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**Commission de l'énergie
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BY E-MAIL

May 31, 2017

Phil Marley
President & CEO
Midland Power Utility Corporation.
16984 Highway # 12 P.O. Box 820
Midland ON L4R 4P4

Dear Mr. Marley:

Re: Applications for 2018 Electricity Rates

This letter is in response to your letter expressing an interest to defer Midland Power Utility Corporation's (Midland) rebasing of its rates beyond the 2018 rate year.

The OEB has reviewed your letter, as well as Midland's financial and non-financial scorecard performance from 2011 to 2015 and preliminary 2016 ROE. Based on this review, the OEB has concluded that it will not require Midland's 2018 rates to be set on a cost of service basis. The OEB will place Midland on the list of distributors whose rates will be scheduled for rebasing for the 2019 rate year. The OEB may reassess this conclusion as new scorecard performance information becomes available for 2016.

If Midland intends to seek a rate adjustment for 2018 rates, the OEB expects Midland to adhere to the process for Price Cap Incentive Rate-setting applications for the 2018 rate year.

This is the second consecutive year that Midland has sought a deferral to filing a cost of service rate application. The Annual Incentive Rate-setting Index is the method that was developed for distributors intending longer periods without rebasing. In the absence of a 2019 cost of service rate application from Midland the OEB will apply the Annual IR Index method. The OEB will also consider whether a distribution system plan will be required at that time.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary