



February 14, 2007

Ontario Energy Board  
P.O. Box 2319, 27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, ON  
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Attention: Board Secretary

**Re: Multi-year Electricity Distribution Rate Setting Plan  
Selection of Electricity LDCs for Rebasing  
Board File No. EB- 2006-0330**

On December 19, 2006 the Ontario Energy Board (the “OEB”) issued a discussion paper – Screening Methodology to Establish a Rebasing Schedule for Electricity LDCs. The discussion paper provides proposed criteria for determining which LDCs will engage in rate rebasing in each of the years 2008, 2009 and 2010. The criteria listed are Financial Attributes, Special Situations and Self-Nomination. The proposed date for LDCs to express interest in a preferred rebasing year is February 16, 2007.

Espanola Regional Hydro Distribution Corp. (ERHDC) requests that it be included in the first group of LDCs for rate rebasing in 2008. ERHDC notes the following items for the Board to consider when reviewing this request:

- ERHDC’s return on rate base was 1.5% in 2005, it is estimated (pending final audited data) to be -2.51% in 2006 and budgeted at 2.6% in 2007 compared to the regulated return of 7.00%,
- As the Board noted in its Decision and Order regarding ERHDC’s 2006 rates, it was concerned about the reliability of the 2004 financial statements which supported the 2006 rate application. ERHDC believes that since the service company, which up until 2005 had provided operating, maintenance and management services to ERHDC, is no longer active the 2006 and budgeted 2007 financial statements provide a more reliable picture of utility operations. The Board as well expressed concerns as to the financial health of the utility. ERHDC has instituted a number of changes to address short term cash issues, but has concerns with the longer term that could be addressed by being included in the first group of LDCs for rate rebasing.
- ERHDC’S 2006 revised rates were not effective until October 18, 2006,

- ERHDC is undertaking a financial structure (debt to equity) review in 2007 in order to move its capitalization structure to be more in line with the Board's deemed capitalization structure. In this regard, ERHDC would benefit by having rates in place in 2008 which reflect the revised structure and the PILs associated with the revised structure.

Signed on this 14<sup>th</sup> day of February, 2007 at Sault Ste. Marie on behalf of the Board of Directors of Espanola Regional Hydro Distribution Corp. by:

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Terry, Greco, CA  
V.P. Financial Services  
PUC Services Inc.