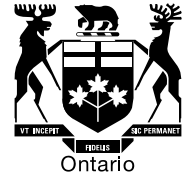


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BY E-MAIL

December 16, 2016

John A. D. Vellone
Borden Ladner Gervais LLP
Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto ON M5H 4E3

Dear Mr. Vellone:

**Re: EB-2015-0068
Espanola Regional Hydro Distribution Corporation
Application for 2016 Electricity Rates**

This letter is in response to your letter of November 30, 2016 requesting, on behalf of Espanola Regional Hydro Distribution Corporation (ERHDC), to defer its cost of service rate application beyond the 2016 rate year.

ERHDC is scheduled to file a cost of service application for 2016 rates in accordance with the OEB's January 29, 2015 letter. Applications for rates effective May 1, 2016 were due on August 28, 2015. ERHDC has kept the OEB abreast of the status of its application since early August 2015. On February 10, 2016, following ERHDC's third delay in filing its application, the OEB issued an Order for Interim Rates effective February 1, 2016.

In this most recent correspondence, ERHDC indicated that despite its efforts to prepare a comprehensive cost of service rate application for 2016, the application will still take considerable time, effort and financial resources for ERHDC to finalize and submit a complete cost of service rebasing application for the 2016 rate year. In addition, ERHDC requested that the OEB declare its 2016 rates final. However, if the OEB wishes to wait until final 2016 ROE results are known, then ERHDC requested that the OEB declare its interim rates final for 2016 promptly after ERHDC files its final ROE performance data for 2016.

ERHDC also indicated that if the OEB grants the requested deferral, then it would not seek any adjustment to its current Tariff of Rates and Charges for 2016. ERHDC also offered to finalize and file its distribution system plan if required by the OEB.

The OEB has concluded that it will not require ERHDC's 2016 rates to be set on a cost of service basis. As indicated in ERHDC's letter, ERHDC will forgo any rate adjustments for the 2016 rate year.

Applications for 2017 rates were due on August 26, 2016. ERHDC's application for 2017 rates must be filed by April 28, 2017, the last business day before the commencement of the rate year. In accordance with the OEB's filing requirements, if a complete 2017 cost of service application is not filed by this date, ERHDC must convert the application to a 2018 rate application and will forgo any rate adjustments for 2017 as well.

The OEB will not declare ERHDC's rates to be final at this time. The OEB's Order for Interim Rates indicated that rates were declared interim in order to ensure ERHDC's customers are not harmed by further delay to ERDHC's rate application *and until such time as new rates are approved by the OEB* (emphasis added). Declaring rates final at this time or in advance of ERHDC's cost of service filing will be contrary to the spirit and intent of the OEB's Order for Interim Rates.

The OEB will not require ERHDC to file its distribution system plan at this time. If ERHDC subsequently seeks a further deferral, the OEB will consider whether the filing of a distribution system plan would be required at that time.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary