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BY EMAIL

November 28, 2007

To: All Licensed Electricity Distributors
All Participants in EB-2005-0317
All Other Interested Parties

Re: Board Report on Application of Cost Allocation for Electricity Distributors

The Board today has released a *Board Report on Application of Cost Allocation for Electricity Distributors* (the "Report"). The policies developed in this report are based on the *Board Staff Discussion Paper On the implications arising from a review of the electricity distributors' cost allocation filings EB-2007-0667 June 28, 2007*, and submissions on it. The Board thanks all parties who participated in this process.

The attached Report develops the current policies for applying the Board's cost allocation methodology specified in *Board Directions on Cost Allocation Methodology for Electric Distributor EB-2005-0317 September 29, 2007* in setting rates. In doing so it lays out sets ranges for revenue-to-cost ratios by customer class. A revenue-to-cost ratio is the ratio of class revenue to the allocated costs to serve that class. It also establishes current policies on the monthly service charge, and setting rates for metering credits for Unmetered Scattered Loads, credits for customers owning their own transformation, and on load displacement rates.

The cost allocation policies reflected in this Report should be followed by distributors whenever they apply for rates on a cost of service basis. Special circumstances are described in the Report where this requirement may vary.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary