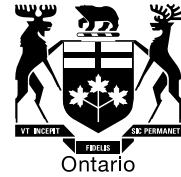


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BY E-MAIL

July 16, 2015

Susan Reffle
Vice-President
Whitby Hydro Electric Corporation
100 Taunton Rd. E.
P.O. Box 59
Whitby ON L1N 5R8

Dear Ms. Reffle:

**Re: Whitby Hydro Electric Corporation
Application for 2016 Electricity Rates
Ontario Energy Board File Number: EB-2015-0113**

The OEB is in receipt of your letter requesting that Whitby Hydro Electric Corporation (Whitby Hydro) be permitted to defer the rebasing of its rates beyond the 2016 rate year.

The OEB has considered the rationale for deferral set out in your letter, and has also conducted an analysis of Whitby Hydro's financial and non-financial scorecard performance from 2009 to 2013. The OEB has also considered a letter from VECC requesting that the OEB deny your request and your response to VECC's letter.

In general, Whitby Hydro's score card performance is within an acceptable level except for the return on equity (ROE) as discussed below. Whitby Hydro's ROE for 2013 and 2014 was 14.54% and 13.89% respectively, more than 300 basis points above the OEB approved ROE of 9.66%. The OEB's review has confirmed that the earnings were materially affected by the treatment of deferral and variance accounts for the purpose of payments in lieu of taxes (PILs). Without this effect, the ROE would have been within 300 basis points of the OEB approved ROE.

When setting electricity distribution rates, it has been the OEB's practice not to take into consideration the flow of deferral and variance accounts through earnings. The OEB's Filing Requirements for Electricity Distribution Rate Applications Chapter 2 Cost of Service state in section 2.7.5 that regulatory assets and liabilities (also called deferral and variance accounts) must generally be excluded from PILs calculations. Any over

earnings caused by Whitby Hydro's deferral and variance accounts will therefore not be addressed in a cost of service application.

Whitby Hydro's performance on the system reliability measures is within the range of prior three historical years, when 2013 is excluded. The 2013 measures included a major event; the December ice storm. Whitby Hydro has demonstrated a slightly favorable trend in system reliability from 2009 to 2012.

Based on these considerations, the OEB has granted Whitby Hydro the option to defer setting its 2016 rates on a cost of service basis.

If Whitby Hydro intends to seek a mechanistic rate adjustment for 2016 rates, the OEB expects Whitby Hydro to notify the OEB of its intent and to adhere to the process for Price Cap Incentive Rate-setting applications for the 2016 rate year as may be determined by the OEB. In this case, the OEB will also place Whitby Hydro on the list of distributors whose rates will be scheduled for rebasing for the 2017 rate year.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

cc: Michael Janigan, Counsel for VECC