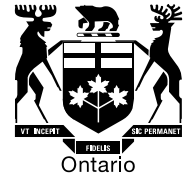


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**BY E-MAIL**

December 11, 2012

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

**Re: Applications for 2014 Electricity Rates**

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This letter sets out the Board's expectations regarding the filing of cost of service applications for the 2014 rate year. It identifies the distributors that are scheduled to apply to have their rates rebased for 2014 (the "2014 Rebasing List"), based on the date of their last cost of service application under the Board's 3<sup>rd</sup> Generation Incentive rate plan ("3<sup>rd</sup> Generation IR") and assuming they opt for the new Fourth Generation Incentive Rate-setting method ("4<sup>th</sup> Generation IR"). The 2014 Rebasing List is set out in Appendix A to this letter.

This letter also sets out the deadlines by which notice must be given to the Board in respect of various matters relating to the setting of 2014 rates, and by which cost of service applications for 2014 rates are expected to be filed. These deadlines are listed in Appendix B to this letter.

### **Background**

As set out in the *Report of the Board: A Renewed Regulatory Framework for Electricity* (the "RRFE Report"), starting with 2014 rates three alternative rate-setting methods will be available to electricity distributors: 4<sup>th</sup> Generation IR; Custom Incentive Rate-setting ("Custom IR"); and Annual Incentive Rate-setting Index.

The RRFE Report sets out a transition plan to facilitate the early adoption of the three new rate-setting methods, and the 2014 Rebasing List and this letter reflect that transition plan.

### **Inclusion on the 2014 Rebasing List and Cost of Service Application Deadline**

The distributors that have been included on the 2014 Rebasing List are those whose rates would have been scheduled for rebasing for 2014 rates under 3<sup>rd</sup> Generation IR.

These are distributors whose rates were last set based on a cost of service application for the 2010 rate year, as well as three distributors that were scheduled to have their rates rebased for the 2013 rate year but whose rate rebasing was deferred by one year at their request.

All of the distributors on the 2014 Rebasing List currently have rate years that commence on May 1. A distributor that is on the 2014 Rebasing List and that intends to continue with rates effective May 1 is expected to file its 2014 rate application on a cost of service basis no later than **October 1, 2013**, unless the distributor intends to select to have its rates set using either the Custom IR or the Annual Incentive Rate-setting Index method (see below).

### **Adjustments to the 2014 Rebasing List**

#### Distributors Included on the 2014 Rebasing List Who Request Rates Effective January 1

A distributor that is on the 2014 Rebasing List but who plans to seek the Board's approval to apply for rates effective January 1 has two options, as set out in the RRFE Report:

- i. Option 1: Have its rates rebased for January 1, 2014 using the current 3rd Generation IR filing requirements (in other words, without the 5 year consolidated capital plan that is part of the 4<sup>th</sup> Generation IR filing), and remain under IR for 4 years in total (rebasings plus 3 years) with rates adjusted annually using the 4th Generation IR annual adjustment. Under this option, the distributor's cost of service rate application should be filed no later than **April 26, 2013**.
- ii. Option 2: Delay rebasing by one year, and file a cost of service application for rates effective January 1, 2015 in accordance with the 4<sup>th</sup> Generation IR filing requirements (including the consolidated capital plan filing requirement). The total term of rates set on this basis will be 5 years. The deadline for the filing of these cost of service applications for January 1, 2015 rates will be established by the Board at a later date.

A distributor that is on the 2014 Rebasing List and that intends to seek approval to move to a January 1 rate year must so notify the Board in writing as soon as possible, and in any event no later than **February 1, 2013**, and must specify which of the two above options it intends to select.

#### Additions to the List Based on the Nature of the Last Cost of Service Proceeding

If a distributor is of the opinion that, based on the nature of their last cost of service proceeding, they should have been included on the 2014 Rebasing List, the distributor must send a letter to the Board by **February 1, 2013** with supporting rationale for why they think they should be on the 2014 Rebasing list.

### Distributors that Intend to File an Early Rebasing Application

A distributor that is not included on the 2014 Rebasing List but wishes to have its 2014 rates set on a cost of service basis under the 4<sup>th</sup> Generation IR method must so notify the Board in writing as soon as possible, and in any event no later than **April 26, 2013**. In keeping with the Board's approach to early rebasing as set out in its April 20, 2010 letter and reaffirmed in the RFE Report, a distributor that seeks to have its rates rebased earlier than scheduled must clearly demonstrate, 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 remaining years of its 3<sup>rd</sup> Generation IR plan term.

### Distributors that Intend to Request Deferral of Rebasing

A distributor that has been included on the 2014 Rebasing List and that believes that its next cost of service application should be deferred beyond the 2014 rate year (other than by reason of moving to a January 1 rate year and selecting option 2 as discussed above) must send a letter to the Board as soon as possible, and in any event no later than **February 1, 2013**. That letter should include 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 as reported to the Board.

### Removal from the List Based on Selection of Custom IR or Annual Incentive Rate-setting Index Methods

A distributor that has been included on the 2014 Rebasing List and that intends to select either the Custom IR or the Annual Incentive Rate-setting Index method for 2014 rates must so notify the Board in writing as soon as possible and in any event no later than **April 26, 2013**.

Distributors contacting the Board in respect of this letter may do so at [BoardSec@ontarioenergyboard.ca](mailto:BoardSec@ontarioenergyboard.ca).

Sincerely,

*Original Signed By*

Kirsten Walli  
Board Secretary

## APPENDIX A

## Electricity Distributors Scheduled to Apply for Rebasing for 2014 Rates

1	Burlington Hydro Inc.
2	Cambridge and North Dumfries Hydro Inc.
3	Cooperative Hydro Embrun Inc.
4	Essex Powerlines Corporation
5	EnWin Utilities Ltd.
6	Festival Hydro Inc.
7	Fort Frances Power Corp.
8	Haldimand County Hydro Inc.
9	Hearst Power Distribution Company Limited
10	Hydro Hawkesbury Inc.
11	Kitchener - Wilmot Hydro Inc.
12	Niagara-on-the-Lake Hydro Inc.
13	Newmarket-Tay Power Distribution Ltd.
14	North Bay Hydro Distribution Ltd.
15	Oakville Hydro Electricity Distribution Inc.
16	Orangeville Hydro Ltd.
17	Orillia Power Distribution Corporation
18	Ottawa River Power Corporation
19	Renfrew Hydro Inc.
20	Veridian Connections Inc.

## APPENDIX B

## Summary of Deadlines

Action	Board Deadline
Letter from any distributor of the opinion that, given the circumstances of its last cost of service proceeding, it should have been included on the 2014 Rebasing List	February 1, 2013
Letter from any distributor included on the 2014 Rebasing List who wishes to defer rebasing beyond 2014, other than by reason of seeking approval to move to a January 1 rate year (see below)	February 1, 2013
Notification from any distributor included on the 2014 Rebasing List who plans to seek approval to move to a January 1 rate year	February 1, 2013
Notification from any distributor on the 2014 Rebasing List who will be selecting either the Custom IR or Annual Incentive Rate-setting Index method and therefore will not be filing a cost of service rate application for 2014 rates	April 26, 2013
Notification from any distributor that is not included on the 2014 Rebasing List but who plans to file a cost of service application for 2014 rates under the 4 <sup>th</sup> Generation IR method (early rebasing)	April 26, 2013
Deadline for cost of service applications for January 1, 2014 rates (using 3 <sup>rd</sup> Generation IR filing requirements)	April 26, 2013
Deadline for cost of service applications for May 1, 2014 rates (using 4 <sup>th</sup> Generation IR filing requirements)	October 1, 2013