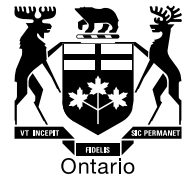


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BY E-MAIL

August 22, 2016

Lucie Aubry
General Manager
Hydro 2000 Inc.
440, rue St-Philippe St., CP/PO Box 370
Afred ON K0B 1A0

Dear Ms. Aubry:

Re: Applications for 2017 Electricity Rates

This letter is in response to your letter expressing an interest to defer Hydro 2000 Inc.'s rebasing of its rates beyond the 2017 rate year.

The OEB has reviewed your letter, as well as Hydro 2000's financial and non-financial scorecard performance from 2010 to 2015. Based on this review, the OEB has concluded that it will not require Hydro 2000's 2017 rates to be set on a cost of service basis. The OEB will place Hydro 2000 on the list of distributors whose rates will be scheduled for rebasing for the 2018 rate year.

If Hydro 2000 intends to seek a rate adjustment for 2017 rates, the OEB expects Hydro 2000 to adhere to the process for Price Cap Incentive Rate-setting applications for the 2017 rate year.

This is the second year that Hydro 2000 has sought a deferral to filing a cost of service rate application. If Hydro 2000 subsequently seeks a further deferral the OEB will consider whether the Annual Incentive Rate-setting Index method that was developed for distributors intending longer periods without rebasing should be applied. The OEB will also consider whether the filing of a distribution system plan would be required at that time.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary