February 18, 2010

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

Dear Ms. Walli:

FortisOntario Inc. ("FortisOntario") is pleased to provide written comment to the Board on its consultative process to review the need for and the implications of a potential rate alignment of the rate year with the fiscal year for electricity distributors.

FortisOntario is a holding company, which owns and operates regulated electricity transmission and distribution businesses in the province of Ontario through its wholly-owned subsidiaries, Canadian Niagara Power Inc. ("CNPI"), Algoma Power Inc. ("Algoma") and Cornwall Street Railway, Light and Power Company Limited ("Cornwall Electric"). FortisOntario also owns a 10 per cent strategic interest in Westario Power Inc., Rideau St. Lawrence Holdings Inc., and Grimsby Power Inc.

Electricity distribution rates for CNPI's service territories in Fort Erie, Port Colborne and Gananoque, as well as Algoma, are set by the OEB and are normally effective on May 1st. While neither CNPI or Algoma are required to report directly to the investment community, its parent company, Fortis Inc., is a reporting issuer and is listed on the Toronto Stock Exchange under the trading symbol FTS. In addition, both CNPI and Algoma are required to directly access the debt capital markets for their longer term financing needs. The current misalignment of the rate year and fiscal year has created an increase level of complexity and difficulty for companies like FortisOntario to carryout the above referenced reporting and financing requirements.

As you know, the investment community and financial markets rely upon the decisions of the regulator when appraising regulated entities like CNPI and Algoma or their parent, FortisOntario (hereafter collectively FortisOntario). This existing misalignment of the rate and fiscal year places an added burden on FortisOntario to interpret and translate the "nominal" allowed returns on equity and capital into the "effective or annualized" returns for these external bodies in order to avoid confusion and misinterpretation. In essence, under the OEB current schedule for implementing rates, it is extremely remote that a regulated entity such as FortisOntario can ever achieve its allowed rate of return on a fiscal year basis. Furthermore, during the normal course of business, it is inevitable that the nominal rate of return will exceed the effective rate of return.

FortisOntario must ensure that the investment community understands and appreciates this distinction and does not interpret the shortfall in the achieved return as an indicator that the utility is underperforming when compared to its allowed return on equity and invested capital. Alignment of the rate year and fiscal year removes the potential for confusion in this regard.

Continuing with the practice of setting Regulated Price Plan rates on May 1st and November 1st, and resetting distribution rates on January 1st, or another date, provides improved clarity to customer on the reasoning for the rate change.

In closing, FortisOntario recommends to the Board that it may be appropriate to allow individual distributors to make their election of rate year which can be designated upfront during a cost of service application. This would require the distributor to communicate with Board staff, their intentions to set an appropriate time table respecting the Board's guidelines for an application to be heard.

Yours truly,

Douglas R. Bradbury
Director, Regulatory Affairs

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