

**Ontario Energy
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**Commission de l'énergie
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BY E-MAIL

February 5, 2014

Miles Thompson
Vice President, General Manager
Parry Sound Power Corporation
125 William Street
Parry Sound ON P2A 1V9

Dear Mr. Thompson:

Re: Applications for 2015 Electricity Rates

The Board is in receipt of your letter requesting that Parry Sound Power Corporation be permitted to defer the rebasing of its rates beyond the 2015 rate year.

The Board has considered the rationale for deferral set out in your letter, as well as the following:

- Parry Sound Power's financial position, as shown in its audited financial statements and financial reporting to the Board; and
- Parry Sound Power's 3-year performance with respect to system reliability indicators and electricity service quality requirements/indicators, as reported to the Board.

The Board notes that Parry Sound Power's earnings calculated on a regulatory basis were above the 300 basis points deadband for 2012. The Board accepts Parry Sound Power's explanation that this was a one-time event due to the re-allocation of work resources to support the merger discussions with Lakeland Holding Corporation which delayed planned utility work. The Board also notes that an application to merge the two utilities is now before the Board.

Based on these considerations, the Board has concluded that it will not require Parry Sound Power's 2015 rates to be set on a cost of service basis. In the event that the Board does not approve the merger application, the Board may re-consider this determination.

If Parry Sound Power intends to seek a rate adjustment for 2015 rates, the Board expects Parry Sound Power to adhere to the process for Price Cap Incentive Rate-setting applications for the 2015 rate year as may be determined by the Board.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary