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BY E-MAIL

January 26, 2012

**To: All Licensed Electricity Distributors
All Other Interested Parties**

Re: Electricity Distributors Scheduled to Apply for Rebasing for 2013 Rates

This letter identifies the list of distributors that are expected to file a cost of service application in respect of their 2013 rates.

Background

The *Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* (the "IR Report"), issued on July 14, 2008, establishes a three year plan term for 3rd generation incentive regulation ("IR") (i.e., rebasing plus three years). The rates of a distributor are not expected to be subject to rebasing before the end of the plan term other than through an eligible off ramp.

In its October 27, 2010 letter regarding the development of a Renewed Regulatory Framework for Electricity ("RRFE"), the Board announced that it was extending the 3rd generation IR plan until such time as the RRFE policy initiatives have been substantially completed. As such, the four-year rate-setting cycle (i.e., rebasing plus three years of 3rd generation IR) remains in place for the time being.

Distributors Expected to Rebase for 2013

The Board expects that distributors whose rates were last rebased in 2009 will file their 2013 rate applications on a cost of service basis. In addition, last year the Board accepted requests from five distributors to defer their rebasing applications from the 2012 rate year to the 2013 rate year. The list of distributors attached as Appendix A to this letter includes distributors that fall into these two categories.

A distributor that is on the list attached as Appendix A to this letter and that believes that its next cost of service application should be deferred beyond the 2013 rate year must notify the Board in writing as soon as possible, and in any event no later than March 1, 2012, including the reasons for which deferral of rebasing is being sought. The Board will consider, among other relevant factors, the distributor's financial position as well as

its performance with respect to system reliability indicators and electricity service quality requirements/indicators as reported to the Board.

A distributor requesting deferral of rebasing should include in its letter a calculation of its return on equity and return on rate base for both 2010 and 2011, with an explanation of the drivers for the levels of return. These calculations should be provided based on both the actual and deemed capital structures. Notwithstanding the distributor's request, the Board may, if appropriate and having regard to the distributor's financial circumstances and other relevant factors, nonetheless require that the distributor's 2013 rates be set on a cost of service basis.

A distributor that proposes to file a cost of service application for 2013 rates, and that is not on the list attached as Appendix A to this letter, must notify the Board in writing as soon as possible, and in any event no later than March 1, 2012. In keeping with the Board's approach as set out in its April 20, 2010 letter, a distributor that seeks to have its rates rebased earlier than scheduled must justify, in its cost of service application, why early rebasing is required and why and how the distributor cannot adequately manage its resources and financial needs during the remainder of the 3rd generation IR plan term.

Filing Timelines

The Board expects to issue further refinements to the cost of service filing guidelines in Chapter 2 of the *Filing Requirements for Transmission and Distribution Applications* by June 2012. Applicants are encouraged to file cost of service applications for 2013 rates no later than August 31, 2012 for rates to become effective May 1, 2013. Applicants that wish to request cost of service rates effective January 1, 2013 are encouraged to file their applications sooner, and no later than April 27, 2012. It is the Board's expectation that distributors filing applications in advance of any revisions to the *Filing Requirements* will update their applications in due course to address any material changes that may be reflected in the revised *Filing Requirements*.

Sincerely,

Original Signed By

Kirsten Walli
Board Secretary

Electricity Distributors Scheduled to Apply for Rebasing for 2013 Rates

APPENDIX A

1	Brantford Power Inc.
2	Bluewater Power Distribution Corporation
3	Centre Wellington Hydro Ltd.
4	Canadian Niagara Power Inc. - Fort Erie, Port Colborne & Eastern Ontario Power
5	COLLUS Power Corporation
6	Enersource Hydro Mississauga Inc.
7	EnWin Utilities Ltd.
8	Fort Frances Power Corp.
9	Greater Sudbury Hydro Inc.
10	Hydro One Remote Communities Inc.
11	Innisfil Hydro Distribution Systems Limited
12	Lakeland Power Distribution Ltd.
13	London Hydro Inc.
14	Midland Power Utility Corporation
15	Niagara-on-the-Lake Hydro Inc.
16	Northern Ontario Wires Inc.
17	Peterborough Distribution Inc.
18	PowerStream Inc.
19	P.U.C. Distribution Inc.
20	Sioux Lookout Hydro Inc.
21	Thunder Bay Hydro Electricity Distribution Inc.
22	Tillsonburg Hydro Inc.
23	Welland Hydro-Electric System Corp.
24	West Coast Huron Energy Inc.
25	Westario Power Inc.