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December 15, 2020

BY EMAIL

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

Re: Retail Transmission Rate – Network Service

Dear Ms. Long:

This letter is to advise the Board of an error Kitchener Wilmot Hydro Inc. (“KWHI”) has recently been made aware of in its Network Service charges paid to the IESO and to seek guidance on future collection and disposition. There are two issues – the collection from customers of amounts not collected since June 2015 and the 2021 Retail Transmission Rate – Network Service being insufficient to cover the additional charges that will be incurred.

On November 27th, 2020, the IESO informed KWHI that one of KWHI’s meters had been originally entered into the IESO’s system incorrectly with an end date of June 8th, 2015. Since that date, KWHI has not been charged network service charges (CT 650) for one delivery point and as a result KWHI has also not charged its customers for these network service charges. A very preliminary estimate of the missed charges is \$5 million. In addition, when calculating Retail Transmission Rates – Network Service for 2021, KWHI did not include the historical volume or charges from this missing delivery point as neither KWHI or the IESO were aware that the error existed and thus, the impacts were unknown at the time of the rate application. The result is an insufficient charge to KWHI’s customers.

As per a Board letter issued October 31, 2019, KWHI is taking this step to inform the Board of this error. KWHI was not in control of this error and it has followed all accounting guidance provided by the OEB in determining the network service charge to its customers and in disposing of its Group 1 deferral and variance accounts.

The IESO has reset the end date for the affected meter. Effective December 1, 2020, KWHI will be paying an additional \$80,000 to \$100,000 per month in Network Service Charges. As calculated in KWHI’s current IRM rate application, the Retail Transmission Rate – Network Service Rate calculated will be insufficient to collect the full charges KWHI will incur in 2021.



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In KWHI's current rate Decision (EB-2020-0035), Retail Transmission Rate – Network Service rates are decreasing an average of 1.7%. A preliminary estimate from the IESO of estimated 2019 charges and volumes for the missing delivery point shows Retail Transmission Rate – Network Service rates should instead increase an average of 7.4%.

As these are pass through charges, KWHI is seeking guidance for disposition once the quantum of the error is known. The size of the error will result in a one-time significant cash outflow, creating a large regulatory asset. This regulatory asset will continue to increase every month as the result of the insufficient Retail Service Charge rate in place for 2021. This will further impact cash flows for KWHI. KWHI plans to apply for disposition of this regulatory asset as soon as possible to reduce cash flow pressures and bill impacts to its customers.

Questions or concerns in this matter should be addressed to the undersigned.

Respectfully submitted,

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