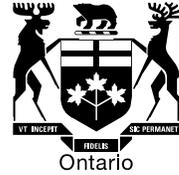


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## **BY E-MAIL AND WEB POSTING**

April 20, 2010

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

**Re: Early Rebasing Applications**

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This letter addresses the issue of electricity distributors filing rate applications to have their rates set through a cost of service proceeding earlier than scheduled.

### **Background**

In 2006, the Board established a multi-year rate setting plan for electricity distributors. The plan calls for electricity distributors to have their rates set on a cost of service basis only once over a period of several years, with rates being set using an incentive regulation mechanism ("IRM") in the intervening years. As determined in March, 2009, 16 distributors were scheduled to have their rates rebased in 2011. Two distributors, originally scheduled to file for rebasing in 2010, have since requested that the rebasing of their rates be deferred to 2011, and the Board accepted those requests. On that basis, 18 distributors were scheduled by the Board to have their rates rebased in 2011, as shown in Appendix A. The Board has now received letters from four distributors indicating that they intend to file cost of service applications to have their rates rebased in 2011 rather than in 2012 as scheduled.

The Board has consulted distributors and other interested parties in relation to the development of the IRM (2<sup>nd</sup> and 3<sup>rd</sup> generations) as well as in relation to the list of distributors whose rates are to be rebased in any given year.

The Board's rate-setting policies are such that distributors are expected to be able to adequately manage their resources and financial needs during the term of their IRM plan. The Board's multi-year rate setting approach does contemplate that some distributors may legitimately need to have their rates rebased earlier than originally

scheduled, by making provision for an “off-ramp”. The conditions under which the “off-ramp” applies reflect the Board’s view of the circumstances that justify a departure from the plan schedule that would otherwise be applicable.

### **Early Rebasing Applications**

A distributor, including the four distributors referred to above, that seeks to have its rates rebased in advance of its next regularly scheduled cost of service proceeding must justify, in its cost of service application, why an early rebasing is required notwithstanding that the “off ramp” conditions have not been met. Specifically, the distributor must clearly demonstrate why and how it cannot adequately manage its resources and financial needs during the remainder of its IRM plan period. Distributors are advised that the panel of the Board hearing the application may consider it appropriate to determine, as a preliminary issue, whether the application for rebasing is justified or whether the application as framed should be dismissed.

Distributors are also advised that the Board may, where an application for early rebasing does not appear to have been justified, disallow some or all of the regulatory costs associated with the preparation and hearing of that application, including the Board’s costs and intervenor costs. In other words, the Board may order that some or all of those costs be borne by the shareholder.

Any distributor that proposes to file a cost of service application for 2011 rates, and that is not on the list attached as Appendix A to this letter, must so notify the Board in writing as soon as possible, and in any event no later than May 31, 2010, if it has not done so already.

Any questions relating to the above should be directed to the Market Operations Hotline at [market.operations@oeb.gov.on.ca](mailto:market.operations@oeb.gov.on.ca) or 416-440-7604.

Yours truly,

*Original signed by*

John Pickernell  
Assistant Board Secretary

Attachment: Appendix A -Selection of Electricity Distributors for Rate Rebasing in 2011

**Selection of Electricity Distributors for Rate Rebasing in 2011****APPENDIX A**

1	Attawapiskat Power Corporation
2	E.L.K. Energy Inc.
3	Fort Albany Power Corporation
4	Grimsby Power Incorporated
5	Hydro One Brampton Networks Inc.
6	Kashechewan Power Corporation
7	Kenora Hydro Electric Corporation Ltd
8	Kingston Electricity Distribution Limited
9	Milton Hydro Distribution Inc.
10	Niagara Peninsula Energy Inc.
11	Parry Sound Power Corporation
12	St. Thomas Energy Inc.
13	Toronto Hydro-Electric Systems
14	Wasaga Distribution Inc.
15	Waterloo North Hydro Inc.
16	Woodstock Hydro Services Inc.
17	Brant County Power Inc.
18	Fort Frances Power Corporation