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Vice-President, Finance & CFO

WATERLOO NORTH HYDRO INC.

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September 28, 2020

Dear E Fritz:

Thank you for your Letter of Comment submitted to the Ontario Energy Board (OEB) with respect to Waterloo North Hydro Inc.'s (WNH) proposed Cost of Service Rate Application for rates effective January 1, 2021. We appreciate all customer feedback and the time you took to submit your comments.

You mention a concern that you find the increase to be unreasonable and problematic due to Management's inability to manage its costs.

Rest assured the concern you raised is unfounded. WNH management carefully controls its costs. WNH is applying for an increase on the distribution rate to maintain and operate local electricity systems. It is used for new connections, road relocations and to service, rebuild and upgrade transformers, poles and wires. A significant portion of our system was installed in the 1960s and 1970s and these upgrades combined with our smart grid technology ensure a more reliable system and allow us to respond faster to outages.

The OEB evaluates the utilities based on a benchmarking model that is used to determine the cost efficiency of distributors. There are 5 cohorts with Cohort 1 being the most efficient and Cohort 5 being the least. The largest group making up 41% of all utilities are in Cohort 3. WNH has been in Cohort 3 since 2014 and is projected to be in Cohort 3 through 2021.

A challenge that WNH faces is that WNH's Service Area is 8% larger than Toronto Hydro's, but with 92% less customers. As in the past, WNH always looks for efficient and resourceful ways to continue providing a strong and reliable infrastructure covering a large service area with fewer customers to bear the costs.

The OEB's rate hearing process allows anyone to participate including customers and businesses. Expert intervenors, acting on behalf of consumers, will challenge the specifics of WNH's application to ensure costs are managed. A final decision on the application is expected by the end of the year.

Thank you again for your comments and please contact us again should you have questions or concerns.

Yours truly,

A handwritten signature in blue ink, appearing to read "A.P. Singh".

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