



October 14, 2015

**Letter to our large (General Service > 50 kW) customers**

Dear Sirs:

The purpose of this letter is to advise you of a significant increase in our delivery charges for large customers such as yours which will be effective May 1, 2016.

For the past two years Niagara-on-the-Lake Hydro (“NOTL Hydro”) has been proud to provide the lowest delivery charges in the Niagara Region for customers of your size. This year our rates more than doubled and are higher than those of a number of surrounding utilities. The table below provides the monthly Delivery Charge (as on your bill) for a customer with a monthly electricity usage of 50,000 kWh and a peak demand of 150 kW. The total bill for this customer in NOTL would be \$6,500 plus HST with the energy charge accounting for the balance.

|                           | NOTL       | Welland    | Grimsby    | NPEI       | Horizon -<br>St. Catharines | CNP -<br>Fort Erie | CNP-<br>Port Colborne | Hydro One-<br>Thorold |
|---------------------------|------------|------------|------------|------------|-----------------------------|--------------------|-----------------------|-----------------------|
| May 1, 2014               | \$621.82   | \$1,257.5  | \$1,002.64 | \$1,525.08 | \$1,121.96                  | \$1,976.17         | \$1,930.39            | \$1,484.68            |
| May 1, 2015               | \$698.06   | \$1,420.26 | \$1,194.61 | \$1,232.13 | \$1,484.19                  | \$1,764.98         | \$1,760.51            | \$1,744.68            |
| May 1, 2016<br>(Proposed) | \$1,605.50 | \$1,235.87 | n/a        | \$1,153.79 | \$1,719.88                  | \$1,976.15         | \$1,799.84            | n/a                   |

The increase in our rates is not due to any change in our underlying cost structure. Our rates for residential and small commercial remain the lowest in the region. The problem lies in the Global Adjustment (“GA”) charge. The GA is not set until the 10<sup>th</sup> business day after each month so we must use an estimate provided by the IESO for each bill. The net over or under estimate of the GA for the year is included in the Delivery Charge for the following year plus one. In 2012 and 2013 we over-estimated the GA which resulted in lower Delivery Charges in 2014 and 2015. In 2014 we under-estimated the GA with a resulting higher charge in 2016.

We are working on changes to our billing processes to reduce the impact of the GA estimation going forward. YTD 2015 our net estimate is close to the actual GA. Please contact me should you require further information.

Yours truly,

Timothy B. Curtis  
President