



**16984 Highway#12 P.O. Box 820
Midland Ontario L4R 4P4**

December 1, 2015

VIA EMAIL and MAIL

Ontario Energy Board
2300 Yonge Street
26th Floor
P.O. Box 2319
Toronto, Ontario
M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: Midland Power Utility Corporation – 2017 Cost of Service Rate Application
Licence #ED 2002-0541

Midland Power Utility Corporation (Midland PUC) filed its last Cost of Service Rate Application for rates effective May 1, 2013. In accordance with the OEB's schedule of rebasing, Midland PUC would next file for rebasing in August of 2016 for rates effective May 1, 2017. At this time, Midland PUC is requesting to defer rebasing for a 1 year period at which time it will reassess the status of key factors, growth and investment needs in its service territory.

The deferral is based on the following items for your consideration:

1. Midland PUC's growth has been stable for the past number of years. For the period 2013 to 2015 growth has been at the rate of less than 1% per year.
2. Additional time and effort is needed to develop and refine its Distribution System Plan (DSP) and to properly address the RRFE requirements outlined in the filing requirements. Midland PUC has undergone a large capital campaign with the last of its substations being upgraded in 2013. At this time Midland PUC is looking to implement other capital projects as defined in its Asset Management Plan and would like to refine this plan into its Distribution System Plan. Additional time and planning is needed therefore to develop this plan in accordance with the OEB's RRFE requirements.

3. Finalized 2014 year-end financial data along with the annual OEB Reporting requirements have provided sufficient assurance that Midland PUC will continue to be able to:
 - a. Manage resources and financial needs within the current revenue envelope under the 4th Generation Price Cap Adjustment Mechanism (IRM)
 - b. Monitor and ensure its comparable ROE is within the 300 basis point threshold from its approved rate of return
 - c. Continue to maintain a strong distribution system to provide good reliability for its customers.

4. Midland PUC understands the Board reviews the ROE achieved by an LDC in determining a deferral request. The following information is provided:

| Midland Power Utility Corporation Regulated Rate of Return on Deemed Equity | | | |
|--|----|------------------------|------------------------|
| | | 2013 Actual | 2014 Actual |
| ROE per RRR 2.1.5.6 | | 10.00% | 13.51% |
| Adjusted for taxes | | 9.38% | 11.67% |
| Approved 2013 COS | | 8.93% | 8.93% |
| Actual Taxes Paid/(Refunded) | \$ | 16,784 | \$ (81,002) |
| Taxes in Rates | \$ | 2,106 | \$ 2,106 |

The adjustment for taxes is as a result of a timing difference between the collection and payment of those costs that flow through Midland PUC deferral accounts. These timing differences are not reflected in the PILS set at the time of rate making. Taking this adjustment into consideration results in an ROE below the +/- 300 basis point threshold.

Midland PUC expects to manage its resources and financial needs while minimizing regulatory costs and providing customers with stable rates in accordance with the 4th Generation Price Cap Adjustment Mechanism.

5. Midland PUC's 2014 scorecard provides additional information pertaining to reliability standards which are well within its 3 year average. Midland PUC believes, except for an extraordinary event such as a tornado that was experienced by Midland in 2010, our reliability statistics should remain within the 3 year average.

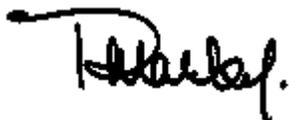
6. Midland PUC's shareholder is currently undergoing a process which may result in the issuance of an RFP for the possible sale or merger of Midland PUC. With such a process in place the time and effort needed to implement both this process and a COS Rate Application at the same time will impact staffing complement and cause undue delays and workload at a time when efficiencies are being sought out in the industry.

For these reasons, Midland PUC is requesting a one year deferral in applying to the OEB for a Cost of Service Rate Application, delaying the new rate effective date to May 1, 2018.

Should you have any questions please do not hesitate to contact the writer.

Yours very truly,

MIDLAND POWER UTILITY CORPORATION

A handwritten signature in black ink, appearing to read "Phil Marley". The signature is stylized with a large initial "P" and a long horizontal stroke extending to the left.

PHIL MARLEY, CPA, CMA

President & CEO

Tel: (705)526-9362 ext 204

Fax: (705) 526-7890

E-mail: pmarley@midlandpuc.on.ca