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**Commission de l'énergie de l'Ontario**  
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**BY E-MAIL**

March 2, 2017

Margaret Nanninga  
Vice President Finance & CFO  
Kitchener-Wilmot Hydro Inc.  
P.O. Box 9010  
301 Victoria Street South  
Kitchener ON N2G 4L2

Dear Ms. Nanninga:

**Re: Applications for 2018 Electricity Rates**

This letter is in response to your letter expressing an interest to defer Kitchener-Wilmot Hydro Inc.'s (KWHL) rebasing of its rates beyond the 2018 rate year.

The OEB has reviewed your letter, as well as KWHL's financial and non-financial scorecard performance from 2011 to 2015. Based on this review, the OEB has concluded that it will not require KWHL's 2018 rates to be set on a cost of service basis. The OEB will place KWHL on the list of distributors whose rates will be scheduled for rebasing for the 2019 rate year. The OEB may reassess this conclusion as new scorecard performance information becomes available for 2016.

If KWHL intends to seek a rate adjustment for 2018 rates, the OEB expects KWHL to adhere to the process for Price Cap Incentive Rate-setting applications for the 2018 rate year.

If KWHL subsequently seeks a further deferral the OEB will consider whether the Annual Incentive Rate-setting Index method that was developed for distributors intending longer periods without rebasing should be applied. The OEB will also consider whether the filing of a distribution system plan would be required at that time.

Yours truly,

*Original signed by*

Kirsten Walli  
Board Secretary