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**BY E-MAIL ONLY**

January 10, 2012

Robert Kent, CGA  
Manager, Finance and Regulatory Compliance  
Peterborough Distribution Inc.  
1867 Ashburnham Drive, PO Box 4125, Station Main  
Peterborough, Ontario K9J 6Z5

Dear Mr. Kent:

**Re: Peterborough Distribution Inc. (“Peterborough”)  
2012 Incentive Regulation Mechanism Rate Application  
Board File Number EB-2011-0194  
Disposition of Account 1562**

In its Decision in the EB-2008-0381 Combined PILs (Payments in Lieu of Taxes) proceeding (“Combined PILS Decision”), the Board indicated that distributors will be expected to apply for final disposition of Account 1562 (Deferred PILS) with their next general rates application, either IRM or cost of service. The Board also indicated in the Combined PILS Decision that if the distributor files evidence in accordance with the various decisions made in the course of the Combined PILS proceeding, including the use of the updated SIMPIL model, the determination of the final account balance will be handled expeditiously and in a largely administrative manner. However, if a distributor files on a basis which differs from what is contemplated by the Combined PILS Decision, the application can take some time to process, and therefore should not be included in an IRM application. Deviations from the Combined PILS Decision could include taking a different position on issues considered by the Board in the Combined PILs proceeding, addressing issues not arising in the Combined PILs proceeding or filing older SIMPIL models rather than the updated models containing the Excel worksheet ‘TAXREC 3’ as used by Halton Hills Hydro Inc.

Board staff reviewed the evidence filed by Peterborough supporting the disposition of Account 1562 and the Board has determined that Peterborough’s application is not consistent with the various decisions made in the course of the Combined PILS proceeding. The inconsistencies identified relate to the treatment of the amalgamation of Peterborough, Asphodel-Norwood and Lakefield in 2005 and the failure to file the updated versions of the SIMPIL model, as used by Halton Hill Hydro Inc.

Therefore, the Board will not hear the application for disposition of Account 1562 as part of Peterborough's 2012 IRM application but will consider it in on a stand-alone basis in a separate application. The Board expects Peterborough to address the disposition of account 1562 in a stand-alone application to be filed no later than April 1, 2012.

Yours truly,

*Original Signed By*

John Pickernell  
Assistant Board Secretary

cc: Michael Buonaguro, Counsel, VECC  
Shelley Grice, P. Eng, Econalysis Consulting Services