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**BY E-MAIL AND WEB POSTING**

March 30, 2007

**To: All Licensed Electricity Distributors  
All Other Interested Parties**

**Re: Review of Electricity Distribution Rate Design  
EB-2007-0031**

One of the rate-setting initiatives set out in the Ontario Energy Board's business plan is a comprehensive electricity distribution rate design review. This review is intended to consider the need for, and approaches to, changes to distribution rate design in light of industry changes and emerging issues. These include the restructuring of the sector, developments in metering and increased distributed generation and conservation and demand management activities, among others.

The purpose of this letter is to initiate the consultation process in relation to the distribution rate design review.

### **Staff Discussion Paper**

The Board has today posted on its website a Board staff Discussion Paper. Board staff would be interested in receiving comments from interested stakeholders about the following areas as set out in the Discussion Paper:

- underlying principles;
- classes of service; and
- rate design components and issues.

The Discussion Paper provides a common nomenclature for, and a discussion of, some key rate design concepts. It is intended primarily to solicit stakeholder input that will enable Board staff to better understand which areas might be a priority for distributors or consumers. This will assist Board staff in refining the scope of the project.

### **Consultation Process and Cost Awards**

This project is intended to culminate in issuance by the Board, in 2008, of a policy framework for electricity distribution rate design. Models of options would then be

undertaken in 2009. Any rate design changes resulting from this work would, in turn, be used in setting rates in the future.

The steps in the consultation leading up to the determination of that policy framework may evolve over time. Currently, the expectation is as follows:

- Board staff will meet with interested parties over the summer of 2007 in relation to their comments on the staff Discussion Paper and other issues where an exchange of views may be beneficial;
- Board staff will commission a consultant to provide expert advice on rate design matters that are in scope for this project, including a consideration of relevant experience in other jurisdictions; and
- The consultant's report, together with a further staff Discussion Paper containing rate design recommendations, will be issued for review and comment by interested parties in the fall of 2007.

Cost awards will be available to eligible persons under section 30 of the *Ontario Energy Board Act, 1998* for their participation in this consultation. The costs awarded will be recovered from all licensed rate-regulated electricity distributors based on their respective distribution revenues. The rates of licensed distributors Cornwall Street Lighting and Power Company and Dubreuil Forest Products are not currently fixed or approved by the Board, and these distributors are not included in the comparison of distributor costs process. **Appendix A contains important information regarding cost awards for this consultation, including in relation to eligibility requests and objections.** In order to facilitate a timely decision on cost eligibility, the deadlines for filing cost eligibility requests and objections will be strictly enforced.

### **Invitation to Participate and Filing Instructions**

The Board encourages participation in this consultation by all interested parties.

Those interested in participating in this consultation should indicate their intent in writing by letter addressed to the Board Secretary by **April 12, 2007**. That letter should include the following:

- a statement as to whether the participant intends to make written comments on staff's Discussion Paper, and/or whether the participant wishes to be on the distribution list for future developments in this consultation; and
- a statement as to whether the participant wishes to request cost eligibility. All requests for cost eligibility must be accompanied by the information identified in Appendix A under the heading "Cost Award Eligibility".

Participants that wish to provide written comments on Board staff's Discussion Paper must do so by **May 15, 2007**.

All filings to the Board in this consultation must be addressed to the Board Secretary at the mailing address set out above, must quote file number **EB-2007-0031** and must include your name, postal address and telephone number and, if available, an e-mail address and fax number. Three paper copies of each filing must be provided. The Board asks that participants make every effort to provide electronic copies of their filings in searchable Adobe Acrobat (PDF) or MS Word, either on diskette or by e-mail to [boardsec@oeb.gov.on.ca](mailto:boardsec@oeb.gov.on.ca).

Filings must be received by **4:30 p.m.** on the required date.

All materials related to this consultation, including this letter, Board staff's Discussion Paper, and all filings received by the Board in response to this letter, will be available for public inspection on the Board's website at [www.oeb.gov.on.ca](http://www.oeb.gov.on.ca) and at the Board's office during normal business hours.

Any questions relating to this consultation should be directed to Laurie Reid at [laurie.reid@oeb.gov.on.ca](mailto:laurie.reid@oeb.gov.on.ca) or at 416-440-7623. The Board's toll-free number is 1-888-632-6273.

Yours truly,

*Original signed by*

Peter H. O'Dell  
Assistant Board Secretary

**Appendix A**  
to  
**Letter Dated March 30, 2007**

**Cost Awards**

**Cost Award Eligibility**

The Board will determine eligibility for costs in accordance with its *Practice Direction on Cost Awards*. Any person requesting cost eligibility must file with the Board a written submission to that effect by **April 12, 2007**, 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.

Licensed electricity distributors will be provided with an opportunity to object to any of the requests for cost award eligibility. All requests and any objections will be posted on the Board's website. If an electricity distributor has any objections to any of the requests for cost eligibility, such objections must be filed with the Board Secretary by **April 23, 2007**. The Board will then make a final determination on the cost eligibility of the requesting parties.

Eligible groups should have flexibility to budget potential cost awards as needed to best assist the Board throughout this consultation. As such, groups representing the same interests or class of persons are expected to make every effort to communicate and co-ordinate their participation in this process. Costs may be pooled when groups with common viewpoints collaborate and pool their resources.

**Activities Eligible for Cost Awards**

Cost awards will be available in relation to written comments on Board staff's Discussion Paper, up to a maximum of 10 hours.

Cost awards will also be available in relation to future stages of this consultation. Further details will be provided at the relevant time.

**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 will use the process set out in section 12 of its *Practice Direction on Cost Awards* to implement the payment of the cost awards. Therefore, the Board will act as a clearing-house for all payments of cost awards in this process.

For more information on the cost awards process, please see the Board's *Practice Direction on Cost Awards* and the Board's October 27, 2005 letter regarding the rationale for the Board acting as a clearing-house for the cost award payments. These documents can be found on the Board's website at [www.oeb.gov.on.ca](http://www.oeb.gov.on.ca) on the "Rules, Codes, Guidelines and Forms" webpage.