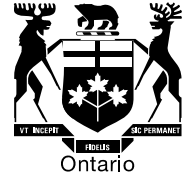


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BY E-MAIL AND WEB POSTING

October 23, 2008

To: All Licensed Electricity Distributors

Re: Version 2.0 of the 2009 Electricity Distribution Incentive Regulation Rate Application Models Released

Today, the Ontario Energy Board (the "Board") issued version 2.0 of the 2009 electricity distribution incentive regulation ("IR") rate application models (the "2009 IR Models"). The significant changes to the models are outlined below. All distributors should use this version of the models for completing their applications.

The 2009 IR Models have been posted on the Board's web site (www.oeb.gov.on.ca) for downloading by distributors. There are two .zip files:

- a rate generator for 2nd generation IR rate applications; and
- a rate generator with a supplementary filing module for 3rd generation IR rate applications.

A distributor who encounters difficulty in downloading the material should contact the Market Operations hotline at 416-440-7604 or by email at market.operations@oeb.gov.on.ca. Queries about the model, filing instructions or application process should also be directed through the Market Operations hotline.

The 2009 IR Models have been developed based on the policies set out in the Board's 2nd and 3rd generation IR reports (as noted, below) and in subsequent relevant Board Decisions on issues such as Conservation and Demand Management ("CDM") and Smart Meters.

Requirements for 2nd Generation IR Distribution Rate Applications

Distributors are required to make a number of data entries from their approved 2008 EDR (IR) Model, including inputting their approved 2008 EDR tariff schedule. Distributors are also required to input certain information from the Board-approved 2006 EDR model.

The 2009 IR Model has been developed based on the policies set out in the Report of the Board on the Cost of Capital (EB-2006-0088) and 2nd Generation Incentive

Regulation Mechanism (EB-2006-0089) for Ontario's Electricity Distributors issued on December 20, 2006 and subsequent relevant Board Decisions. The report includes guidelines to help parties understand how the policies will be implemented, and contains filing requirements to guide distributors in the preparation of their rate applications for the 2009 rate year.

The following significant changes have been addressed in this version of the model.

- Some utilities have RTSR rates applied to their Embedded Distributor class (a unique rate class). This was overlooked by Board staff in the original version and has now been addressed; and
- Three rate riders for select utilities were overlooked and included in this model.

Requirements for 3rd Generation IR Distribution Rate Applications

Distributors are required to make a number of data entries from their approved 2008 Cost of Service application, including inputting their approved 2008 EDR tariff schedule.

The 2009 IR Models have been developed based on the policies set out in the Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors issued on July 15, 2008, and the Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors (the "Supplemental Report") issued on September 17, 2008. The Supplemental Report includes guidelines to help parties understand how the policies will be implemented, and contains filing requirements to guide distributors in the preparation of their rate applications for the 2009 rate year.

The following significant changes have been addressed in this version of the model.

Rate Generator

- The sunset date for some rate riders failed to display correctly on sheet "C3.1 Curr Rates & Chgs General"; and
- Sheet "D1.2 Reven Cost Ratio Adj – Gen" and "D1.3 Reven Cost Ratio Adj – Unq" incorrectly multiplies the input adjustment with the base rate.

Supplementary Filing Module

- Sheet "E1.2 K-Factor Adjustment" – K-Factor adjustment formula missing "-1";
- Sheet "F1.1 Z-Factor Tax Changes" – CCA calculations changed;
- Sheet "F1.2 CalcTaxChg RRider OptA FV" – Change revenue % values;
- Sheet "G3.1 Depreciation CCA Factors" – Changed UCC calculation to reflect

CCRA T2 Sch 8;

- Sheet “G4.1 IncrementalCapitalAdjust” – Change Capital Tax to include use of exemption if applicable; and
- Sheet “G4.2 Incr Cap RRider Opt A FV” – Change revenue % values.

Process for 2009 Distribution Rate Applications

The deadline date for filing 2009 IR applications is **November 7, 2008**. The Board expects applicants to have all filings to the Board by 4:45 pm that day. The Decisions for 2009 IR applications will be issued beginning in mid-March, 2009.

Distributors are reminded that applications which depart from the guidelines set forth in the above mentioned reports will require more time to process. The length of additional time will be commensurate with the degree of complexity resulting from the departure.

Instructions for Filing Materials with the Board

All communications related to the filing of the application should be directed to the attention of the Board Secretary at the Board’s address shown on the letterhead, and be filed no later than 4:45 p.m. on the required date. The application should be sent to the Board Secretary in the following form:

- (a) Electronic filing through the Board’s web portal at www.errr.oeb.gov.on.ca, consisting of one (1) electronic copy of the application in searchable /unrestricted PDF format and one (1) electronic copy in Microsoft Excel format of the completed 2nd or 3rd Generation IRM model and one (1) electronic copy of the Manager’s summary;
- (b) two (2) paper copies of the application, the Manager’s Summary and the IRM Model, along with a CD of the above (item (a)).

Filings must clearly state the sender’s name, postal address, telephone number, fax number and e-mail address. Please use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.oeb.gov.on.ca. If you do not have a user ID, please visit the Board’s website and fill out, under e-filings, a user ID and password request.

Yours truly,

Original Signed By

John Pickernell
Assistant Board Secretary