

Ontario Energy Board
P.O. Box 2319
26th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'Énergie de l'Ontario
C.P. 2319
26e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



June 16, 2004

**TO: ALL LICENSED ELECTRICITY DISTRIBUTION COMPANIES
OTHER STAKEHOLDERS**

RE: PROCESS FOR ESTABLISHING 2006 ELECTRICITY DISTRIBUTION RATES

The Board is planning a process to establish approved rates for electricity distributors based on updated revenue requirements, with the intent that these new distribution rates will be effective on May 1, 2006. Since individual rate applications will be due in mid-2005, the Board intends to undertake a policy development process to develop guidelines for the methodology to be used in setting May 1, 2006 rates. The Board intends to give interested parties an opportunity to make oral representations in late 2004 concerning the generic methodology to be used in those applications.

This letter invites your participation in an informal consultation with Board staff regarding the 2006 distribution rate-setting process. The meeting is scheduled for Tuesday, July 6 and Wednesday, July 7, 2004, and will take place at the Ontario Science Centre. Each day's meeting will start at 8:30 a.m. and will conclude by 5:00 p.m. Lunch and refreshments will be served. The purpose of the consultation is to identify the various issues and to discuss which are suitable for generic consideration.

Shortly after the informal consultation, the Board will provide further details of the upcoming generic process. A period of approximately three and a half months will then be available for stakeholders to prepare written submissions, and for the written record for this process to be established.

Attached to this letter is a preliminary issues list, focusing on potential 2006 revenue requirement items. A key element included in this list is the concept of comparators, which the Board hopes will prove useful for reviewing the reasonableness of various components of a distributor's applied-for 2006 revenue requirement and rates.

The attached issues list also identifies some priority rate design matters which might usefully be considered as part of the process setting distribution rates for 2006. The Board believes that remaining rate design matters, which are closely related to cost allocation, would be better addressed as part of setting 2007 distribution rates.

At the upcoming informal consultation, suggestions for additional issues will be welcome. The plan is that Board staff will make introductory remarks, to be followed by informal stakeholder discussions. Some time will be set aside for stakeholders attending to make focused presentations. Those stakeholders who cannot attend in person are invited to make written submissions on what topics should be part of the 2006 rate setting process. Submissions received in electronic format by June 30th, 2004 will be shared with other participants.

The Board has decided that it is best that the required new cost allocation studies be filed in 2006, as part of rate applications for 2007 distribution rates. Such scheduling will allow a smoother flow of work by all parties, accommodate difficulties experienced by utilities in starting load data collection, allow fuller consideration of issues such as sub-functionalization, and will enable new developments (such as in the area of metering) to be fully taken into account.

A second generic process will be scheduled in late 2005 (after updated load data results are available) to establish a common methodology for conducting the cost allocation studies. As part of that overall process, the Board will be continuing its consultations on an appropriate cost allocation methodology. Details on the resumption of the Cost Allocation Working Group will be announced in due course.

To assist in planning for the informal consultation on the generic 2006 rate-setting methodology, interested parties are requested to register in advance by contacting Dorothy Wilkinson, by June 25, 2004. Dorothy may be reached at 416-440-7622, or fax 416-440-7656, or e-mail Dorothy.Wilkinson@oeb.gov.on.ca. Please indicate if you wish to make a presentation dealing with identifying potential 2006 issues involving new revenue requirements, related rate design, or on use of comparators. To facilitate maximum participation, 15 minutes will be allowed per oral presentation. Attempts will be made to accommodate preferences, but staff may need to make changes to ensure that all parties have adequate opportunity to participate and the discussion proceeds in an organized manner. An agenda for the consultation will be posted on the Board's website in advance.

Following the informal consultation, a revised issues list will be prepared and will be included with the communication of further details on the upcoming generic process.

For further information on 2006 distribution rates policy issues, please contact Keith Ritchie at 416 440-8124, or e-mail Keith.Ritchie@oeb.gov.on.ca. For further information on cost allocation policy issues, please contact John Vrantsidis at 416 440-8122 or e-mail at John.Vrantsidis@oeb.gov.on.ca. For questions regarding the electricity distribution rates filing process that may be used in 2005, contact Harold Thiessen at 416 440-7637 or e-mail Harold.Thiessen@oeb.gov.on.ca.

Yours truly,

A handwritten signature in black ink, appearing to read "P. O'Dell", written over a horizontal line.

Peter O'Dell
Acting Board Secretary