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ONTARIO ENERGY BOARD

February 14, 2017

VIA EMAIL and MAIL

Ontario Energy Board
2300 Yonge Street
26th Floor
P.O. Box 2319
Toronto, Ontario
M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: Midland Power Utility Corporation – 2018 Cost of Service Rate Application
Licence #ED 2002-0541

Midland Power Utility Corporation (Midland PUC) filed its last Cost of Service Rate Application for rates effective May 1, 2013. In December, 2015 Midland PUC requested the Ontario Energy Board to defer rebasing in order that Midland PUC could reassess the status of key factors, growth and investment needs in its service territory. Midland PUC is requesting a further deferral of one year based on the following:

1. Midland PUC's shareholder has issued an RFP for the sale of Midland PUC. Offers are expected to be filed over the next couple of months with Midland Town Council making a decision on whether a sale will take place in the spring of 2017. With such a process in place the time and effort needed to implement both this process and a COS Rate Application at the same time will impact staffing complement and cause undue delays and workload at a time when efficiencies are being sought out in the industry.
2. Midland PUC's growth has been stable for the past number of years. For the period 2013 to 2016 growth has been at the rate of less than 1% per year.

3. As indicated in our letter of December 1, 2015, additional time and effort is needed to develop and refine Midland PUC's Distribution System Plan (DSP) and to properly address the RRFE requirements outlined in the filing requirements. Unfortunately, due to the time requirements of the RFP process the DSP has not been updated. Midland PUC hopes to take advantage of the RFP process to seek out possible collaborations to gain efficiencies with this implementation.
4. Finalized 2015 year-end financial data along with the annual OEB Reporting requirements have provided sufficient assurance that Midland PUC will continue to be able to:
 - a. Manage resources and financial needs within the current revenue envelope under the 4th Generation Price Cap Adjustment Mechanism (IRM)
 - b. Monitor and ensure its comparable ROE is within the 300 basis point threshold from its approved rate of return
 - c. Continue to maintain a strong distribution system to provide good reliability for its customers.
5. Midland PUC understands the Board reviews the ROE achieved by an LDC in determining a deferral request. The following information is provided:

Midland Power Utility Corporation Regulated Rate of Return on Deemed Equity	
	2015 Actual
ROE per RRR 2.1.5.6	8.87%
Adjusted for taxes	8.56%
Approved 2013 COS	8.93%
Actual Taxes Paid/(Refunded)	\$ 75,797
Taxes in Rates	\$ 2,106

Midland PUC expects to manage its resources and financial needs while minimizing regulatory costs and providing customers with stable rates in accordance with the 4th Generation Price Cap Adjustment Mechanism.

6. Midland PUC's 2015 scorecard provides additional information pertaining to reliability standards which are well within its 3 year average. Midland PUC believes, except for an extraordinary event such as a tornado that was experienced by Midland in 2010, our reliability statistics should remain within the 3 year average.
7. Midland PUC expects its OM&A and Capital spending over the 2017 -2018 years to be consistent with previous years IRM increases.

For these reasons, Midland PUC is requesting a one year deferral in applying to the OEB for a Cost of Service Rate Application, delaying the new rate effective date to May 1, 2019.

Should you have any questions please do not hesitate to contact the writer.

Yours very truly,

MIDLAND POWER UTILITY CORPORATION

A handwritten signature in black ink, appearing to read "Phil Marley". The signature is written in a cursive style with a prominent initial "P" and a long horizontal stroke extending to the left.

PHIL MARLEY, CPA, CMA

President & CEO

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