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November 30, 2005

To : All Electricity Local Distribution Companies
Other Interested Parties

Re: Comparator and Cohort Analysis for 2006 Electricity Distribution Rate (EDR) Review

The Ontario Energy Board has now made available the Comparators and Cohorts Study for 2006 EDR conducted by Christensen Associates Energy Consulting LLC under the direction of Board staff. The comparator data in the Appendices are presented in a manner that preserves the confidentiality of certain data. In accordance with the Board's commitment in the Report of the Board (the "Board Report") and the 2006 Electricity Distribution Rate Handbook (the "2006 DRH"), both issued on May 11, 2005, the study is being made available to all electricity distributors and to other parties.

The study has been conducted in accordance with the approach approved by the Board in the Board Report and the 2006 DRH, using the data filed and verified by electricity distributors per the Board's Reporting and Record-keeping Requirements ("RRR"). The study is the first step of a longer review to cluster utilities into preliminary "peer groups" or cohorts based on similarities of environmental and operational characteristics. This would permit comparisons among utilities with respect to certain cost and operational parameters. Delays in data gathering, data concerns, and issues that arose during the analysis prevented earlier completion of the study.

The Board reminds parties that its decision in RP-2004-0188 was to develop and use comparators and cohorts data exclusively as a screening tool and not as a mechanism for the direct setting of rates for 2006. In that proceeding, the Board also noted that although an analysis may identify an average level of spending, it would be incorrect to draw the conclusion that any particular level represented, in itself, an efficient level of spending.

The Board remains committed to the continued development of Comparator and Cohorts as a means of screening applications and in the future, potentially informing the

rate setting methodology to be applied to a utility. Once the 2006 EDR proceeding has been completed the Board expects to resume the Comparator and Cohort project.

Yours truly,

John Zych
Board Secretary