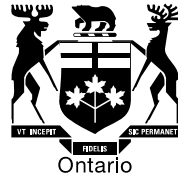


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BY E-MAIL AND WEB POSTING

June 28, 2007

To: All Licensed Electricity Distributors
Other Interested Parties

**Re: Staff Discussion Paper on the Implications Arising from a Review of
the Electricity Distributors' Cost Allocation Filings
Board File No. EB-2007-0667**

Board staff have prepared the enclosed discussion paper that addresses some of the implications arising from the distributors' cost allocation filings. It has also been posted on the Board's website.

The discussion paper focuses on two key findings and three other matters.

The two key findings relate to:

- the revenue to cost ratios for each customer classification, and
- the recovery of costs through the monthly fixed charge component of the distribution rates.

The other matters relate to:

- the "metering credit" that might be used in conjunction with the Unmetered Scattered Load classification,
- the "transformer unit costs" that might be used in conjunction with the determination of the credit for customer owned transformation, and
- the examination of costs relating to the supply of electricity to those customers with load displacement generation that might be used in conjunction with the determination of standby rates.

It is worth noting that this paper does not provide a complete and extensive analysis of the filings. It focuses on a few aspects that Board staff consider to be relevant, particularly as a component of a rate application encompassing a cost of service basis.

Distributors and other interested parties are invited to submit written responses to the questions posed by Board staff on these matters. In addition, all parties should feel free to comment on any aspect of the issues discussed in the paper,

as they consider appropriate. Parties should provide their comments no later than **July 19, 2007** and in the following manner.

All submissions to the Board in response to this paper must be addressed to the Board Secretary at the mailing address set out above, must quote file number **EB-2007-0667**, 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. Filings must be received by **4:45 p.m.** on the required date.

All materials related to this matter, including this letter, Board staff's Discussion Paper, and all filings received by the Board, will be available for public inspection on the Board's website at www.oeb.gov.on.ca and at the Board's office during normal business hours.

Cost awards will be available to eligible persons under section 30 of the *Ontario Energy Board Act, 1998* in relation to the preparation of written comments on the discussion paper, up to a maximum of 10 hours. Appendix A to this letter contains important information regarding cost awards for this activity, 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.

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 this cost awards allocation.

Following the receipt and review of the comments, the staff proposals regarding the revenue to cost ratios, the range for the monthly fixed charge and the other matters outlined in the paper will be revised as necessary to the satisfaction of the Board. They will then be issued by the Board as guidance to distributors with respect to future cost of service rate applications.

Any questions relating to this matter should be directed to Christie Clark at Christie.Clark@oeb.gov.on.ca or at 416-440-7683. The Board's toll-free number is 1-888-632-6273.

Yours truly,
Original Signed By
Peter H. O'Dell
Assistant Board Secretary

Attachment: Appendix A – Requirements for Participation and Cost Awards
Enclosure: Board Staff Discussion Paper Staff Discussion Paper on the
Implications Arising from a Review of the Electricity Distributors'
Cost Allocation Filings (Board File No. EB-2007-0667)

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 **July 5, 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 **July 12, 2007**. The Board will then make a final determination on the cost eligibility of the requesting parties.

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

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 on the "Rules, Codes, Guidelines and Forms" webpage.