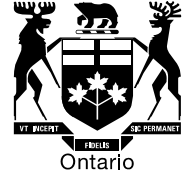


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BY E-MAIL

June 17, 2011

Ms. Jennifer Uchmanowicz
Rates and Regulatory Affairs Officer
PUC Distribution Inc.
765 Queen Street East, P.O. Box 9000
Sault Ste. Marie ON P6A 6P2

Dear Ms. Uchmanowicz:

**Re: 2012 Electricity Distribution Rates
Board File No. EB-2011-0101**

By letter dated March 1, 2011, the Board identified PUC Distribution Inc. ("PUC") as one of the distributors expected to file its 2012 rate application on a cost of service basis. The Board is in receipt of your letter dated March 10, 2011 requesting that PUC be permitted to defer the rebasing of its rates beyond the 2012 rate year.

The Board has considered the rationale for deferral set out in your letter, as well as the following:

- PUC's financial position, as shown in its audited financial statements and financial reporting to the Board;
- PUC's 3-year performance with respect to system reliability indicators and electricity service quality requirements/indicators, as reported to the Board; and
- Credit rating information obtained about PUC.

Based on these considerations, the Board has concluded that it will not require PUC's 2012 rates to be set on a cost of service basis. The Board will place PUC on the list of distributors whose rates will be scheduled for rebasing for the 2013 rate year.

The Board expects PUC to adhere to the process for 3rd generation incentive regulation distribution rate applications for the 2012 rate year as may be determined by the Board.

The Board has reserved file number EB-2011-0101 for PUC's 2012 rate application. Please refer to this file number in all correspondence related to your 2012 rate application.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary