



October 28, 2011

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

Re: Chatham-Kent Hydro Inc. 2012 IRM Application
Board File No.: EB-2011-0163

Dear Ms. Walli,

On September 16, 2011, Chatham-Kent Hydro ("CKH") filed its 2012 IRM rate application, which included evidence with respect to the disposition of the Account 1562 for Deferred PILs balances. In that filing, CKH reflected a balance in Account 1562 of approximately \$1.2 million for recovery from ratepayers.

Last week CKH was advised by its external consultant that its Account 1562 Deferred PILs methodology includes at least one, and potentially multiple, departures from the Deferred PILs methodology established by the Board in the recent combined proceeding EB-2008-0381. The impact of these departures appears at this point to be material to the Account 1562 balance and to CKH's rates, though the precise magnitude of that impact has not yet been firmly established. CKH immediately advised Board Staff of this new information. CKH has also immediately commenced a full review of its Deferred PILs account, which review will include external expertise and is expected to produce updated Deferred PILs evidence.

Having considered how best to proceed with its application, and mindful of the Board's recent directions regarding disposition of Deferred PILs balances, CKH hereby withdraws its request for consideration of disposition of CKH's Account 1562 Deferred PILs account balance.

CKH plans to file a separate application for disposition of its Account 1562 balance no later than April 1, 2012.

CKH also plans to file, by November 1st, updated evidence in the current application to reflect the removal of the impact of the initially proposed disposition of the balance in Account 1562.



In withdrawing its request for consideration of disposition of the balance in Account 1562 at this time, CKH notes the Board's letter of October 12, 2011 to Kingston Hydro Corporation (EB-2011-0178) which provides instruction for situations involving departures from the Deferred PILS methodology directed by the Board in the combined PILs proceeding. Specifically, the Board provided the following guidance to Kingston Hydro:

"If a distributor files on a basis which differs from what is contemplated by the decision in that proceeding [EB-2008-0381], the application can be expected to take some time to process, and therefore should not be made as part of an IRM application. Differences could include taking a different position on issues reviewed by the Board in the Combined PILs proceeding, addressing issues not arising as part of the Combined PILs proceeding or filing using a model other than the updated model used by Halton Hills Hydro Inc.

The Board will consider your application to be incomplete until such time that Kingston Hydro provides a full explanation justifying its proposal to defer the disposition of account 1562. If the justification is that the filing would be on a basis different from the Combined PILs proceeding, the Board expects Kingston Hydro to address the disposition of account 1562 in a stand-alone application to be filed no later than April 1, 2012. Otherwise, the Board expects that Kingston Hydro will file the material supporting the disposition of account 1562 in its 2012 IRM application by November 30, 2011."

CKH also notes similar circumstances involving Account 1562 with respect to the Veridian Connections (EB-2011-0199) and Powerstream Inc. (EB-2011-0055) IRM applications.

CKH notes that the Board's Notice of Application and Hearing herein provides that interrogatories to CKH are due on November 3rd, and CKH's responses are due on November 17th. Given CKH's intention to file updated evidence by November 1st to reflect removal of the impact of the initially proposed disposition of the balance in Account 1562, CKH requests that the Board amend its procedural directions to allow registered parties to file interrogatories by November 10th. CKH respectfully suggests that given the simplification of its current application as a result of withdrawal by CKH of its request for disposition of the account 1562 balance, such extension should provide sufficient time to Board Staff and VECC to complete interrogatories. CKH further anticipates, in light of the intended simplification of its application, that it will still be able to meet the current deadline of November 17th for the filing of interrogatory responses, which will leave the balance of the procedural schedule for this application unaffected.



We hope that proceeding in the manner outlined above will be of assistance to the Board.

If you have any further questions please do not hesitate to contact me at (519) 352-6300, extension 558 or davidferguson@ckenergy.com.

Regards,

[Original Signed By]

David C. Ferguson
Director of Regulatory Affairs & Risk Management
Phone: 519-352-6300 Ext 558
Email: DavidFerguson@ckenergy.com

cc: Dan Charron, President of Chatham-Kent Hydro & Middlesex Power Distribution
Chris Cowell, Chief Financial and Regulatory Officer
Daniel Kim, Ontario Energy Board
Duncan Skinner, Ontario Energy Board
Michael Buonaguro, Vulnerable Energy Consumers Coalition