



December 31, 2015

**BY EMAIL/COURIER**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON  
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Dear Ms. Walli,

**RE: Whitby Hydro Electric Corporation**

**Re: Applications for 2017 and 2018 Electricity Rates**

In May 2015, Whitby Hydro requested and subsequently received approval of a cost of service deferral to 2017. The request was based on a number of items of consideration including:

- Modest levels of customer growth since 2009 which are not expected to change significantly in upcoming years
- Additional time to develop and refine the Distribution System Plan ("DSP") and a desire to align major capital investments in the distribution system with a cost of service application to reduce the likelihood of requiring an Incremental Capital Module ("ICM") during an IRM year.
- Stable financial measurements for the organization including a return on equity within the approved threshold level.
- Good reliability
- Willingness to address the balance accumulating in Account 1576 – CGAAP Account Changes outside of a cost of service process in order to ensure the benefit (credit) to customer bills is not delayed.

In its letter, Whitby Hydro indicated that it would re-assess the status of key indicators, growth and investment needs in its service territory to determine its plans for the next cost of service application. On this basis, Whitby Hydro has reviewed the 2015 performance to date for the key areas (above) and determined that very little has changed. Customer growth is well below 1% year-to-date with only modest levels expected into 2018. Net capital investments are expected to be stable and supported by existing rates. Significant investments in municipal stations are scheduled for completion in 2017-2018 and the preferred approach would be to include these in a cost of service (versus ICM). The tables and information related to Return on Equity (ROE) and Reliability that were provided in Whitby Hydro's May 2015 letter have been updated to include information related to 2015 which demonstrate continued stability in these areas.

Regulated Rate of Return on Deemed Equity			
	2013	2014	2015 Projection
ROE - Per RRR 2.1.5.6	14.54%	13.90%	11.00%
ROE - Adjusted for Taxes	11.77%	11.17%	9.00%
ROE - Approved 2011 Cost of Service	9.66%	9.66%	9.66%

The OEB has previously reviewed Whitby Hydro's 2013 and 2014 ROE (adjusted for taxes) and confirmed that it is appropriately within the threshold of 300 basis points. While 2015 ROE is projected to be lower than the previous two years, it continues to be within the threshold.

Reliability - excluding Loss of Supply						
	2011	2012	2013	2014	2015 YTD Nov	Average*
SAIDI - reported in RRR	1.43	0.96	4.95	1.89	1.33	2.11
<b>SAIDI - excluding major events**</b>	<b>1.43</b>	<b>0.96</b>	<b>0.93</b>	<b>0.61</b>	<b>1.06</b>	<b>1.00</b>
SAIFI - reported in RRR	1.73	1.29	2.80	2.32	1.38	1.90
<b>SAIFI - excluding major events**</b>	<b>1.73</b>	<b>1.29</b>	<b>0.87</b>	<b>1.13</b>	<b>1.26</b>	<b>1.26</b>

\* Average since rebasing in 2011

\*\* Major events - 2013 ice storm; 2014 lightning storm and substation switchgear failure; 2015 weather related pole fire

The 2015 year-to-date reliability measures are tracking close to the four year average (excluding major events). On March 3, 2015, Whitby Hydro (like many other electricity distributors in the GTA) experienced customer outages as a result of a weather related pole fire (caused by freezing rain and changing temperatures combined with road salt residue). This significant outage made up 20% of the recorded outage hours for reliability reported up to November 2015.

Whitby Hydro also considered:

- Whether it was necessary to have ratepayers bear the additional costs that are incurred to support a cost of service application process during years which are otherwise stable, both financially and with respect to key performance measures.
- The OEB's recent letter dated December 29, 2015 further indicates that due to an imbalance of electricity distributors scheduled to file a cost of service application over the next two years, interested distributors are invited to submit expressions of interest for a deferral to rebase for 2018 rates.

After consideration of all areas, Whitby Hydro requests that the Board approve a 1 year cost of service deferral to 2018.

Whitby Hydro is aware that its last rebasing was for 2011 rates, and that the Board has granted previous deferral requests (2). In light of this, Whitby Hydro also offers the following additional information to assist the Board in its decision to permit a cost of service deferral to 2018:

- Whitby Hydro continues to prepare and update its DSP. If the Board determined that a DSP was required outside of a cost of service application process, Whitby Hydro would work collaboratively with the Board to determine the expectations and timing in 2016.
- Whitby Hydro is aware of the importance of customer engagement activities and has initiated efforts to ensure that this focus is in place to assist in educating our customers; improve customer service and for consideration in planning.
- Whitby Hydro prepared and recently received approval for a separate application to address a rate adder (credit) related to disposition of Account 1576. Should a cost of service deferral to 2018 be granted, Whitby Hydro is committed to filing a similar application in 2016 to ensure that the 1576 balances continue to be advanced to customers in a timely fashion outside of the cost of service process.
- Whitby Hydro has advised Board Staff that a new large user customer will likely be coming to Whitby. There is a large degree of uncertainty as to when the customer will be operational; the timing of reaching full load; and the levels of load and peak demand. Additional time would be beneficial to help gain additional understanding as to the timing and load profile of this customer. While there is some uncertainty, Whitby Hydro does not expect this customer to be connected until late 2017 and reach larger user status in 2018 (earliest).

Please feel free to contact me if you have any questions.

Regards,

*original signed by*

Susan Reffle  
Vice-President