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

March 21, 2016

Joe Barile  
General Manager  
Essex Powerlines Corporation  
2730 Highway #3  
Oldcastle, ON N0R 1L0

Dear Mr. Barile:

**Re: Applications for 2017 Electricity Rates**

This letter is in response to your letter expressing an interest to defer Essex Powerlines Corporation's rebasing of its rates beyond the 2017 rate year.

The OEB has reviewed your letter, as well as Essex Powerlines' financial and non-financial scorecard performance from 2010 to 2014. Based on this review, the OEB has concluded that it will not require Essex Powerlines' 2017 rates to be set on a cost of service basis. The OEB will place Essex Powerlines on the list of distributors whose rates will be scheduled for rebasing for the 2018 rate year. The OEB may reassess this conclusion as new scorecard performance information becomes available for 2015.

If Essex Powerlines intends to seek a rate adjustment for 2017 rates, the OEB expects Essex Powerlines to adhere to the process for Price Cap Incentive Rate-setting applications for the 2017 rate year.

This is the fourth year that Essex Powerlines has sought a deferral to filing a cost of service rate application. The Annual Incentive Rate-setting Index is the method that was developed for distributors intending longer periods without rebasing. In the absence of a 2018 cost of service rate application from Essex Powerlines the OEB will apply the Annual IR Index method. The OEB will also consider whether a distribution system plan will be required at that time.

The OEB notes that Essex Powerlines has accumulated a significant credit balance in Account 1576, Accounting Changes Under CGAAP which will continue to grow until the account is reviewed and disposed as part of a cost of service application. This account records the financial differences arising as a result of changes to accounting depreciation or capitalization policies permitted by the OEB under Canadian GAAP in 2012 or as mandated by the OEB in 2013.

The OEB expects Essex Powerlines to include this account as part of Essex Powerlines' 2017 Price Cap IR application so that the OEB may commence a review of the account and if approved, commence the disposition on an interim basis so that the benefit to customers is not further delayed.

Yours truly,

*Original signed by*

Kirsten Walli  
Board Secretary