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By Webposting only

March 18, 2009

To: All Licensed Electricity Distributors and All Other Interested Parties

Re: Review of Asset Management Practices of the Ontario Electricity Distributors

As part of the Board's ongoing work in relation to the challenges related to renewal of energy infrastructure, the Ontario Energy Board, through the Office of the Chief Regulatory Auditor, conducted a review of Ontario's electricity distributors' asset management practices. This initiative is referred to in the Board's 2007-2010 Business Plan, which is posted on the Board's website. The Business Plan anticipates that this work will help the Board understand the current state of electricity distribution asset management practices. This can be used by the Board to inform potential policy development.

The Chief Regulatory Auditor engaged KPMG to perform this review.

The review approach consisted of:

- Site visits to a number of electricity distributors to understand their asset management processes,
- Review of material on asset management plans in recent rate applications, and
- A survey of distributors to understand their asset management practices.

The review is based on visits to 4 distributors, and questionnaire responses from another 17. The review did not include a sample of distributors with less than 5,500 customers. The results of the survey therefore can not be extrapolated to apply to the smallest distributors. This review concentrated on asset management processes. As such, it was not itself an asset condition assessment or assessment of the adequacy of individual utility asset management plans. Its focus was on the practices in place to develop such plans.

The views expressed in the report are those of KPMG LLP and do not necessarily represent the views of, and should not be attributed to, the Board or Board staff.

We thank all the distributors for their contribution to this review. Please direct any questions or comments to the Market Operations Hotline at 416-440-7604 or by email at Market.Operations@oeb.gov.on.ca.

The report on the Review of Asset Management Practices of the Ontario Electricity Distributors is posted on the Board's website at:

<http://www.oeb.gov.on.ca/OEB/Industry+Relations/Regulatory+Audit+Office/Regulatory+Audit+Review+Reports>

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary

Attachment: Report on the Review of Asset Management Practices of the Ontario Electricity Distributors