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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
Application for Approval of 2016 Electricity Distribution Rates**

Dear Ms. Walli:

On August 17, 2015, Kitchener-Wilmot Hydro Inc. (KWHI) filed its 2016 Rate Application with the Ontario Energy Board (EB-2015-0084). Further, on November 13th, 2015, the Board issued its draft Decision and Rate Order for KWHI's review. KWHI now submits its comments as requested by the Board.

In the Introduction and Summary section, it is stated that KWHI serves 116,275 customers. This number is incorrect and needs to be corrected to 91,900 customers.

KWHI last filed a Cost of Service application for rates effective January 1, 2014 (EB-2015-0084). In this IRM application, KWHI has selected the Price Cap IR method for adjusting rates which provides a mechanistic and formulaic adjustment to rates. It should be noted; however, that KWHI's last Cost of Service Application was not filed under the Renewed Regulatory Framework Guidelines but rather Third Generation IRM. For clarity, KWHI expects to file its next Cost of Service Application in 2018 (four years), using the Renewed Regulatory Framework Guidelines.

KWHI has reviewed the calculations in the 2016 IRM Rate Generator and has asked questions of Board staff. Note the rates used in the rate generator are the rates prior to the Board's Decision EB-2015-0294, where the Board set the rates for certain regulatory charges effective January 1, 2016. Other than the rates that have not yet been updated, KWHI is satisfied the model is calculating the correct rate riders based on the inputs.

Adjustment Required to KWHI's DVA Continuity Schedule

As a result of Board staff Supplemental Interrogatory #2, KWHI staff undertook a comprehensive review of its RSVA accounts, specifically RSVA Power and RSVA Global Adjustment. During the course of this review, it discovered that in December 2013, an error occurred in the manual recording on a spreadsheet the amount of the Global Adjustment charged by the IESO. The result of this error was the balance of the RSVA Global Adjustment was understated by \$3,443,918 and the balance of the RSVA Power was overstated by the same amount.

As a result of this error, KWHI is requesting that an adjustment be made to its Group 1 Deferral and Variance Account Balances as filed in KWHI's original application. The revised DVA balances are shown below in Table 1. Note that the total balance to be disposed has not changed.

Table 1

Account Name	Account Number	Principal Balance (\$) A	Interest Balance (\$) B	Total Claim (\$) C = A + B	Principal Balance (\$) A	Interest Balance (\$) B	Total Claim (\$) C = A + B
Smart Meter Entity Variance Charge	1551	(11,190)	(157)	(11,348)			(11,348)
RSVA - Wholesale Market Service Charge	1580	(291,753)	(33,349)	(325,102)			(325,102)
RSVA Retail Transmission Network Charge	1584	82,797	26,641	109,438			109,438
RSVA - Retail Transmission Connection Charge	1586	175,353	4,937	180,290			180,290
RSVA - Power	1588	6,383,290	97,556	6,480,846	(3,443,918)	(50,625)	2,986,303
RSVA - Global Adjustment	1589	(3,541,189)	(44,904)	(3,586,093)	3,443,918	50,625	(91,550)
Total Group 1 Excluding Global Adjustment - Account 1589		6,338,497	95,628	6,434,124	(3,443,918)	(50,625)	2,939,581
Total Group 1		2,797,307	50,724	2,848,031	-	-	2,848,031

KWHI notes that the rate riders resulting for the RSVA Power and RSVA Global Adjustment accounts are separate rate riders, affecting two different groups of customers. As seen above in Table 1, the impacts to the individual customer pools are significant since only larger volume customers and customers enrolled with a retailer (the GA group) pay the Global Adjustment rate rider. In the absence of this correction, the GA group will pay \$3.6M in rate riders during 2016 for Global Adjustment when the amount paid should only be \$91K. Additionally, for the DVA rate rider, which includes the RSVA Power variance, customers would receive \$3.5M in credit rate riders over the year 2016 only to have to pay it back in 2017.

The affected Rate Riders that change as a result of this adjustment are summarized below in Table 2.

Table 2

	Residential		GS < 50		GS > 50		Large User		Unmetered Scattered Load		Street Lighting	
	Draft Decision	Requested Adjustment	Draft Decision	Requested Adjustment	Draft Decision	Requested Adjustment	Draft Decision	Requested Adjustment	Draft Decision	Requested Adjustment	Draft Decision	Requested Adjustment
Rate Rider for Disposition of Deferral/Variance Accounts (2016) - effective until December 31, 2016 Applicable only for Non-Wholesale Market Participants	0.0035	0.0015	0.0035	0.0015	1.3709	0.5926	1.6917	0.7313	0.0035	0.0015	1.2577	0.5437
Rate Rider for Disposition of Global Adjustment Account (2016) - effective until December 31, 2016 Applicable only for Non-RPP Customers	-0.0048	-0.0001	-0.0048	-0.0001	-1.5255	-0.0389	n/a	n/a	n/a	n/a	-1.7127	-0.0437

KWHI has also looked at the total bill impact of the requested adjustment and the results are summarized below in Table 3. As previously noted the bill impacts shown below are calculated before the results of Decision EB-2015-0294. KWHI submits that correction of this error will reduce the total bill impacts for **all** customer classes and, in the interest of this benefit, the adjustment should be made through this IRM process, rather than deferring for another year.

Table 3

		Draft Decision		Requested Adjustment	
		\$ Change	% Change	\$ Change	% Change
Residential	800 kWh	\$ 12.65	9.91%	\$ 10.84	8.49%
GS < 50	2,000 kWh	\$ 48.02	15.64%	\$ 43.50	14.17%
GS > 50	60 kW	\$ 183.13	5.67%	\$ 130.36	4.04%
Large User	5,250 kW	\$ 16,170.78	4.54%	\$ 10,473.21	2.94%
Unmetered Scattered Load	2,000 kWh	\$ 12.81	3.99%	\$ 8.29	2.58%
Street Lighting	37 kW	\$ 73.54	19.34%	\$ 43.69	11.49%



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Following the discovery of this error, KWHI reviewed all of its procedures relating to the recording of its variance accounts and has implemented additional checks and balances to ensure that future amounts will be stated correctly. Additionally, KWHI made the necessary corrections to its general ledger effective September 30, 2015.

KWHI has made the changes to the 2016 IRM Rate Generator and is resubmitting the Excel file.

Respectfully submitted,

Original Signed By:

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

kb/attachments