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BY E-MAIL

September 8, 2005

To: All Electricity Distributors, participants in the 2005 Conservation and Demand Management Initiative (RP-2004-0203) and the Ontario Power Authority

Dear Sir / Madam:

Re: Total Resource Cost Guide

In support of cost effective conservation and demand management for the electricity sector, the Board has developed the *Total Resource Cost Guide* (the Guide).

The Guide and supporting documentation is available on the Board's website at http://www.oeb.gov.on.ca/html/en/industryrelations/ongoingprojects_distconservation.htm#q12005

The Guide has been prepared to assist local distribution companies (LDCs) in meeting the filing requirements for the 2005 conservation and demand management (CDM) plans approved by the Board. The Guide should also be used for any applications for incremental CDM spending in 2006 electricity distribution rates.

In its decision of December 10, 2004 (RP-2004-0203), the Board approved the applications by certain LDCs to invest in CDM on the conditions that the applicants file quarterly and annual reports on their CDM initiatives. The annual report is to include a cost benefit analysis on the CDM activities. The Guide outlines the required analysis and techniques for LDCs to use when completing the cost benefit analysis.

Similarly, in the *2006 Electricity Distribution Rate Handbook Report*, the Board stated that LDCs who plan to include additional expenditures on CDM in their 2006 rates must file a cost benefit analysis in advance of obtaining the Board's approval. The Guide is to be used for the purpose of preparing the cost benefit analysis.

Appendix A to this letter consists of the Board's views regarding stakeholder comments on the *Draft Guide to Total Resource Cost Analysis*.

Should you require any assistance, please contact Stephen McComb, Analyst, Facilities, at 416-440-8143.

Yours truly,

A handwritten signature in black ink, appearing to read "John Zych". The signature is stylized with a large, looping initial "J" and a cursive "Zych".

John Zych
Board Secretary