

BY EMAIL

November 14, 2019

Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Long:

Re: Kitchener-Wilmot Hydro Inc. (Kitchener-Wilmot Hydro)
Application for 2020 electricity distribution rates
Ontario Energy Board (OEB) File Number: EB-2019-0049

In accordance with the Decision and Order, please find attached OEB staff's submission in the above proceeding. Kitchener-Wilmot Hydro and all intervenors have been copied on this filing.

Yours truly,

Original Signed By

Donald Lau
Project Advisor – Electricity Distribution: Major Rate Applications & Consolidations

Encl.

ONTARIO ENERGY BOARD

OEB STAFF SUBMISSION ON DRAFT RATE ORDER

2020 ELECTRICITY DISTRIBUTION RATES

Kitchener-Wilmot Hydro Inc.

EB-2019-0049

November 14, 2019

INTRODUCTION

Kitchener-Wilmot Hydro Inc. (Kitchener-Wilmot Hydro) filed a cost of service application with the Ontario Energy Board (OEB) on April 30, 2019 under section 78 of the *Ontario Energy Board Act, 1998* seeking approval for changes to the rates that Kitchener-Wilmot Hydro charges for electricity distribution, to be effective January 1, 2020. By its Decision and Order, dated October 17, 2019¹, the OEB accepted the settlement proposal and directed Kitchener-Wilmot Hydro to file a draft rate order (DRO) with updated 2020 cost of capital parameters, as contemplated in the settlement proposal. Kitchener-Wilmot Hydro filed its DRO on November 7, 2019.

Cost of Capital

In the approved settlement proposal, Kitchener-Wilmot Hydro agreed to update the cost of capital parameters when the parameters were issued. On October 31, 2019, the OEB issued the 2020 cost of capital parameters² and Kitchener-Wilmot Hydro has filed a DRO based on the updated return on equity, long-term debt rate, and short-term debt rate. The updated cost of capital parameters required that the revenue requirement, cost allocation, revenue-to-cost ratios, and fixed-to-variable splits be updated.

The changes to the cost of capital reduced the base revenue requirement from \$43,558,170 to \$41,876,328. OEB staff submits that the updated base revenue requirement, as a result of the changes to the cost of capital, is consistent with the Decision and Order in this proceeding.

The cost allocation model was updated for the return on deemed equity and deemed interest expense. The costs allocated to each rate class were updated as a result and consequently, the revenue-to-cost ratios were updated as a result of the cost allocation and updated revenue requirement. The updated revenue-to-cost ratio for the street lighting rate class remains outside the OEB's policy range at status quo ratios, as it was in the settlement proposal. Kitchener-Wilmot Hydro has used the same methodology as in the settlement proposal to bring the street lighting ratio within the policy range. The fixed-to-variable split was kept the same for all rate classes with the exception of the GS>50kW rate class. In the settlement proposal, Kitchener-Wilmot Hydro agreed to maintain the monthly fixed charge for the GS>50kW rate class at \$183.23. The fixed charge, in combination with the updated cost allocation, required the fixed-to-variable

¹ EB-2019-0049 Decision and Order, October 17, 2019

² Letter of the OEB: 2020 Cost of Capital Parameters, issued October 31, 2019

split to be updated. OEB staff has reviewed the cost allocation model, revenue-to-cost ratios, and fixed-to-variable splits and submits that it is consistent with the Decision and Order and the methodologies used in the settlement proposal.

Retail Service Charges and Pole Attachment Charge

OEB staff notes that Kitchener-Wilmot Hydro has updated the Retail Service Charges and Pole Attachment Charge in the Tariff of Rates and Charges by increasing the 2019 charge by the OEB's 2020 inflation rate. OEB staff submits that Kitchener-Wilmot Hydro has updated the charges based on the OEB's reports^{3,4} and the 2020 inflation price index, which was issued October 31, 2019⁵.

All of which is respectfully submitted

³ EB-2015-0304 Report of the OEB – Energy Retailer Service Charges, November 29, 2018

⁴ EB-2015-0304 Report of the OEB – Wireline Pole Attachment Charges, March 22, 2018

⁵ For the 2020 Inflation Factor, see Ontario Energy Board 2020 Electricity Distribution Rate applications – October 31, 2019.