



January 31, 2020

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, Ontario M4P 1E4

Dear Ms. Walli:

Re: **Oakville Hydro Electricity Distribution Inc.**
2021 Cost of Service Deferral Request – EB-2020-0045

On November 13, 2019, the Ontario Energy Board (the “OEB”) issued a letter identifying those electricity distributors that are scheduled to file a cost of service application for 2021 rates. In its letter, the OEB advised that those distributors that wish to request a deferral of rebasing beyond the 2021 rate year must send a letter to the OEB no later than January 31, 2020 stating the reasons for which the deferral of rebasing is being sought.

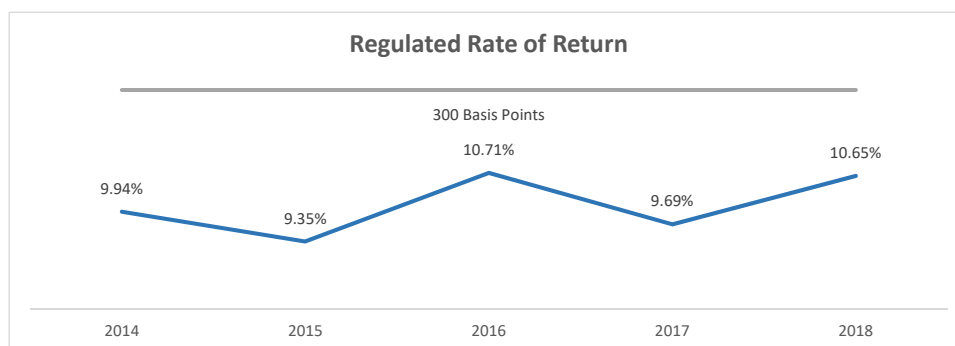
In addition, distributors are required to identify whether the deferral request is relying on the availability of incremental funding for 2021 rates beyond the mechanistic adjustments within incentive rate-setting applications under the Price Cap IR method and include pro forma return on equity and capital expenditures for the most recent year.

In Appendix A to its letter, the OEB acknowledged that Oakville Hydro Electricity Distribution Inc. (“Oakville Hydro”) had already requested to defer its 2021 rebasing. The purpose of this letter is to reaffirm Oakville Hydro’s deferral request, to advise the OEB of the reasons for which Oakville Hydro is requesting a deferral and of its intentions with respect to requests for incremental funding in its 2021 application.

REASONS FOR REQUESTING A DEFERRAL

Oakville Hydro’s request to defer its 2021 cost of service application is based on its past financial and non-financial performance and, where available, more current information.

- Oakville Hydro’s efficiency gains have enabled it to consistently achieve a regulatory rate of return on equity that is within 300 basis points of its deemed rate of return on equity of 9.36%.



- In its 2018 Electricity Scorecard, Oakville Hydro met or exceeded both the industry and distributor targets in all measures on the scorecard.
- Since 2015, Oakville Hydro has continuously improved its efficiency performance within efficiency group number three.

Based on Oakville Hydro's latest information, it expects that its reliability performance for 2019 will be moderately lower than it has been in previous years due to unusual events such as inclement weather and equipment failures. Oakville Hydro continues to prioritize its capital and operating expenditures to minimize future outages.

INTENT TO REQUEST INCREMENTAL FUNDING FOR 2021 RATES

It is Oakville Hydro's expectation that it will be directed to file for an adjustment to its 2021 rates under the Annual IR Index rate-setting method. Under this method, incremental funding under the OEB's Incremental Capital Module is not available to distributors. Therefore, Oakville Hydro does not intend to request incremental capital funding in its 2021 application.

Oakville Hydro has no intentions, at this time, of filing for incremental funding for the recovery of costs related to unforeseen events under the OEB's Z-Factor mechanism. In the event that an unforeseen event meets the OEB's eligibility requirements, Oakville Hydro will notify the OEB no later than six months after the event of its intention to submit a Z-Factor claim.

PRO FORMA RETURN ON EQUITY

Oakville Hydro's 2019 forecasted ROE is approximately 9.3%. Oakville Hydro is in the early stages of its year-end audit processes and it will finalize its 2019 financial statements and performance measures once that process is complete.

NET CAPITAL EXPENDITURES

Oakville Hydro's preliminary net capital expenditures for 2019 are \$20.4M, of which approximately 50% are system access projects. Oakville Hydro does not anticipate the same level of system access expenditures in 2020.

If you have any questions or require any additional information, please do not hesitate to contact me.

Sincerely,



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Oakville Hydro

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