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October 31st, 2016

Ms. Kirstin Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Re: Greater Sudbury Hydro Inc – Request to Defer 2018 Cost of Service Rate Application

Dear Ms. Walli:

Greater Sudbury Hydro Inc (“GSHi” or “the Utility”) last filed a Cost of Service rate application to the Ontario Energy Board (“the Board”) for rates effective May 1, 2013, and was therefore scheduled to rebase for rates effective May 1, 2017. GSHi requested a deferral with the intent to file a Cost of Service Rate Application for rates effective January 1st, 2018. The Ontario Energy Board (“OEB”) granted the deferral by way of a letter on July 5th, 2016. At this time GSHi is requesting to defer rebasing for an additional year, for rates effective January 1st, 2019 and set rates effective May 1st, 2018 to December 31st, 2018 using the 4th Generation Price Cap IR rate setting method.

Business Planning

This deferral request is mainly based on the Business Planning GSHi is currently undergoing with Siemens Business Transformation Unit. As indicated in our previous deferral request we are in the process of developing a detailed plan that will guide the Utility’s business objectives for the next decade. The planning process is a value-oriented approach that holistically considers all the business capabilities that GSHi will need to meet and exceed stakeholder expectations for the electricity industry of the future.

As previously indicated, the effort involves four distinct phases; Orientation, Destination, Routing and Navigation. The first three phases represent an extensive planning process. To date the planning phases have identified 12 programs that include over 100 specific projects to be implemented over the 10 year planning horizon. In GSHi’s previous deferral request letter we indicated that the final planning phase, Routing, would be complete by Q3 of 2016 and was expected to produce the detailed costing information that GSHi would need to file a comprehensive rate application. As we did not complete Routing by the end of Q3, the utility did not achieve the outcome that was previously expected. Although the utility does have an actionable program that consists of a comprehensive list of technology and business initiatives and interdependencies between these projects that will enable the utility to achieve the next level of smart grid sophistication, the deliverables lack the level of costing information required to complete a comprehensive rate application. With an actionable program in place, GSHi will now transition its efforts to develop detailed cost estimates for the first two years of the program and refine the estimates derived in the routing phase for years three to five. As this exercise will take a significant amount of time to complete, it will provide the utility with the relevant information and level of detail required for a Cost of Service application.

The Utility requires additional time to develop and refine these plans and ensure that they, along with the results of our Customer Engagement, are appropriately reflected in our Distribution System Plan (“DSP”) and long term Business Plan. These three key pieces are vital to a complete and comprehensive Cost of Service application as GSHi desires to align the outcomes of these endeavors with our Distribution System Plan and Cost of Service Application.

Return-on-Equity

Further to the information included in our deferral request letter from the previous year, in 2015 GSHi achieved an ROE of 8.36% which is 0.62% less than the Regulated Rate of Return of 8.98% approved in our 2013 Cost of Service application.

GSHi is earning an acceptable and stable return on equity and anticipates that it can continue to manage its resources to remain within +/- 300 basis points (“the dead band”) of its last OEB approved rate of return for 2016, 2017 & 2018 while remaining under 4th Generation Price Cap IR for an additional year.

Reliability Standards

Supplementary to the data provided in our previous deferral request letter, our final 2015 reliability standards are included below, for the Board’s consideration.

	Historical 5 Year Target Range	2015
SAIDI – Reported in RRR	0.67 – 1.60	1.01
SAIFI – Reported in RRR	0.84 - 1.83	1.25

The SAIDI and SAIFI statistics indicate that GSHi is within the historical 5 year target range for these indicators. As indicated in the previous deferral request, GSHi intends to quantify at the program level, a targeted reduction in SAIFI and SAIDI through the business planning process. The Utility considers completion of this process key in improving the long-term trend of these metrics, and therefore GSHi would like to emphasize the importance of thorough completion of the business planning process.

In conclusion, GSHi is requesting to defer rebasing for an additional year, for rates effective January 1, 2019. GSHi requests permission to set rates for May 1st, 2018 to December 31st, 2018 using the 4th Generation Price Cap IR rate setting method. Should you have any questions or require further information, please do not hesitate to contact the undersigned.

Respectfully submitted,



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