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BY E-MAIL

January 4, 2013

To: All Parties in Proceeding EB-2012-0147

**Re: Midland Power Utility Corporation ("Midland")
Application for 2013 Distribution Rates
Board File Number: EB-2012-0147
Proposed Settlement Agreement**

Dear Ms. Bell, Mr. Sidlofsky, Mr. Shepherd and Mr. Janigan:

On December 21, 2012 the Board received a Proposed Settlement Agreement ("PSA") related to the above noted proceeding from Midland and the other parties to the settlement, i.e. School Energy Coalition ("SEC") and Vulnerable Energy Consumers Coalition ("VECC").

With the exception of the GS<50 kW class, the revenue to cost ratios proposed in the PSA are at the extreme end of the Board's target ranges, as set out in the table below.

Class	Proposed Revenue-to-Cost Ratio	Board Target Range
Residential	113.25%	85% to 115%
GS < 50 kW	86.93%	80% to 120%
GS > 50 kW	81.83%	80% to 120%
Street Lighting	120.00%	70% to 120%
Unmetered Scattered Load	120.00%	80% to 120%

The Board seeks clarification from the applicant and the other parties to the settlement as to why the revenue-to-cost ratios agreed upon in the PSA are at the extreme end of the Board's target ranges for all rate classes except the GS<50 kW class. The Board notes that, in its original application, Midland indicated it intended to "begin moving toward revenue to cost ratios of 100% and to reduce cross-subsidization.... Midland PUC submits the proposed reallocation of distribution revenue is fair and reasonable

and customer class revenues will more closely reflect the actual costs of providing distribution service to each class".¹

The Board asks that the parties provide the clarification requested above by January 11th, 2013.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

Encl.

¹ Exhibit 7, Tab 1, Schedule 2, Page 11