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November 12, 2020

**BY RESS**

Ms. Christine Long, Registrar  
ONTARIO ENERGY BOARD  
2300 Yonge Street, 27<sup>th</sup> Floor, P.O. Box 2319  
TORONTO, ON M4P 1E4

**Re: Board File No. EB-2020-0035  
Kitchener-Wilmot Hydro Inc. - Licence No. ED-2002-0573  
Reply Submission**

Dear Ms. Long:

On August 17, 2020, Kitchener-Wilmot Hydro Inc. ("KWHI") submitted its IRM Application to the Ontario Energy Board ("the Board") for rates effective January 1, 2021. As per Procedural Order No. 1, the reply submission is due November 12, 2020. KWHI now submits its reply submission.

Contact the undersigned should you require any further information.

Respectfully submitted,

*Original Signed By:*

Margaret Nanninga, MBA, CPA, CGA  
Vice President Finance & CFO

kb/attachments

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*,  
S.O. 1998, c.15, (Schedule B).

**AND IN THE MATTER OF** an Application by Kitchener-Wilmot Hydro Inc. to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable distribution rates and other service charges to be effective January 1, 2021.

1        **Introduction**

2        Kitchener-Wilmot Hydro Inc. (KWHI) filed an incentive rate-setting mechanism (IRM)  
3        Application with the Ontario Energy Board (OEB) on August 17, 2020 under section  
4        78 of the Ontario Energy Board Act, 1998 (OEB Act) seeking approval for changes  
5        to its electricity distribution rates to be effective January 1, 2021.

6        No intervenor requested status in relation to the Application. The OEB issued  
7        Procedural Order No. 1 on September 23, 2020. Board staff filed interrogatories on  
8        October 1, 2020, KWHI replied on October 15, 2020. OEB staff filed its submission  
9        on October 28, 2020.

10       OEB staff, in its submission, had no concerns with KWHI's proposed Price Cap  
11       Adjustment or its Retail Transmission Service Rates (RTSRs).<sup>1</sup>

12       OEB staff made detailed submissions on the following:

- 13       • Group 1 Deferral and Variance Accounts (“DVAs”)  
14       • Lost Revenues Adjustment Mechanism Variance Account (“LRAMVA”)

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<sup>1</sup> EB-2020-0035, OEB Submission, page 1



1           • Renewable Generation Connection Rate Protection (“RGCRP”)

2           OEB staff supported KWHI’s request to dispose of its Group 1 DVAs on a final  
3           basis<sup>2</sup>. In addition, OEB staff submits that KWHI’s LRAMVA balance is calculated in  
4           accordance with the OEB’s related guidelines and LRAMVA policy. OEB staff  
5           supported KWHI’s submission for Account 1568 LRAMVA disposition amount.<sup>3</sup>

6           KWHI is seeking final disposition of the RGCRP. Board staff submits that KWHI has  
7           established that it is eligible for the funding in principle. Board staff stated in its  
8           submission that KWHI has failed to provide all the information required by the OEB  
9           to accept such a request. OEB staff has consented to KWHI filing new evidence in  
10          this reply submission.<sup>4</sup>

11          KWHI filed a basic Green Energy Plan which was approved by the Board in its 2014  
12          Cost of Service application (EB-2013-0147).<sup>5</sup> The Green Energy Plan was filed in  
13          accordance with the *Filing Requirements: Distribution System Plans – Filing under*  
14          *Deemed Conditions of Licence (EB-2009-0397)* which requires distributors to identify  
15          the costs related to the connection of FIT and microFIT projects and/or to the  
16          implementation of a smart grid. As per Table 4 of the Green Energy Plan, KWHI’s  
17          2014 through 2017 forecasted renewable generation capital and operating  
18          expenditures are shown in Table 1 below:

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<sup>2</sup> EB-2020-0035, OEB staff submission, page 3

<sup>3</sup> EB-2020-0035, OEB staff submission, page 6

<sup>4</sup> EB-2020-0035, OEB staff submission, page 11

<sup>5</sup> EB-2013-0147, Exhibit 2, Tab 7



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**Table 1**

Capital Projects	Forecast				
	2014	2015	2016	2017	Total
Renewable Generation	-	15,000	80,000	80,000	175,000
Smart Grid Capital	-	-	-	-	-
	<u>-</u>	<u>15,000</u>	<u>80,000</u>	<u>80,000</u>	<u>175,000</u>
OM&A	Forecast				
	2014	2015	2016	2017	Total
Renewable Generation	25,000	25,000	25,000	25,000	100,000
Smart Grid Capital	5,000	5,000	5,000	5,000	20,000
	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>120,000</u>
Total	<u>30,000</u>	<u>45,000</u>	<u>110,000</u>	<u>110,000</u>	<u>295,000</u>

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KWHI did not plan any smart grid capital investments.

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In KWHI's 2014 Cost of Service Application (EB-2013-0147), the filed basic Green Energy Plan anticipated 10-12 FIT projects per year between 2014 and 2017<sup>6</sup>.

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Additionally, microFit projects were projected to be between 100 and 120 per year over the same period. This data is shown in Table 2 below:

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**Table 2**

Projects Forecast	2014	2015	2016	2017	Total
	FIT	10 - 12	10 - 12	10 - 12	10 - 12
microFit	100 - 120	100 - 120	100 - 120	100 - 120	400-480

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<sup>6</sup> EB-2013-0147, Exhibit 2, Tab 7, Basic Green Energy Plan, Table 3



1 Capital expenses for renewable generation projects were for SCADA programming  
2 and Station P&C upgrades. KWHI anticipated FIT projects that exceeded 250 kW  
3 would require SCADA programming and wiring changes in KWHI's control room.  
4 Only two FIT projects exceeded this capacity, but no capital costs were deferred for  
5 these projects. If a FIT project exceeded 1MW, KWHI anticipated requiring a  
6 transfer trip. No project that KWHI connected exceeded 1MW and thus no transfer  
7 trips were required.

8 Smart grid OM&A costs were limited to attending conferences and workshops. Any  
9 costs that may have been incurred were not deferred.

10 The Green Energy Plan filed by KWHI in EB-2013-0147 anticipated that renewable  
11 generation OM&A costs were for the hiring of co-op students and overtime for  
12 permanent staff to enable and assist with the administration and connection of  
13 microFit projects – a qualifying generation facility. Students were hired during the  
14 summer and fall when demand for microFit connections were high. All incremental  
15 labour costs were considered incremental startup costs and were therefore tracked  
16 and deferred.

17 Details and dates the capital costs were incurred were included in EB-2013-0147<sup>7</sup>.  
18 There have been no additional capital costs incurred in the period 2014 – 2018.  
19 Appendix 2-FA and 2-FB are correctly filled out, reflecting no additional capital costs.

20 In FIT and microFit projects, most capital costs were borne by the project owner.  
21 KWHI incurred incremental labour costs to administer and connect microFit and FIT  
22 projects, including site visits, preparing offers to connect, and answering customer  
23 inquiries. OM&A start-up costs continued until the procurement of microFit projects

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<sup>7</sup> EB-2013-0147, Exhibit 9, Table 9-17



1 was discontinued. There have been no incremental labour costs incurred for the  
 2 enabling of microFit projects since the program was discontinued.

3 In KWHI's Settlement Proposal for EB-2013-0147, the Parties accepted KWHI's  
 4 basic Green Energy Plan which only included historical costs up to December 31,  
 5 2012. No other costs were included in the revenue requirement.<sup>8</sup>

6 KWHI connected less projects than expected incurring less incremental labour than  
 7 planned as shown in Tables 3 and 4 below.

8 **Table 3**

Capital Projects	<b>Actual</b>					<b>Total</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	
Renewable Generation	-	-	-	-	-	-
Smart Grid Capital	-	-	-	-	-	-
	-	-	-	-	-	-
<b>OM&amp;A*</b>	<b>Actual</b>					
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Total</b>
Renewable Generation	38,771	6,988	8,105	41,296	2,791	97,951
Smart Grid Capital	-	-	-	-	-	-
	<u>38,771</u>	<u>6,988</u>	<u>8,105</u>	<u>41,296</u>	<u>2,791</u>	<u>97,951</u>
	<u>38,771</u>	<u>6,988</u>	<u>8,105</u>	<u>41,296</u>	<u>2,791</u>	<u>97,951</u>

9 \* excluding interest

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<sup>8</sup> EB-2013-0147, Settlement Proposal, Page 46



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**Table 4**

Actual Projects	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Total</b>
FIT	11	13	1	0	6	31
microFit	67	100	68	129	133	497

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In summary, KWHI is seeking, on a final basis, start-up costs for renewable generation projects connected in the period 2014-2018 and on-going depreciation of capital assets acquired to enable these connections. As per Appendix 2-FB filed with the interrogatories<sup>9</sup>, the updated request for RGCRP shown in Table 5 below is:

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**Table 5**

	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Rate protection requested	106,826	9,717	9,586	9,426	9,251

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KWHI reinforces that at no time did it apply for or receive any funding for the incremental costs that it incurred for the years 2014 through 2017 of RGCRP.

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All of which is respectfully submitted.

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<sup>9</sup> EB-2020-0035, Interrogatory Responses, Staff-2