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January 30, 2013

Ms. Kirsten Walli, Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 26<sup>th</sup> Floor, P.O. Box 2319  
Toronto, ON M4P 1E4

**Re: Essex Powerlines Corporation 2014 Cost of Service Application Deferral Request**

Dear Ms. Walli:

Essex Powerlines Corporation (Essex) is scheduled to file a Cost of Service application for rates effective May 1, 2014 as noted in the Board's letter dated December 11, 2013. Essex respectfully requests a deferral from the rebasing schedule and requests a Cost of Service application be filed by Essex for rates effective January 1, 2015.

This letter serves as notice for a transition from May 1 rates to January 1, rates and also a request to change from a 2014 Cost of Service application to a 2015 application as outlined below.

It is noted in the Board report "Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach" dated October 18, 2012 page 69

"For distributors scheduled to be rebased for 2014 and planning to seek the Board's approval for January 1 rates, there will be two options available ..... (2) Delay rebasing by one year – rebase for January 1, 2015 rates, in which case the application will be filed using the Cost of Service Filing Requirements and Consolidated Capital Plan Filing Requirements, and the total term will be 5 years."

Essex is making the deferral request under this option in the report.

There is a benefit of having rate changes aligned with our fiscal year so distribution rates and subsequently revenue are matched with the expenses upon which the rates are granted.

The financial impact of rebasing eight months later would not significantly impact our financial position by any significant amount. We are earning an acceptable return on equity currently. Essex estimates its actual rate of return on equity for 2012 to be 8.5% which is within the trigger point of 300 basis points of the Board approved return of 9.85%. The average rate of return for Essex since the last Cost of Service application for 2010 rates and forecasted out to 2014 is 10.20%.

It would be Essex's intention to submit a third generation IRM rate application for rates effective May 1, 2014, with Board approval to defer our cost of service application to January 1, 2015. This is only an eight month deferral request.

**For other considerations the Board will have in deciding on this deferral request, such as our Electricity Service Quality indicators, Essex is in line with these indicators.**

**In summary, it is within the Board's requirements for Essex to request this deferral and there is an overall desire for rates to match the fiscal year of the utility. It will also provide sufficient time for the results of the Renewed Regulatory Framework for Electricity review to be incorporated into the guidelines to be followed.**

Sincerely,

A handwritten signature in black ink, appearing to read "RD Dimmel". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

**Richard Dimmel, CMA  
General Manager  
rdimmel@essexpowerlines.ca**