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VIA E-MAIL AND WEB POSTING

July 25, 2014

To: Licensed Electricity Distributors

Re: Process for 2015 Incentive Regulation Mechanism ("IRM") Distribution Rate Applications

On October 18, 2012, the Board issued its *Report of the Board: Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach* (the "RRFE Report"). The RRFE Report provides a comprehensive performance-based approach to regulation and sets out three rate-setting methods: 4th Generation Incentive Rate-setting ("Price Cap IR"), Custom Incentive Rate-setting ("Custom IR") and the Annual Incentive Rate-setting Index ("Annual IR Index").

Today, the Board issued an update of its *Filing Requirements for Electricity Distribution Rate Applications: Chapter 3 – Incentive Regulation* (the "Filing Requirements"). The Filing Requirements outline the information that the Board requires an electricity distributor to file when it makes an application under Price Cap IR or the Annual IR index. The Rate Generator, which accompanies an application, will be made available on the Board's website early next week. The model will include generic base rates, Retail Transmission Service Rates ("RTSR") and the shared tax savings adjustments, as well as rate riders common to most applicants.

Under the incentive regulation process, base distribution rates are adjusted by inflation less an X-Factor (i.e. productivity factor and a stretch factor). In accordance with the RRFE Report, the Board will establish the final inflation factor and stretch factor to apply to distributors for the 2015 rate year in due course. The Rate Generator will initially include rate-setting parameters from the 2014 rate year as a placeholder. Board staff will adjust the Rate Generator once updated rate-setting parameters and RTSRs are available.

Distributors are reminded that the IRM application process is intended to be mechanistic in nature and therefore the filing requirements include certain exclusions. Similarly, any custom approaches to rate-setting should be addressed through selecting the Custom IR option rather than customizing a Price Cap IR or Annual IR Index application.

Today's filing requirements also reflect the Board's decision to provide more flexibility regarding the disposition of deferral and variance account balances. Distributors may now elect to dispose of Group 1 account balances below the threshold.

Application Deadlines

As a means of managing the Price Cap and Annual Index applications, the Board has established three filing dates for distributors. Applicants have been assigned to one of these three filing dates based on the expected level of complexity of the application. The application filing deadlines for each group were determined so that, in the normal course of events, a Decision and Order would be issued in time for a May 1 implementation date. The assignments were based on the results of a survey of distributors circulated June 23, 2014.

The application groupings are as follows:

Tranche	Application Filing Deadline
1	September 29, 2014
2	October 20, 2014
3	November 3, 2014

The July 2014 Filing Requirements also establish a filing deadline of August 13, 2014 for those distributors applying for a January 1, 2015 effective date for rates. The attached table lists the assignment of electricity distributors to each of the tranches.

If a distributor contemplates a material increase to the complexity of its application relative to the information it provided in the survey, it should advise the Board and is encouraged to file in an earlier tranche.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

Encl.

Table 1

Company	EB Number	Tranche	Filing Date
Brantford Power Inc.	EB-2014-0187	Jan. 1	Aug. 13
Canadian Niagara Power Inc.	EB-2014-0061	Jan.1	Aug. 13
Cooperative Hydro Embrun Inc.	EB-2014-0066	Jan. 1	Aug. 13
Enersource Hydro Mississauga Inc.	EB-2014-0068	Jan. 1	Aug. 13
Grimsby Power Incorporated	EB-2014-0076	Jan. 1	Aug. 13
Guelph Hydro Electric Systems Inc.	EB-2014-0077	Jan. 1	Aug. 13
Hydro 2000 Inc.	EB-2014-0081	Jan. 1	Aug. 13
Hydro Hawkesbury Inc.	EB-2014-0082	Jan. 1	Aug. 13
Hydro Ottawa Ltd.	EB-2014-0085	Jan. 1	Aug. 13
Kitchener-Wilmot Hydro Inc.	EB-2014-0089	Jan. 1	Aug. 13
Newmarket-Tay Power Distribution Ltd.	EB-2014-0095	Jan. 1	Aug. 13
Oakville Hydro Electricity Distribution Inc.	EB-2014-0102	Jan. 1	Aug. 13
Parry Sound Power Corporation/Lakeland Power Distribution Limited	EB-2014-0091	Jan. 1	Aug. 13
PowerStream Inc.	EB-2014-0108	Jan. 1	Aug. 13
Whitby Hydro Electric Company	EB-2014-0124	Jan. 1	Aug. 13
Bluewater Power Distribution Corporation	EB-2014-0057	1	Sept. 29
Burlington Hydro Inc.	EB-2014-0059	1	Sept. 29
Cambridge and North Dumfries Hydro Inc.	EB-2014-0060	1	Sept. 29
Centre Wellington Hydro Ltd.	EB-2014-0062	1	Sept. 29
COLLUS PowerStream Corp.	EB-2014-0065	1	Sept. 29
Erie Thames Powerlines Corporation	EB-2014-0070	1	Sept. 29
Essex Powerlines Corporation	EB-2014-0072	1	Sept. 29
Hydro One Remote Communities Inc.	EB-2014-0084	1	Sept. 29
Innisfil Hydro Distribution Systems Limited	EB-2014-0086	1	Sept. 29
London Hydro Inc.	EB-2014-0092	1	Sept. 29
Niagara-on-the-Lake Hydro Inc.	EB-2014-0097	1	Sept. 29
Peterborough Distribution Incorporated	EB-2014-0107	1	Sept. 29
PUC Distribution Inc.	EB-2014-0109	1	Sept. 29
Rideau St. Lawrence Distribution Inc.	EB-2014-0111	1	Sept. 29
Westario Power Inc.	EB-2014-0123	1	Sept. 29
E.L.K Energy Inc.	EB-2014-0067	2	Oct. 20
Entegrus Powerlines Inc.	EB-2014-0064	2	Oct. 20
Espanola Regional Hydro Distribution Corporation	EB-2014-0071	2	Oct. 20
Haldimand County Hydro Inc.	EB-2014-0078	2	Oct. 20
Halton Hills Hydro Inc.	EB-2014-0079	2	Oct. 20
Kingston Hydro Corporation	EB-2014-0088	2	Oct. 20
Midland Power Utility Corporation	EB-2014-0093	2	Oct. 20
Milton Hydro Distribution Inc.	EB-2014-0094	2	Oct. 20
Northern Ontario Wires Inc.	EB-2014-0100	2	Oct. 20
Orangeville Hydro Limited	EB-2014-0103	2	Oct. 20

Company	EB Number	Tranche	Filing Date
Orillia Power Distribution Corporation	EB-2014-0104	2	Oct. 20
Sioux Lookout Hydro Inc.	EB-2014-0112	2	Oct. 20
Thunder Bay Hydro Electricity Distribution Inc.	EB-2014-0114	2	Oct. 20
Veridian Connections Inc.	EB-2014-0117	2	Oct. 20
Atikokan Hydro Inc.	EB-2014-0056	3	Nov. 3
Brant County Power Inc.	EB-2014-0058	3	Nov. 3
Chapleau Public Utilities Corporation	EB-2014-0063	3	Nov. 3
EnWin Utilities Ltd.	EB-2014-0069	3	Nov. 3
Fort Frances Power Corporation	EB-2014-0074	3	Nov. 3
Greater Sudbury Hydro Inc.	EB-2014-0075	3	Nov. 3
Kenora Hydro Electric Corporation Ltd.	EB-2014-0087	3	Nov. 3
Lakefront Utilities Inc.	EB-2014-0090	3	Nov. 3
Renfrew Hydro Inc.	EB-2014-0110	3	Nov. 3
Tillsonburg Hydro Inc.	EB-2014-0115	3	Nov. 3
Wasaga Distribution Inc.	EB-2014-0118	3	Nov. 3
Waterloo North Hydro Inc.	EB-2014-0119	3	Nov. 3
Welland Hydro-Electric Systems Corp.	EB-2014-0120	3	Nov. 3
Wellington North Power Inc.	EB-2014-0121	3	Nov. 3
West Coast Huron Energy Inc.	EB-2014-0122	3	Nov. 3