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September 29, 2016

Ms. Kirsten Walli
Board Secretary
Ontario Energy
Board P.O. Box
2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

**Re: Board File No.: EB-2016-0096
2017 Cost of Service Application –
PEG Benchmarking Spreadsheet Model**

Dear Ms. Walli:

Northern Ontario Wires Inc. (NOW Inc.) is providing information with respect to predicted benchmarking results using the PEG Benchmarking Spreadsheet Model. The model was not available in sufficient time to allow it to be submitted as part of NOW Inc's. August 26, 2016 filing and is now being provided to complete the filing requirements.

Benchmarking Forecast

As discussed in E1/T2/S1 page 6 of NOW Inc.'s Cost of Service Application (EB-2016-0096), NOW Inc. has consistently been placed in Cohort 1 which is recognized as the group of most efficient LDCs. This ranking was recently reinforced in the Pacific Economic Group (PEG) update report of July 2016 where based on submitted results, NOW Inc. remained in the Cohort 1 ranking.

As part of the filing requirements for 2017 electricity rates, NOW Inc. is now submitting a forecast of cost performance consistent with the requested OM&A and Capital expenditures applied for in the 2017 Cost of Service application.

The results of this forecast benchmarking demonstrate that with the applied for levels of OM&A and Capital expenditure in 2017, NOW Inc. cost performance will remain in Cohort 1. Based on the PEG Benchmarking Spreadsheet Forecast Model the resulting cost performance of NOW Inc. in 2017 is that actual costs will be 32% lower than predicted costs.

In completing the model, NOW Inc. used method two whereby amounts were entered according to requested USoA accounts. The 2016 Bridge year values result in Predicted Total Cost of \$5,847,122 versus Actual Total Cost of \$4,123,772. The result is a percentage difference of -34.9%. For the 2017 Test Year, the Predicted Total Costs are \$5,944,852 and the Actual Total Costs Forecasted is \$4,315,395. The resulting percentage difference is -32.0%. This confirms that applied for expenditure levels remain reasonable, that actual cost levels remain significantly below predicted costs and that achieved efficiencies are being maintained. In returning to profitability, and continuing to operate in a changing environment, NOW Inc. is forecasted to remain in the most efficient Cohort 1 group.

A summary of results from the PEG Benchmarking Spreadsheet Model is provided in **Table 1**.

Table 1: Summary of Benchmarking Results

Summary of Cost Benchmarking Results							
Northern Ontario Wires Inc.							
		2015 (History)	2016 (Bridge)	2017 (Test Year)	2018	2019	2020
Cost Benchmarking Summary							
Actual Total Cost		3,690,659	4,123,772	4,315,395	na	na	na
Predicted Total Cost		5,631,033	5,847,122	5,944,852	na	na	na
Difference		(1,940,374)	(1,723,350)	(1,629,457)	na	na	na
Percentage Difference (Cost Performance)		-42.2%	-34.9%	-32.0%	na	na	na
Three-Year Average Performance				-36.4%	na	na	na
Stretch Factor Cohort							
Annual Result		1	1	1	na	na	na
Three Year Average				1			

The applied for rate increase in 2017 does not adversely impact NOW Inc.'s efficiency classification and will allow the Company to continue to operate efficiently and provide effective service to customers. NOW Inc. will continue to strive for efficiencies that will see NOW Inc. remain in Cohort 1.

An electronic copy of this letter and a live Excel version (copy attached) of the PEG Benchmarking Spreadsheet Model has been submitted to the Board through the RESS system, and two hard copies will be delivered to the OEB office.

Yours truly,

A handwritten signature in blue ink, appearing to read 'Geoff Sutton', is positioned above the printed name.

Geoffrey Sutton, CPA, CA
Chief Financial Officer

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Attach.