



February 28, 2017

**BY EMAIL/COURIER**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON  
M4P 1E4

Dear Ms. Walli,

**RE: Whitby Hydro Electric Corporation  
Application for 2018 Electricity Rates**

In response to the Ontario Energy Board's (the "Board") letter dated January 13, 2017, Whitby Hydro Electric Corporation ("Whitby Hydro") wishes to provide an update regarding 2018 rates.

On March 22, 2016, Whitby Hydro received approval from the Board for a cost of service deferral to 2018. In the Board's response, Whitby Hydro was advised that in the absence of a 2018 cost of service rate application, the Board would apply the Annual IR Index Method and would consider whether a distribution system plan (DSP) would be required.

Whitby Hydro has continued to monitor key indicators to assess the approach to be followed for 2018 electricity rates. The key indicators include customer growth; financial measurements including return on equity (ROE); reliability levels; and other factors. Current customer growth levels remain modest while reliability in 2016 continued to be strong and tracked favourably compared to 2015. Although 2016 financials have not been finalized, the ROE is not anticipated to fall outside of approved threshold. Whitby Hydro also notes that activities related to the announcement to explore the possible benefits from a merger continue. Based on its review and the merger exploration activities underway, Whitby Hydro wishes to advise the Board of its plan to apply for 2018 electricity rates under the Annual IR Index Method.

As a follow-up to the Board's comments provided in its March 22, 2016 letter, Whitby Hydro requests that the Board consider whether a DSP submission is required and if so, provide any insight on the process, timing and use so that Whitby Hydro can ensure that its continued efforts regarding DSP preparation are in line with any Board expectations.

Whitby Hydro does not intend for the shift to an Annual IR Index Method to limit the ability to address other items that the Board and Whitby Hydro may consider important and prudent

to address outside of a cost of service application. On this basis, Whitby Hydro plans to consider options for addressing 1576 balances, as well as other Group 2 deferral and variance balances etc. and will continue discussions with board staff in this regard. It is anticipated that a stand-alone application will be prepared during 2017 for those items identified that fall outside of the Annual IR Index rate setting process for consideration in 2018 rates.

Whitby Hydro will also continue to monitor timing related a potential large user customer that is anticipated, to determine the most appropriate time and approach to address in future rates.

If further information is required, please feel free to contact me.

Regards,

A handwritten signature in black ink, appearing to read "S. Reffle".

Susan Reffle  
Vice-President