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VIA E-MAIL AND WEB POSTING

January 16, 2012

To: Interested Stakeholders

**Re: Possible revisions to the OEB Cost Assessment Model
Board File No: EB-2012-0018**

The Ontario Energy Board (the "Board") is initiating a consultation with stakeholders on possible revisions to the Board's Cost Assessment Model (CAM) to change how low-volume Electricity Retailers and Gas Marketers are assessed in respect of the Board's expenses and expenditures. The Board invites all interested parties to participate in this consultation.

In 2010, Ontario Regulation 16/08 was amended to include low-volume Electricity Retailers and Gas Marketers in the list of the classes of persons who the Board may assess in respect of the Board's expenses and expenditures. In March 2011, the Board's CAM was amended to include low-volume Electricity Retailers and Gas Marketers as classes of payors with respect to the assessment of direct costs.

Under the current CAM, low-volume Electricity Retailers and Gas Marketers are assessed a portion of the Board's direct costs and no indirect costs. This approach is different from the approach taken with other payor classes who are assessed both direct costs and a corresponding portion of the Board's indirect costs.

At the time of the March 2011 amendment to the CAM, the Board committed to considering the appropriateness of assessing a portion of its indirect operating costs to low-volume Electricity Retailers and Gas Marketers.

The Board commissioned Navigant Consulting Ltd. to consider the issue of assessing both direct and indirect costs to all payor classes consistently. The report prepared by Navigant is available for review on the Board's website at http://www.ontarioenergyboard.ca/OEB/Documents/Documents/Report_OEB_Cost_Assessment_Model_20120113.pdf

The Navigant report concluded that there is no reason not to allocate indirect costs to the low-volume Electricity Retailers and Gas Marketers in a manner consistent with other payor classes. Implementing such a change would increase the cost assessed to low-volume Electricity Retailers by approximately \$1.5 M and to Gas Marketers by \$1.0 M and result in a corresponding decrease in the costs assessed to the other payor classes, in particular, electricity and gas distributors.

The Board is seeking comments from interested stakeholders on whether or not it should adopt this recommendation. In particular, the Board is seeking comment on the following issues:

1. Should the Board adopt the recommendation in the Navigant report and, if so, why and, if not, why not?
2. Are there any reasons, in addition to those set out in the Navigant report, why the Board should consider adopting the recommendations?
3. Are there any reasons why the Board should treat low-volume Electricity Retailers and Gas Marketers differently than other payor classes?
4. If the Board were to decide to adopt Navigant's recommendations, as of which date should the amended CAM be effective (i.e. April 1, 2012; April 1, 2013 or another date)?
5. Are there any other factors that interested stakeholders think that the Board should take into account regarding the decision as to whether or not to adopt the recommendation in the Navigant report?

Please review the Navigant report and provide written feedback by **February 17, 2012**. The Board is not making provision for an award of costs in this consultation process. Your submissions can be e-mailed to Boardsec@ontarioenergyboard.ca. The Board also requires two hard copies. All written comments sent to the Board in response to this letter will be available for viewing at the Board's offices and will be placed on the Board's website.

If the written comment is from a private citizen (i.e., not a lawyer representing a client, not a consultant representing a client or organization, not an individual in an organization that represents the interests of consumers or other groups, and not an individual from a regulated entity), before making the written comment available for viewing at the Board's offices or placing the written comment on the Board's website, the Board will remove any personal (i.e., not business) contact information from the written comment (i.e., the address, fax number, phone number, and e-mail address of the individual). However, the name of the individual and the content of the written

comment will be available for viewing at the Board's offices and will be placed on the Board's website.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary