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BY COURIER & RESS

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

**Re: Board File No. EB-2015-0084
Kitchener-Wilmot Hydro Inc. - Licence No. ED-2002-0573
2016 Rate Application – Supplementary Interrogatory Responses**

Dear Ms. Walli:

On August 17, 2015, Kitchener-Wilmot Hydro Inc. (the “Applicant” or “KWHI”) filed its 2016 Rate Application with the Ontario Energy Board. Further, on October 9, 2015, Board staff submitted its supplemental set of Interrogatories for response from KWHI. KWHI now files its responses to those supplemental Interrogatories.

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 and Interrogatory Responses.

Respectfully submitted,

Original Signed By:

Margaret Nanninga, MBA, CPA, CGA
Vice President Finance & CFO

kb/attachments

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Interrogatory #1

Ref: Tab 4 – Billing Det. for Def-Var

Ref: Manager's Summary, Page 12- Deferral and Variance Accounts

Ref: Chapter 3, Section 3.2.5- Filing Requirements for Electricity Distribution Rate Applications

A portion of Sheet 4 "Billing Det. for Def -Var" is reproduced below:

Rate Class	Unit	Total Metered kWh	Total Metered kW	Billed kWh for Non-RPP Customers	Estimated kW for Non-RPP Customers	Billed kWh for Wholesale Market Participants (WMP)	V
RESIDENTIAL SERVICE CLASSIFICATION	kWh	637,186,639	0	25,534,951	0	0	
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	242,185,854	0	35,704,538	0	0	
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	kW	840,637,054	2,138,736	712,770,557	2,138,736	17,075,274	
LARGE USE SERVICE CLASSIFICATION	kW	31,549,208	65,430	31,549,209	65,430	0	
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	4,039,940	0	0	0	0	
STREET LIGHTING SERVICE CLASSIFICATION	kW	16,039,251	44,744	15,953,701	44,744	0	
EMBEDDED DISTRIBUTOR SERVICE CLASSIFICATION	kW	14,039,293	32,611	14,039,293	32,611	14,039,293	
STANDBY POWER SERVICE CLASSIFICATION	kW	0	0	0	0	0	
Total		1,785,677,239	2,281,521	835,552,249	2,281,521	31,114,567	
Threshold Test							
Total Claim (including Account 1568)		\$3,217,749					
Total Claim for Threshold Test (All Group 1 Accounts)		\$2,848,032					
Threshold Test (Total claim per kWh) ²		\$0.0016					
Account 1589 Memo Calculation		(\$0.0046) Balance in Account 1589 divided by Non-RPP kWh less Class A kWh (column N)					
¹ Residual Account balance to be allocated to rate classes in proportion to the recovery share as established when rate riders were implemented.							
² The Threshold Test does not include the amount in 1568.							

The Threshold Test does not include the LRAMVA balance. The above calculation shows that the balances of Kitchener-Wilmot Hydro's Group DVA1 accounts exceed the threshold test of \$0.001/kWh.

Chapter 3 section 3.2.5 of the filing requirements states "*The Report of the Board on Electricity Distributors' Deferral and Variance Account Review Report* (the "EDDVAR Report") provides that under the Price Cap IR or the Annual IR Index, the distributor's Group 1 audited account balances will be reviewed, and disposed if the pre-set disposition threshold of \$0.001 per kWh (debit or credit) is exceeded. The onus is on the distributor to justify why any account balance in excess of the threshold should not be disposed."

- a) Please confirm if Kitchener-Wilmot Hydro is intending to dispose of its Group 1 account balances. If yes, please provide the number of years for disposition.

At this time, KWHI is not proposing to dispose of its Group 1 account balances.

b) If the answer to a) is no please provide additional explanation for not disposing.

KWHI is proposing not to dispose of its Group 1 balances in order to hold the increases facing its residential customers to a minimum. In 2016, KWHI's customers are facing large increases in their electricity bills due to the elimination of the OCEB credit, a new charge for OESP, plus the elimination of the DRC. In addition, since January 1st, 2015, KWHI's customers have faced increases in the commodity charge of 4.6%¹, and a further 3.4% was announced on October 15th, 2015².

KWHI also notes that the transition to fully fixed charges beginning in January 1, 2016 is creating large bill impacts for its lowest volume customers. Isolating the impact of this change for a customer consuming at the tenth percentile (280 kWh / month) is \$1.86 or 3.7%.

As shown by the chart below, KWHI ran various scenarios to determine the impact to its residential customers on the entire electricity bill, including all known and anticipated changes.

Monthly Consumption	Include OCEB, DRC, no Commodity Increase, No OESP						No OCEB, No DRC, a Commodity Increase, Estimated OESP					
	#1		#2		#3		#4		#5		#6	
	No Rate Riders		Just LRAM		All Rate Riders		No Rate Riders		Just LRAM		All Rate Riders	
100	2.78	10.87%	2.81	10.96%	3.18	12.44%	6.79	26.52%	6.83	26.65%	7.24	28.29%
280	2.35	4.67%	2.43	4.84%	3.49	6.93%	10.61	21.08%	10.70	21.27%	11.87	23.59%
500	1.83	2.28%	1.98	2.46%	3.87	4.81%	15.28	18.98%	15.45	19.19%	17.54	21.79%
800	1.12	0.92%	1.36	1.12%	4.37	3.59%	21.64	17.78%	21.91	18.01%	25.25	20.75%

As the chart demonstrates, an average KWHI residential customer that consumes 800kWh/month is facing an increase of 17.8% or \$21.64 since January 1st, 2015, not including LRAM or other DVA rate riders. If KWHI were to dispose of its Group 1 accounts, the increase on this class of customers is a further 2.97% or \$3.61, making the total increase in 2015 of \$25.25 or 20.75%.

KWHI's Group 1 DVA balance, subject to clearance, as at the end of 2014 with projected interest is \$2,848,031. KWHI's September 30th balance of Group 1 accounts is a CREDIT balance of \$1,358,618. If KWHI were to collect these variance amounts from its customers in 2016, KWHI is projecting to refund customers in 2017. This would not allow for any rate stability for its customers and create needless bill impacts when none are warranted.

¹ http://www.ontarioenergyboard.ca/oeb/_Documents/Press%20Releases/NR_RPP_20150420.pdf

² http://www.ontarioenergyboard.ca/oeb/_Documents/Press%20Releases/news_release_RPP_20151015.pdf

For these reasons, KWHI is proposing not to dispose of its Group 1 DVA accounts as Board practice may dictate. In this case, KWHI submits that a deviation from Board practice is appropriate.

- c) A portion of Page 12- Deferral and Variance Accounts, in the Manager's summary is reproduced below:

As part of this application process, KWHI analyzed the current balances of its Group 1 DVA accounts as at June 30, 2015. The total balance of these accounts, as at June 30, 2015, is \$87,494. This balance includes the clearance of its Group 1 DVA accounts as at December 31, 2013. Since the Group 1 DVA account balances are moving significantly away from meeting the threshold test in 2015, KWHI is not requesting clearance of the account balances at this time.

Please discuss the rationale for Kitchener-Wilmot to assume that the Group 1 DVA account balances are moving significantly away from meeting the threshold test in 2015, while Total Group 1 Balance shows the balance of \$2,848,032 as of Dec 31, 2014.

KWHI calculates the balances for all its DVA accounts on a monthly basis, including its Group 1 DVA accounts. The current balance of these accounts is currently in a CREDIT balance due to large variances in Wholesale Market Services (\$2 M Credit) and Power (\$1.7 M Credit). These credits are due to increased dollar sales relative to the cost of power.

While this balance may meet the threshold test again in 2016, the balance is a credit not a debit. Therefore, if KWHI were to collect the DVA balance from its customers in 2016, it would be repaying the same customers in 2017, leading to large swings in rates.

Interrogatory #2

Ref: Tab 3 – Continuity Schedule

A portion of Sheet 3 "Continuity Schedule" is reproduced below:

Account Descriptions	Account Number	Transactions Debit / (Credit) during 2011 excluding interest and adjustments ²	Transactions Debit / (Credit) during 2012 excluding interest and adjustments ²	Transactions Debit / (Credit) during 2013 excluding interest and adjustments ²	Transactions Debit / (Credit) during 2014 excluding interest and adjustments ²	Total Claim
RSVA - Power (excluding Global Adjustment)	1588	(2,178,549)	2,355,115	(1,833,280)	6,383,290	6,480,845
RSVA - Global Adjustment	1589	3,073,561	823,174	467,515	(3,541,189)	(3,586,093)

- a) Please explain the swings in accounts 1588 Power (excluding Global Adjustment) and 1589 Global Adjustment when assessed by transaction from 2011 to 2014.

See below

- b) Please explain the large balance in account 1589 Global Adjustment (2015), which is 7 times less the per unit value relative to 2013 when assessed by transactions.

In December 2014, KWHI made an adjustment to its variance accounts 1588 and 1589 to split Unbilled Revenue into its components – Power and Global Adjustment. This transaction moved \$5.8 M to the RSVA – Power account. In previous years, the RSVA - Power account reflected the variance of Global Adjustment and Power for unbilled revenue.