



July 21, 2016

Ontario Energy Board
P.O. Box 2319 27th Floor
2300 Yonge Street Toronto,
Ontario M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Regarding: Request for deferral of 2017 Cost of Service Application.

Dear Ms Walli,

As was noted in the Board's letter dated December 29, 2015, Hydro 2000 Inc. is scheduled to file a Cost of Service application for rates effective May 1, 2017. Although Hydro 2000 recognises that the deadline for requesting an extension has passed (February 26, 2016), the utility's management and Board of Directors are nonetheless seeking a deferral of its Cost of Service Application from May 2017 rates to January 2018 rates. The reasons for this delayed request are detailed below.

Hydro 2000 considered several factors in determining whether a deferral was needed and whether it would be in the best interest of all stakeholders. In doing so, the utility looked at the following elements;

- The departure of the previous General Manager in May of 2016 and the subsequent hiring of a new General Manager at the beginning of June 2016
- Aligning rates with the utility's fiscal year.
- Past and projected earnings (ROE).
- Past and current safety and reliability performances.

- Available regulatory resources.
- Impact on Hydro 2000 customers.

The main reason for the request for deferral is that the utility has recently undergone changes in its management which would make it difficult for the new General Manager to prepare and file a Cost of Service application on August 31, 2016.

The previous General Manager resigned without any transition period leaving the role vacant until June 2016 at which point, Lucie Aubry was hired as the new General Manager. While the new manager is working hard to learn the specifics of the industry and regulatory process, the utility is convinced that it will not be able to file a complete and comprehensive Cost of Service application by August 31, 2016.

Hydro 2000 also looked at the option of aligning the rate year with the fiscal year and believes that the benefits of doing so are considerable, especially in a utility as small as Hydro 2000 where the administrative role is shared amongst several employees and its external auditors. Aligning the fiscal year with the rate year would be eliminating certain administrative burdens and costs which are currently being outsourced to an accounting firm.

With respect to its past and projected earnings, Hydro 2000 notes that since its last Cost of Service in 2012, the utility's Return on Equity ("ROE") has fluctuated from the Board-approved return of 9.12%. As reported in the utility's Scorecard, the "Achieved" Rate of Return for 2012 was (17.49%) , 7.40% in 2013, 31.78% in 2014 and 11.35% in 2015. Under the previous management, the utility struggled to keep its ROE within 300 basis points of the Achieved ROE however since the arrival of the new General Manager, the utility has already put in place financial tools to help better project and track capital and operating costs which should help keep the ROE at a more reasonable level. Lastly, with the help of the OEB's Audit group, the utility is reviewing its historical RRR filings to ensure that the information filed historically was accurate, which at first glance may not have been the case.

With respect to Safety and Reliability measures, Hydro 2000's scorecard measures indicate that the utility is maintaining its scores at a more than adequate level.

As for the availability of resources to assist with a Cost of Service application, Hydro 2000 is hoping to work closely with Cooperative Hydro Embrun and Hydro Hawkesbury, which are both scheduled to file a cost of service in April of 2017 for rates effective January 1, 2018. Hydro 2000 views the partnership with the two neighbouring French utilities as a critical element of a successful Cost of Service application.

With a recent ROE that is within the 300 basis points of the Board Approved ROE, the utility feels that its customer would not be financially impacted by the decision to defer the filing to April of 2017. The utility also intends on taking part in several fall fairs in as a mean of engaging with its customers in advance of the Cost of Service.

Lastly, the utility is also mindful of new Consumer Engagement Framework which could potentially involve regional community meetings and regional hearings as part of the Cost of Service process. Hydro 2000 hopes that the OEB will coordinate these regional meetings with the French neighbouring utilities in an effort to reduce some of the costs associated with the customer engagement activities.

Given all of the above arguments, Hydro 2000 hopes the OEB will approve the utility's request for a deferral of its Cost of Service application.

Should the board have questions regarding this matter please contact Lucie Aubry at the contact information below.

Respectfully Submitted,

Lucie Aubry, General Manager.

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