Service Revenue Requirement is a product of the annual cost per km, multiplied by the length of line on which power is wheeled, times the average load wheeled, divided by the total load on the section of line on which the power is wheeled. In the case of the shared L.V. line the Revenue Requirement was calculated as a product of the annual cost per km multiplied by the line length on which power is wheeled divided by total load on the section of line on which power is wheeled multiplied by the average load wheeled. Supporting documentation of load data for the year 2001 is attached at Schedule "B".

- (b) **Evidence indicating that the proposed method is in compliance with the two principles established under RP-2000-023/EB-2001-0016; or justification as to why these principles have not been followed.**

Decision RP-2000-0023/EB-2001-0016 sets out two principles, the compliance with which the Board has asked Applicants to provide evidence on, or if the Applicant is not in compliance, the justification as to why the principles are not being followed. Those principles are set out below:

- that only customers who are physically connected to the L.V. facilities should be included in the L.V. cost pool;
- that the use of 1999 data is the preferred alternative as the beginning point of introducing the L.V. rates. The Board expects that in the longer term the use of current data may be more appropriate.

The Applicant submits that the proposed Distribution Wheeling Service Rate will apply to Waterloo North Hydro Inc., which is physically connected to the L.V. facilities. The

Applicant has not used 1999 data in its calculation but instead has used 2001 data. The Applicant has used the more current 2001 data because the Applicant has already received payment from Hydro One Networks for Wheeling Service Distribution Charges through the end of December 2001 and up to the market commencement date. Therefore, the Applicant takes the position that it is more representative to use 2001 data, the last full year for which it received payment.

- (c) Evidence indicating that the proposed Revenue Requirement has not been accounted for in the Distribution Rate Unbundling proceeding using the RUD Model.

The proposed Revenue Requirement has historically and continues to be accounted for outside the Distribution Rate unbundling. These costs were charged outside of the standard rates as unbundling only applies to standard rate costs.

Section 3.: Developing a Distribution Wheeling Service Rate

- (a) Reasons for choosing the proposed charge determinants.

The Applicant has used the same formula since 1985 and for the sake of consistency has submitted this application for a Distribution Wheeling Service Rate based on this same formula.

- (b) Evidence setting out how the proposed rate is calculated.

Please see Schedule "B".

The Applicant asks that the Board take note that the Applicant is asking for a monthly distribution wheeling service rate - specific L.V. line and a monthly Distribution Wheeling Service Rate - shared L.V. line. This request is to deal with the portion of the line that is shared. The Applicant therefore intends to charge Waterloo North Hydro Inc. a proportionate rate through the shared L.V. line charge where applicable.

- (c) Evidence setting out how the proposed rate will be implemented (example: proposed implementation date).

The Applicant proposes to use an implementation date of May 1, 2002.

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- (d) Comments on the reasonableness of the proposed rate taking into consideration a customer's total bill impact (to provide analysis on customer's total bill impact in comparison to the March 1, 2002 Distribution Rate Adjustment).

The proposed Distribution Wheeling Service Rate was not part of the standard rates assumed in the distribution rate unbundling process. This means the proposed distribution wheeling service requirement was not accounted for in the RUD model, and was independent of the distribution rates developed for Kitchener-Wilmot Hydro Inc.'s distribution customers. As a result, all the distribution customers of Kitchener-Wilmot Hydro Inc. will not be affected by the proposed distribution wheeling service rate.

Section 4.: Deferral Account Balance and Proposed Disposition

- (a) Balance of the Distribution Wheeling Service deferral account as of June 30, 2002.

The balance of the deferral account as of June 30, 2002 was zero. Hydro One Networks has paid the Applicant for Distribution Wheeling Service up to April 30, 2002.

- (b) Proposal to dispose of the balance and deferral account.

Not applicable.

Section 5.: Draft Rate Schedule

- (a) Draft Rate Order.

Please see Schedule "C"

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Schedule "A"
Distribution Wheeling Service Rate Application

Line Diagram

Kitchener-Wilmot Hydro Inc.

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CALCULATION OF WHEELING CHARGES
EFFECTIVE JANUARY 1, 2002
LOAD WHEELED TO WATERLOO NORTH HYDRO (WELLESLEY M. S.)
BASED ON 2001 COSTS

AVERAGE CAPITAL COST OF LINE PER KM:

39,578,356	(CAPITAL COST OVERHEAD LINES)				
954.4	(KM OF OVERHEAD LINE AS PER INDICIES)	=			\$41,469 /km

1) OPERATING AND MAINTENANCE COSTS PER KM:

1,703,140	(O & M COSTS PER COST INDICIES)				
954.4	(KM OF LINE)	=			\$1,785 /km

2) DEPRECIATION EXPENSE OF OVERHEAD LINE PER KM:

41,469	X	0.04			
		=			\$1,659 /km

3) INTEREST EXP. ON UNDEP'D CAPITAL COSTS OF LINE PER KM:

(39,578,356	-	15,454,508	=	24,123,848	+	954.4	=	25,276)
	25,276								
		X	0.04056						\$1,025 /km

4) OPERATING AND MAINTENANCE OVERHEAD PORTION
OF GENERAL ADMINISTRATION EXPENSE PER KM:

(% OF OVERHEAD CALCULATED ON BASIS OF ASSETS)

39,578,356	ASSET VALUE OF OVERHEAD LINES				
206,429,750	TOTAL FIXED ASSET VALUE	=			19.2%

3,677,753	(GENERAL ADMIN. EXPENSES)		X	19.2%	
954.4	(KM OF LINE)	=			\$739 /km

TOTAL COST PER KM			\$5,208
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SPECIFIC L.V. LINE:

ANNUAL COST PER KM		=	\$5,208
LINE LENGTH ON WHICH POWER WHEELED		=	7.21 km
AVERAGE LOAD WHEELED		=	3,330 KW
TOTAL LOAD ON SECTION OF LINE ON WHICH POWER IS WHEELED			3,330 KW

WHEELING COSTS =	5,208	X	7.21 KM	X	3,330 KW		
						=	\$37,550

SPECIFIC L.V. LINE

WHEELING RATE =	\$37,550	=	\$3,129	+	3,330 KW		
	12					=	\$0.94 per KW

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|::

CALCULATION OF WHEELING CHARGES
EFFECTIVE JANUARY 1, 2002
COMMON SUPPLY TO WELLESLEY M.S.
BASED ON 2001 COSTS

SHARED L.V. LINE:

COST PER KM	=	\$5,208
LINE LENGTH ON WHICH POWER IS WHEELED	=	1.40 KM
AVERAGE LOAD WHEELED	=	3,330 KW
TOTAL LOAD ON SECTION OF LINE ON WHICH POWER IS WHEELED	=	5,260 KW

WHEELING COSTS =	5,208	X	1.40 KM	X	3,330 KW	=	\$4,616
			5,260 KW				
SHARED L.V. LINE							
WHEELING RATE =	$\frac{\$4,616}{12}$	=	\$385	+	3,330 KW	=	\$0.12 per KW

SUMMARY:

MONTHLY DISTRIBUTION WHEELING SERVICE RATE - SPECIFIC L.V. LINE:	(7.21 km)	\$0.94 per KW
MONTHLY DISTRIBUTION WHEELING SERVICE RATE -SHARED L.V. LINE:	(1.4 km)	\$0.12 per KW
TOTAL REVENUE REQUIREMENT FOR WHEELING CHARGES BASED ON 2001 COSTS:		\$42,166

24-Apr-02

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Subject: Peak Loads on 26M12 and Wellesley DS for 2001

The amp values are from the monthly engineering report at
at the time of the System 15 minute peak.

Month	26M12 Amps	KVA	KW @ .9PF
Jan	142	6911	6220
Feb	132	6424	5782
Mar	140	6814	6132
Apr	94	4575	4117
May	85	4137	3723
June	119	5792	5212
July	136	6619	5957
Aug	89	4332	3898
Sept	141	6862	6176
Oct	98	4770	4293
Nov	116	5646	5081
Dec	149	7252	6527
Total	1441	70132	63119
Average	120 AMPS	5844 KVA	5260 KW

Taken from "On peak" report
Max Peak Kw (WELLESLEY)

Month	Kw
Jan	4032.9
Feb	3598.7
Mar	3516.7
Apr	2966.8
May	2508.5
June	2884.8
July	2998.1
Aug	3142.8
Sept	2949.9
Oct	3449.2
Nov	3434.7
Dec	4479.1
Total	39962.2 Avg 3330 Kw

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SCHEDULE "C"

KITCHENER-WILMOT HYDRO INC.
RATES FOR APPROVAL

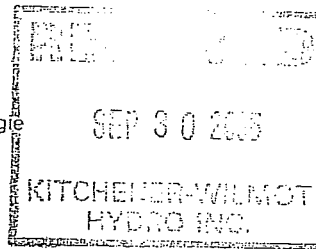
Monthly Distribution Wheeling Service Rate - Specific L. V. Line \$0.94 per kW

Monthly Distribution Wheeling Service Rate - Shared L. V. Line \$0.12 per kW

Ontario Energy
Board
P.O. Box 2319
2300 Yonge Street
26th. Floor
Toronto ON M4P 1E4
Telephone: 416-481-1967
Facsimile: 416-440-7656

Compliance Office

Commission de l'Énergie
de l'Ontario
C.P. 2319
2300, rue Yonge
26e étage
Toronto ON M4P 1E4
Téléphone: 416-481-1967
Télécopieur: 416-440-7656



September 27, 2005

Board File: MI20050402

Ron Charie
President & Chief Executive Officer
Kitchener-Wilmot Hydro Inc.
301 Victoria St. South
Kitchener, Ontario
N2G 4L2

Re: Rates for Wheeling Services

Dear Mr. Charie:

Recently, the Compliance Office received an enquiry from Kitchener-Wilmot Hydro Inc. (KWHI) regarding direction on the handling of its deferral account for wheeling rates. It was determined, through further contact, that KWHI has been billing its embedded distributor wheeling rates. Based on this enquiry, the Compliance Office initiated a review of KWHI's compliance with its rate order.

In its Decision and Order of December 14, 2001, the Board authorized KWHI to establish a deferral account to record its allocated revenue requirement associated with distribution wheeling service. It did not authorize KWHI to collect rates in relation to that service, nor does KWHI's rate schedule contain a distributor wheeling service rate.

The Compliance Office understands that there was an intention to obtain approval for the distribution wheeling service rate through an application (RP-2002-0138) that was not processed due to the implementation of Bill 210. Therefore, at this time KWHI does not have an Ontario Energy Board (Board) approved wheeling rate.

It is therefore my view that, in charging an unapproved wheeling rate, KWHI is in non-compliance with section 78 (2) of the *Ontario Energy Board Act, 1998* which states:

No distributor shall charge for the distribution of electricity or for meeting its obligations under section 29 of the Electricity Act, 1998

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except in accordance with an order of the Board, which is not bound by the terms of any contract.

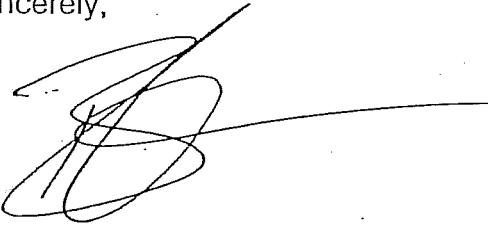
I view this breach as a significant matter of non-compliance. As a distributor, you are not permitted to charge distributor rates that have not been approved by the Board. In this regard, it is immaterial that the rate is being charged at the request or with the consent of the customer in question.

In light of the above, I expect that KWHI will cease charging the unapproved rate and refund all revenues to the appropriate embedded distributors. Please confirm that KWHI will undertake these actions by October 21, 2005.

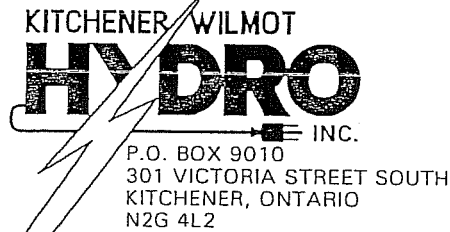
The views expressed in this letter are mine and are not binding on the Board. Although no statutory power of decision has been delegated to me, I may seek enforcement action by the Board under Part VII.1 of the *Ontario Energy Board Act, 1998* in relation to non-compliance.

Thank you for your attention to this matter. If you have any questions or concerns, please do not hesitate to contact me at (416) 440-7628.

Sincerely,

A handwritten signature in black ink, consisting of a stylized 'B' followed by a horizontal line extending to the right.

Brian Hewson
Chief Compliance Officer



G

Ron W. Charie
PRESIDENT & C.E.O.
TEL : (519) 745-4771
FAX: (519) 571-9338

October 24, 2005

Waterloo North Hydro Inc.
300 Northfield Drive East, Box 640
Waterloo, Ontario
N2J 4A3

Attention: Rene Gaten, President & C.E.O.

Re: Distribution Wheeling Services – OEB Board File M1 2005 0402

Dear Rene:

As directed by the Ontario Energy Board's Chief Compliance Officer, Brian Hewson, enclosed is our cheque and supporting documentation, reflecting the return of all revenue for Distribution L.V. Wheeling services charged to Waterloo North Hydro Inc., since market opening of May 1, 2002.

Although these charges were 'interim' as per our agreement subject to reconciliation pending OEB approval of our original wheeling service rate application (RP-2002-0138), Mr. Hewson states that Kitchener-Wilmot Hydro Inc. is in non-compliance with section 78 (2) of the Ontario Energy Board Act, 1998, by charging a rate which has not yet been approved by the Board. You may note that our original application was suspended due to Bill 210 and a subsequent wheeling rate application was submitted on July 28, 2005.

Kitchener-Wilmot Hydro Inc. has received OEB approval to record its revenue requirement associated with distribution wheeling services in a deferral account, which will attract accrued interest. Thus the original amounts charged and now tracked in deferral accounts may increase due to interest charges.

continued . . .

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Page 2

We will advise you on the OEB's decision regarding our most recent wheeling service rate application. In the interim, Waterloo North Hydro Inc. may continue to use our distribution facilities to supply load to your Wellesley Station as requested.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Charie". The signature is fluid and cursive, with a large initial "R" and a stylized "C".

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

President & C.E.O.

cb

Encl.

cc: Brian Hewson, Chief Compliance Officer, OEB
Gerry Guthrie, Vice President Finance

Kitchener-Wilmot Hydro Inc.
Distribution Low Voltage Charges to Supply Waterloo North Hydro Inc. as per OEB Application
Year 2002 ~ 2004

Measured KW	January	February	March	April	May	June	July	August	September	October	November	December	Total
Year 2002					3100.8	3340.8	3532.8	3552	3657.6	3696	4012.8	4464	29356.8 KW
Year 2003	4502.4	4521.6	4387.2	3801.6	3091.2	3244.8	3168	3158.4	2937.6	3264	3811.2	3993.6	43881.6 KW
Year 2004	4,329.60	3,907.20	3,523.20	3,139.20	2,745.60	2,956.80	3,091.20	3,014.40	2,822.40	3,014.40	3,580.80	4,377.60	40502.4 KW
Total													113,740.80 KW

Rate

Specific L.V. Charges
(\$/KW, May 1, 2002 ~
April 30, 2006)

1.13 (\$/KW)

\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,503.90	\$ 3,775.10	\$ 3,992.06	\$ 4,013.76	\$ 4,133.09	\$ 4,176.48	\$ 4,534.46	\$ 5,044.32	\$ 33,173.18
\$ 5,087.71	\$ 5,109.41	\$ 4,957.54	\$ 4,295.81	\$ -	\$ 3,493.06	\$ 3,666.62	\$ 3,579.84	\$ 3,568.99	\$ 3,319.49	\$ 3,688.32	\$ 4,306.66	\$ 4,512.77	\$ 49,586.21
\$ 4,692.45	\$ 4,415.14	\$ 3,981.22	\$ 3,547.30	\$ 3,102.53	\$ 3,341.18	\$ 3,493.06	\$ 3,406.27	\$ 3,189.31	\$ 3,406.27	\$ 4,046.30	\$ 4,946.69	\$ 4,946.69	\$ 45,767.71

Rate

Shared L.V. Charges
(\$/KW, May 1, 2002 ~
April 30, 2006)

0.14 (\$/KW)

\$ -	\$ -	\$ -	\$ -	\$ -	\$ 434.11	\$ 467.71	\$ 494.59	\$ 437.28	\$ 512.06	\$ 517.44	\$ 561.79	\$ 624.96	\$ 4,109.95
\$ 630.34	\$ 633.02	\$ 614.21	\$ 532.22	\$ 432.77	\$ 432.77	\$ 454.27	\$ 443.52	\$ 442.18	\$ 411.26	\$ 456.96	\$ 533.57	\$ 559.10	\$ 6,143.42
\$ 606.14	\$ 547.01	\$ 493.25	\$ 439.49	\$ 384.38	\$ 413.95	\$ 432.77	\$ 432.77	\$ 422.02	\$ 395.14	\$ 422.02	\$ 501.31	\$ 612.86	\$ 5,670.34
													\$ 15,923.71
													\$ 128,527.10

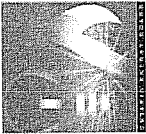
Summary

Total Distribution L.V.
Charges

\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,938.02	\$ 4,242.82	\$ 4,486.66	\$ 4,511.04	\$ 4,645.15	\$ 4,693.92	\$ 5,096.26	\$ 5,669.28	\$ 37,283.14
\$ 5,718.05	\$ 5,742.43	\$ 5,571.74	\$ 4,828.03	\$ 3,925.82	\$ 4,120.90	\$ 4,023.36	\$ 4,011.17	\$ 3,730.75	\$ 4,145.28	\$ 4,840.22	\$ 5,071.87	\$ 5,071.87	\$ 55,729.63
\$ 5,498.59	\$ 4,962.14	\$ 4,474.46	\$ 3,986.78	\$ 3,486.91	\$ 3,755.14	\$ 3,925.82	\$ 3,828.29	\$ 3,584.45	\$ 3,828.29	\$ 4,547.62	\$ 5,559.55	\$ 5,559.55	\$ 51,438.05

Deferral Account Balance:

Account # 1.2425	Dec 31, 2002 Balance	\$ 37,283.14
	Dec 31, 2003 Balance	\$ 93,012.77
	Dec 31, 2004 Balance	\$ 144,450.82

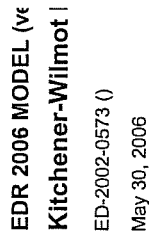


8-6 RETAIL TRANSMISSION RATES (Input)

Please indicate on Sheet 1-1 if application is being made for the revised RTS rates (Network and/or Connection)

Retail Transmission Rate per kWh						
	Retail Transmission Rate \$/kWh		Increment \$/kWh		Adjusted Retail Transmission Rate \$ per kWh	
	Network	Connection	Total	Network		Connection
RESIDENTIAL						
Regular	0.0057	0.0020	0.0077	(0.0006)	(0.0003)	0.0068
GENERAL SERVICE						
Less than 50 kW	0.0051	0.0018	0.0069	(0.0006)	(0.0002)	0.0061
Greater than 50 kW (to 3000 kW)						
Large Use (> 5000 kW)						
Unmetered Scattered Load	0.0051	0.0018	0.0069	(0.0006)	(0.0002)	0.0061
Street Lighting						
Other (specify) Embedded Distributor						

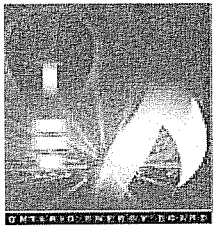
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Please indicate on Sheet 1-1 if application is being submitted for the revised RTS rates (Network and/or Conduit).

	Retail Transmission Rate per kW					
	Retail Transmission Rate \$/kW			Increment \$		Adjusted Retail Transmission Rate \$ per kW
	Network	Connection	Total	Network	Connection	
RESIDENTIAL						
Regular						
GENERAL SERVICE						
Less than 50 kW						
Greater than 50 kW (to 3000 kW)						
Large Use (> 5000 kW)						
Unmetered Scattered Load						
Street Lighting						
Other (specify) Embedded Distributor						

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EDR 2006 MODEL (ver. 3.0)
Kitchener-Wilmot Hydro Inc.

ED-2002-0573 ()

May 30, 2006

10-3 RATES SCHEDULE (Part 3)

Schedule of Distribution Rates and Charges
Effective May 1, 2006

Customer Class	Unit	Network Rate \$	Connection Rate \$
RESIDENTIAL Regular	per kWh	0.0051	0.0017
GENERAL SERVICE Less than 50 kW	per kWh	0.0045	0.0016
GENERAL SERVICE Greater than 50 kW (to 3000 kW)	per kW	2.3431	0.8101
GENERAL SERVICE Large Use (> 5000 kW)	per kW	2.2022	0.7615
GENERAL SERVICE Unmetered Scattered Load	per kWh	0.0045	0.0016
Street Lighting	per kW	1.4249	0.4927
Other (specify) Embedded Distributor	per kW	2.2091	0.7638

APPENDIX B

TO PROCEDURAL ORDER NO. 1

EB-2006-0123

**KITCHENER-WILMOT HYDRO INC.
2006 ELECTRICITY DISTRIBUTION RATES
RP-2005-0020
EB-2005-0386
APPLICANT & LIST OF INTERVENTIONS**

November 2, 2005

Applicant

Rep. and Address for Service

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Kitchener-Wilmot Hydro Inc.
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Intervenors

Rep. And Address for Service

1. Canadian Cable Television Association ("CCTA")

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3. School Energy Coalition ("SEC")

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