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

August 14, 2018

John Stephenson
President and CEO
Peterborough Distribution Inc.
1867 Ashburnham Drive P.O. Box 4125
Peterborough, ON K9J 6Z5

Dear Mr. Stephenson:

Re: Applications for 2019 Electricity Rates

This letter is in response to your letter expressing an interest to defer Peterborough Distribution Inc.'s (Peterborough Distribution) rebasing of its rates beyond the 2019 rate year.

The Ontario Energy Board (OEB) has reviewed your letter, as well as Peterborough Distribution's financial and non-financial scorecard performance from 2012 to 2016. Based on this review, the OEB has concluded that it will not require Peterborough Distribution's 2019 rates to be set on a cost of service basis. The OEB will place Peterborough Distribution on the list of distributors whose rates will be scheduled for rebasing for the 2020 rate year.

In its deferral request letter, Peterborough Distribution states that it is currently in the final stages of negotiations with respect to the potential sale of Peterborough Distribution to Hydro One Inc. Peterborough Distribution also states that it will not be seeking an increase in rates for 2019 but will file to transition its distribution charges to a fully fixed rate structure as required.

The OEB expects Peterborough Distribution to adhere to the process for Price Cap Incentive Rate-setting applications for the 2019 rate year with respect to any components of its 2019 rate application that it wishes to implement, including any disposition of pass-through deferral and variance accounts.

This is the third consecutive year that Peterborough Distribution has sought a deferral to filing a cost of service rate application. The Annual Incentive Rate-setting Index (Annual

IR Index) is the method that was developed for distributors intending longer periods without rebasing. In the absence of a 2020 cost of service rate application from Peterborough Distribution the OEB will apply the Annual IR Index method and will require Peterborough Distribution to file a distribution system plan with the OEB no later than August 30, 2019, subject to the outcome of any sale transaction application that may be filed.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary