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October 30, 2014

**BY COURIER & RESS**

**REVISED**

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 28, 2014, Kitchener-Wilmot Hydro Inc. (KWHI) submitted its responses to a Board staff request for additional clarification with regard to its 2015 IRM rate application. In its response, KWHI stated that it would re-file its proposed rate riders based on the additional information that it provided. This filing includes a revised rate rider proposal with full explanations of the changes.

KWHI's submission, which has been electronically filed through the Board's web portal, consists of two (2) hard copies (with cover letter), a summary of the changes made and the associated spreadsheet (in Excel format).

Contact the undersigned should you require any further information.

Respectfully submitted,

*Original Signed by*

Margaret Nanninga, MBA, CPA, CGA  
Vice President Finance

Attachments

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## KWHI Re-file of Proposed Rate Riders To Be Effective January 1, 2015

KWHI filed its application for rates effective January 1, 2015 under Price Cap IR on August 13, 2014. In the initial filing, KWHI requested disposition of its Group 1 variance accounts for balances to the end of December 2013 plus projected interest for 2014.

KWHI submitted proposed rate riders for its Type 1 deferral/variance accounts (DVA) using a different methodology than what is used in the OEB standard IRM generator model. The OEB standard IRM generator model allocates most DVA balances in a reasonably uniform manner to all rate classes. Due to its unique circumstances with regard to its Embedded Distributor and Class A consumers, KWHI calculated its proposed rate riders using its own model to more appropriately allocate the ending DVA balances for disposition to the appropriate rate classes.

On October 28, 2014, Kitchener-Wilmot Hydro Inc. (KWHI) submitted responses to a Board staff request for additional clarification with regard to its 2015 IRM rate application. Board staff inquiries and KWHI's associated answers are presented below:

*"Chapter 3 of the Filing Requirements also note that "distributors who serve Class A customers per O.Reg 429/04 (i.e. customers greater than 5 MW) must propose an appropriate allocation for the recovery of the global adjustment variance balance based on their settlement process with the IESO."*

*a) Please confirm whether or not Kitchener Wilmot serves any consumers that are Wholesale Market Participants ("WMPs").*

*i. If yes:*

*i. Have these consumers been WMPs throughout the entire time over which variances accumulated in the RSVA accounts proposed for disposition? **Yes, KWHI has two consumers that are WMPs. One WMP is in the GS>50kW rate class (this one consumer constitutes 4 GS>50kW accounts) and the other is an Embedded Distributor.***

*ii. Please confirm that RSVA account balances have not been allocated to WMP customers as they settle these charges directly with the IESO. **KWHI confirms that RSVA balances have not been allocated to its Embedded Distributor. As to the GS>50kW consumer who is a WMP, KWHI's initial filing did in fact allocate RSVA balances to the WMP customer. Note KWHI will refile its proposed rate riders excluding this customer from the allocation of RSVA balances based on the date that they became a WMP by week-end.***

*b) Please confirm whether or not Kitchener Wilmot serves any class A consumers that settle energy charges directly with Kitchener Wilmot. If yes, please explain how balances in account 1589 (Global Adjustment) have been allocated to these consumers. **KWHI had three (3) Class A consumers that it settled energy charges directly with at the end of 2013. These customers have been excluded from the allocation of the recovery of GA variance account balances. Note that one of these Class A consumers is no longer included in KWHI's distribution revenue due to its 2014 Cost of Service rate application decision as it is discontinuing operations shortly. This consumer is also no longer considered to be a Class A consumer as it opted out of the Class A program effective July 1, 2014.***

As seen above, KWHI stated that it would re-file its proposed rate riders based on the additional information that it provided. This filing includes a revised rate rider proposal with full explanations of the changes.

KWHI notes that when filing its initial request for proposed DVA rate riders, Wholesale Market Participants (WMP) were not considered when allocating the DVA balances to the different rate classes.

KWHI has four GS > 50 kW accounts that are WMPs. WMPs do not contribute to the variances in recorded in account 1580 – RSVA Wholesale Market Service Charge, 1588 – RSVA Power, and 1589 – RSVA – Global Adjustment. These four customer accounts were reclassified as WMPs at the end of 2012.

In addition, KWHI has an Embedded Distributor who does not contribute to the variances in accounts 1580 – RSVA Wholesale Market Service Charge, 1588 – RSVA Power, and 1589 – RSVA – Global Adjustment. Further, KWHI's Embedded Distributor was not included in the disposition of OEB sub-accounts 1595 – Recovery of Regulatory Asset Balances 2011 and 2012 as 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).

Through this filing (EB-2014-0089), KWHI is adjusting its proposed rate riders to reflect the required exclusion of the WMP customers from the rate rider calculation for the applicable accounts. Note that the Embedded Distributor was appropriately excluded from the original calculation as filed in August 2014. Further, KWHI is adjusting the allocation of the Smart Metering Entity Variance (OEB account 1551) to include only the Residential and GS<50kW rate classes. KWHI's initial filing allocated the balance to all rate classes.

In regard to the Global Adjustment (GA), KWHI has two Class A consumers. As a Class A consumer, these customers do not contribute to the balance of OEB account 1589 – RSVA – Global Adjustment. One of KWHI's Class A consumers is in the GS>50kW rate class. KWHI's other Class A consumer is in the Large Use rate class.

As part of the filing, KWHI has allocated the balances of its Group 1 Accounts to the appropriate rate classes based on the kWh forecast included in its 2014 Cost of Service application. KWHI notes that, as the Board approved load forecast is at the rate class level, there is no Board approved kWh forecast for

the single Class A consumer in the GS>50kW rate class. However, KWHI calculated the forecast annual kW for the Class A consumer in the GS>50kW rate class when filing its Draft Rate Order on April 4, 2014. The average kW demand for the Class A consumer was described in the Draft Rate Order filed April 4, 2014 and is quoted below:

*“KWHI took the average kW demand for this Class A consumer for the period 2009-2014 and subtracted the result from the load forecast. The demand has not been adjusted for CDM or weather since it is the actual demand for this consumer and thus any CDM has already been incorporated into the results”*

This calculation was performed by using the four year average kW demand of this consumer (64,293 kW). KWHI’s Board approved kW/kWh ratio for the GS>50kW rate class is 0.2612% resulting in a forecast kWh consumption estimate of 24,617,730 kWhs.

As part of its 2014 Cost of Service application (EB-2013-0147), KWHI reduced its estimated cost of power for the forecasted kWh consumption of the WMP. As the WMP’s forecasted kWh consumption formed part of KWHI’s 2014 Board approved load forecast and forecast cost of power, KWHI has used this number in this application to act as a proxy for a customer-specific load forecast. KWHI did not at the time calculate a kW demand for the WMP.

In its application (EB-2013-0147), KWHI estimated that the WMP would consume 20,142,709 kWh in 2014. KWHI’s Board approved kW/kWh ratio for the GS>50kW rate class is 0.2612%. Using this ratio returns 52,606 kW in forecasted kW demand for the WMP.

Table 1 below was used as a guide to allocating variance balances for disposition:

**Table 1**

	Residential	GS<50	GS>50 non WMP	GS > 50 wmp	GS > 50 Class A	Large Use	Large Use Class A	USL	SL	Embedded
1551	y	y	n	n	n	n	n	n	n	n
1580	y	y	y	n	y	y	y	y	y	n
1584	y	y	y	y	y	y	y	y	y	y
1586	y	y	y	y	y	y	y	y	y	y
1588	y	y	y	n	y	y	y	y	y	n
1589	y	y	y	n	n	n	n	y	y	n
1595	y	y	y	y	y	y	y	y	y	n

Table 2 below presents the load forecast data by rate class and consumer type:

**Table 2**

Forecast Data	Residential	GS<50	GS>50 non WMP	GS > 50 wmp	GS > 50 Class A	Large Use	Large Use - Class A	USL	SL	Embedded
kWh	651,728,155	241,683,206	800,528,796	20,142,709	24,617,730	-	31,798,990	3,417,188	16,128,465	20,328,822
kWh - non RPP	39,794,681	33,671,917	705,540,575						16,128,465	
kW			2,183,177	52,606	64,293		63,002		45,145	44,674
kW - non RPP			1,866,730				63,002		45,145	

Table 3 below presents the resulting allocations by rate class and consumer type:

**Table 3**

**Allocators (based on kWh) - percentages**

	Residential	GS<50	GS>50 non WMP	GS > 50 wmp	GS > 50 Class A	Large Use	Large Use - Class A	USL	SL	Embedded	Total
1551	72.95%	27.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
1580	36.82%	13.66%	45.23%	0.00%	1.39%	0.00%	1.80%	0.19%	0.91%	0.00%	100.00%
1584	36.00%	13.35%	44.22%	1.11%	1.36%	0.00%	1.76%	0.19%	0.89%	1.12%	100.00%
1586	36.00%	13.35%	44.22%	1.11%	1.36%	0.00%	1.76%	0.19%	0.89%	1.12%	100.00%
1588	36.82%	13.66%	45.23%	0.00%	1.39%	0.00%	1.80%	0.19%	0.91%	0.00%	100.00%
1595	36.41%	13.50%	44.72%	1.13%	1.38%	0.00%	1.78%	0.19%	0.90%	0.00%	100.00%
1589	5.00%	4.23%	88.73%	0.00%	0.00%	0.00%	0.00%	0.00%	2.03%	0.00%	100.00%

Table 4 below presents the revised proposed rate riders:

**Table 4**

OEB Account	Disposition Balance Requested	Residential	GS < 50	GS > 50	GS > 50 WMP	GS > 50 class A	Large User - class A	Unmetered Scattered Load	Street Lighting	Embedded Distributor	Total
Smart Meter Entity Charge	\$ 53,617	39,113	14,504								53,617
RSVA - Wholesale Market Service Charge	\$ (1,336,116)	(491,996)	(182,449)	(604,327)	-	(18,584)	(24,005)	(2,580)	(12,176)	-	(1,336,116)
RSVA - Retail Transmission Network Charge	\$ 186,774	67,238	24,934	82,590	2,078	2,540	3,281	353	1,664	2,097	186,774
RSVA - Retail Transmission Connection Charge	\$ (87,767)	(31,596)	(11,717)	(38,810)	(977)	(1,193)	(1,542)	(166)	(782)	(986)	(87,767)
RSVA - Power	\$ (1,897,888)	(698,856)	(259,160)	(858,417)	-	(26,398)	(34,098)	(3,664)	(17,295)	-	(1,897,888)
Recovery of Regulatory Asset Balances (2011)	\$ 99,135	36,093	13,385	44,334	1,116	1,363	1,761	189	893	-	99,135
Recovery of Regulatory Asset Balances (2012)	\$ (686)	(250)	(93)	(307)	(8)	(9)	(12)	(1)	(6)	-	(686)
<b>Subtotal - Group 1</b>	<b>\$ (2,982,931)</b>	<b>(1,080,253)</b>	<b>(400,595)</b>	<b>(1,374,936)</b>	<b>2,209</b>	<b>(42,282)</b>	<b>(54,616)</b>	<b>(5,869)</b>	<b>(27,701)</b>	<b>1,112</b>	<b>(2,982,931)</b>
RSVA - Global Adjustment	\$ 521,694	26,110	22,092	462,910	-	-	-	-	10,582	-	521,694
	<b>\$ (2,461,236)</b>	<b>(1,054,143)</b>	<b>(378,503)</b>	<b>(912,026)</b>	<b>2,209</b>	<b>(42,282)</b>	<b>(54,616)</b>	<b>(5,869)</b>	<b>(17,119)</b>	<b>1,112</b>	<b>(2,461,236)</b>
Balance to be collected or refunded, Variable	\$ (2,461,236)	(1,054,143)	(378,503)	(912,026)	2,209	(42,282)	(54,616)	(5,869)	(17,119)	1,112	
Number of years for Variable	1										
Balance to be collected or refunded per year, Variable	\$ (2,461,236)	(1,054,143)	(378,503)	(912,026)	2,209	(42,282)	(54,616)	(5,869)	(17,119)	1,112	

  

Class	Residential	GS < 50	GS > 50	GS > 50 WMP	GS > 50 class A	Large User - class A	Unmetered Scattered Load	Street Lighting	Embedded Distributor
Deferral and Variance Account Rate Rider, Variable	(0.0017)	(0.0017)	(0.6298)	0.0420	(0.6576)	(0.8669)	(0.0017)	(0.6136)	0.0249
Billing Determinants	kWh	kWh	kW	kW	kW	kW	kWh	kW	kW
Global Adjustment Rate Rider	0.0007	0.0007	0.2480			-		0.2344	-
Billing Determinants	kWh	kWh	kW	kW	kW	kW	kWh	kW	kW

KWHI has included with this filing a copy of the Excel spreadsheet used to calculate the above rate riders.