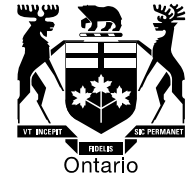


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BY E-MAIL

March 1, 2011

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

Re: Electricity Distributors Scheduled to Apply for Rebasing for 2012 Rates

This letter identifies the list of distributors that are expected to file a cost of service application in respect of their 2012 rates.

Background

The Board has followed a multi-year electricity distribution rate-setting plan for a number of years based on an approach whereby the rates of all electricity distributors would be rebased over the three-year period covering 2008, 2009 and 2010. In 2009, the Board extended the plan to cover the 2011 rate year.

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

In accordance with the multi-year rate-setting plan, the rates of each distributor would be rebased in only one of the years 2008, 2009, 2010 or 2011. Leading up to the year of rebasing, a distributor would be on the 2nd generation IR plan. Following the year of rebasing, a distributor would be subject to 3rd generation IR for a fixed term of three years.

In its October 27, 2010 letter regarding the development of a Renewed Regulatory Framework for Electricity (“RRF”), the Board announced that it was extending the 3rd generation IR plan until such time as three RRF 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 2012

The Board expects that distributors whose rates were last rebased in 2008 will file their 2012 rate applications on a cost of service basis. In addition, seven distributors whose rates have not been rebased under the 3rd generation IR plan are also expected to file for a cost of service rate adjustment for 2012 rates. 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 2012 rate year must notify the Board in writing as soon as possible, and in any event no later than **April 29, 2011**, including the reasons for which deferral of rebasing is being sought. The Board may, if appropriate having regard to the distributor’s financial circumstances and other relevant factors, nonetheless require that the distributor’s 2012 rates be set on a cost of service basis.

A distributor that proposes to file a cost of service application for 2012 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 **April 29, 2011**, if it has not done so already. 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.

As was the case in the three early rebasing applications heard in 2011, the panel of the Board hearing an early rebasing application may consider it appropriate to determine, as a preliminary issue, whether or not to proceed with the application as framed. Distributors are also reminded that, where an application for early rebasing does not appear to have been justified, the Board may 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.

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 2011. Applicants are encouraged to file cost of service applications for 2012 rates as soon as possible, and no later than **August 26, 2011** for rates to become effective May 1, 2012. Applicants that wish to request cost of service rates effective January 1, 2012, are encouraged to file their applications sooner, and no later than **April 29, 2011**. 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*.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary

Electricity Distributors Scheduled to Apply for Rebasing for 2012 Rates

APPENDIX A

1	Atikokan Hydro Inc.
2	Attawapiskat Power Corporation
3	Brantford Power Inc.
4	Chapleau Public Utilities Corporation
5	E.L.K Energy Inc.
6	Enersource Hydro Mississauga Inc.
7	Erie Thames Powerlines Corporation
8	Espanola Regional Hydro Distribution Corporation
9	Fort Albany Power Corporation
10	Fort Frances Power Corporation
11	Grimsby Power Inc.
12	Guelph Hydro Electric Systems Inc.
13	Halton Hills Hydro Inc.
14	Hydro Ottawa Limited
15	Hydro 2000 Inc.
16	Kashechewan Power Corporation
17	Lakefront Utilities Inc.
18	Norfolk Power Distribution Inc.
19	Oshawa PUC Networks Inc.
20	PUC Distribution Inc.
21	Rideau St. Lawrence Distribution Inc.
22	Sioux Lookout Hydro Inc.
23	Wasaga Distribution Inc.
24	Wellington North Power Inc.