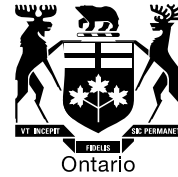


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March 21, 2006

To: Parties Interested in the Board's Proposed Regulatory Process for Setting Payment Amounts for Ontario Power Generation Inc's Prescribed Generation Assets
Board File No.: EB-2006-0064

The Board has prepared an overview of the process it intends to follow in setting prices for Ontario Power Generation Inc.'s ("OPG") designated generation assets, as set out in this letter.

Under Section 78.1 of the *Ontario Energy Board Act, 1998*, the Board will determine the payments to be made to OPG with respect to the output of its prescribed facilities. The *Payments Under Section 78.1 of the Act Regulation, O. Reg. 53/05*, establishes April 1, 2008 as the date on which the Board's authority to determine those payments commences. The prescribed generation facilities are the nuclear generating stations operated by OPG (Pickering NGS, Darlington NGS) and the base load hydroelectric assets in the Regional Municipality of Niagara (Sir Adam Beck I, Sir Adam Beck II, Sir Adam Beck Pumped Generating Station, De Cew Falls I and De Cew Falls II) and on the St. Lawrence River (R.H. Saunders).

The Board will follow the process set out below for determining the methodology by which prices for the output of the prescribed generation facilities will be established. This could include, for example, consideration of whether a full cost of service approach is required versus an alternate method for determining prices.

Stage 1: Research on Methodology (Spring – Summer 2006)

- Board staff Discussion Paper – Draft 1 (end of April): Board staff will produce a research paper which will discuss various alternative approaches to and recommendations for setting prices for the prescribed facilities. This paper will be based on research and analysis by external specialists as well as the work of Board staff.

The Board will post the draft Discussion Paper on its web site and solicit stakeholder comment on it through informal processes such as one-on-one or small group meetings.

- Board staff Discussion Paper – Draft 2 (early June): Board staff will update the Discussion Paper, incorporating input from stakeholders.
The Board will post a second draft of the Discussion Paper on its web site and will continue informal consultation with stakeholders on the second draft of the Discussion Paper.
- Final Board staff Discussion Paper – (late June): A final staff report will be submitted to the Board and posted on the Board's web site. **Stakeholders will be invited to submit written comments to the Board on the Discussion Paper and the recommended approach for setting payment amounts for OPG's prescribed assets. An opportunity to make reply or responding submissions will also be provided.**

Stage 2: Board Determination on Methodology (Summer 2006)

- Board Determination: The Board will provide guidance on the methodology by which payment amounts for the output of the prescribed generation facilities will be determined, based on a consideration of Board staff's Discussion Paper and any written comments received on that document.
- Guidelines (August): Based on the Board's determination on the regulatory price-setting methodology, Board staff will issue draft filing guidelines to provide direction to OPG in the preparation of a filing.
The filing guidelines will be posted on the Board's web site for comment by interested stakeholders. A final version of the filing guidelines, reflecting appropriate stakeholder input, will then be issued by the Board.

Following the above consultation process, the Board would hold an oral or written hearing on the application that would be filed by OPG based on the filing guidelines. Interested parties would be provided with an opportunity to request intervenor status in relation to the hearing or to otherwise participate in the hearing in accordance with the Board's *Rules of Practice and Procedure*. The Board would issue a Decision and Order following the hearing.

The Board encourages participation in this process by interested parties. Those interested in participating in this process should indicate their interest in writing by letter addressed to the Board Secretary at the Board's mailing address set out above by April 3, 2006.

Cost awards will be available to eligible persons in relation to their participation in this process under section 30 of the *Ontario Energy Board Act, 1998*. The costs to be awarded will be recovered from OPG. Appendix A contains further details regarding cost awards for the consultation portions of this process. Any person intending to request an award of costs must file with the Board a written submission to that effect. The submission must be addressed to the Board Secretary at the Board's mailing address set out above with copies sent to:

Andrew Barrett
Vice President, Regulatory Affairs
700 University Avenue
H18 G1
Toronto, Ontario
M5G 1X6
andrew.barrett@opg.com

Copies of all filings to the Board in response to this letter will be posted on the Board's website.

In early April, a detailed timetable for this initiative will be posted on the Board's web site and sent directly to all interested parties that have given notice to the Board of their interest in participating in this process.

All filings to the Board in relation to this matter must quote file number EB-2006-0064 and include your name, address, telephone number and, where available, an e-mail address and fax number. The Board requests that interested parties make every effort to provide electronic copies of their filings in Adobe Acrobat (PDF) or Word, either on diskette or by e-mail to Boardsec@oeb.gov.on.ca.

Yours truly,

Original Signed By

John Zych
Board Secretary

Appendix A –Cost Awards

Eligibility

The Board will determine eligibility for costs in accordance with its *Practice Direction on Cost Awards*. Any person intending to request an award of costs must file with the Board a written submission to that effect, identifying the nature of the person's interest in this process and the grounds on which the person believes that it is eligible for an award of costs, addressing the Board's cost eligibility criteria as set out in section 3 of the Board's *Practice Direction on Cost Awards*. An explanation of any other funding to which the person has access must also be provided, as should the name and credentials of any lawyer, analyst or consultant that the person intends to retain, if known.

Activities Eligible for Cost Awards

a) Consultations with Board Staff

Cost awards will be available in relation to consultations with Board staff on the first and second drafts of Board staff's Discussion Paper. Specifically, costs will be available for attendance at meetings with Board staff and for time spent in preparation for the meeting. Preparation time will be limited to a percentage (yet to be determined) of actual meeting time.

b) Written Submissions

Cost awards will be available in relation to written submissions on the final draft of Board staff's Discussion Paper, up to a maximum of 21 hours or such additional time as the Board may permit. Cost awards will also be available for written submissions on the draft filing guidelines, to a maximum of 14 hours or such additional time as the Board may permit.

Cost Awards

When determining the amount of the cost awards, the Board will apply the principles set out in section 5 of its *Practice Direction on Cost Awards*. The maximum hourly rates set out in the Board's Cost Awards Tariff will also be applied.

The Board expects that groups representing the same interests or class of persons will make every effort to communicate and co-ordinate their participation in this process.