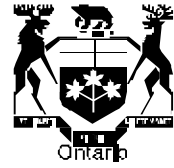


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BY E-MAIL AND WEB POSTING

March 31, 2008

**To: All Licensed Electricity Distributors
All Participants in Consultation Process EB-2007-0031**

**Re: Staff Discussion Paper on Rate Design for Recovery of Electricity
Distribution Costs
Board File No.: EB-2007-0031**

The Ontario Energy Board (the “Board”) has today released for comment a staff Discussion Paper addressing issues associated with rate design for recovery of electricity distribution costs.

One of the rate-setting initiatives set out in the Ontario Energy Board's business plan is a comprehensive electricity distribution rate design review. This review is intended to consider the need for, and approaches to, changes in distribution rate design in light of industry changes and emerging issues. These include the commercialization of electricity distributors, developments in metering, increased distributed generation and conservation and demand management activities, among others. This project focuses on designing a rate structure that recovers the revenue associated with distribution costs. As such, it is distinct from Board-led projects on commodity pricing or revenue associated with conservation and demand management activities by distributors.

The purpose of this staff Discussion Paper is to elicit stakeholder comment. To that end, staff has described various rate design options with invitations to comment on specific areas. The invitations to comment are intended to stimulate discussion and stakeholders are welcome to comment on any issues raised in the paper. Stakeholder comments will be considered in Board staff's further formulating policy proposals for the Board members to consider.

This project is intended to culminate in issuance by the Board, in 2008, of a policy framework for electricity distribution rate design.

Background

On March 30, 2007, the Board issued a letter commencing the Rate Design for Recovery of Electricity Distribution Costs project. The Board issued a staff discussion paper asking for comment on the scope of the project.

As a result of those comments and further Board discussion, the Board refined the scope of the project. Board staff retained Elenchus Research Associates as an expert consultant and proceeded to hold a series of consultation meetings with stakeholders in both group and individual settings.

This staff discussion paper presents the information gathered in those sessions and through study of smart metering data from the customers of Milton Hydro Distribution Inc.

In particular, the paper covers issues regarding:

- customer classifications;
- rates design issues;
- rate designs for potential customer classes; and
- treatment of revenue recovery of distribution system losses.

Invitation to Comment

Written comments on the Discussion Paper will assist Board staff in further development of a policy proposal.

Staff has identified areas in relation to which stakeholder input is specifically requested. However, participants should feel free to comment on all aspects of the Discussion Paper.

Cost Awards

Maximum Hours Eligible for Cost Awards

As indicated in the Board's March 30, 2007 letter, cost awards will be available to eligible persons in relation to their participation in this consultation under section 30 of the *Ontario Energy Board Act, 1998*. The Board has decided to make cost awards available in relation to the provision of written comments on the staff Discussion Paper, up to a maximum of 30 hours.

Instructions on Filing Material with the Board

Interested parties wishing to provide written comments on the staff Discussion Paper must file their comments with the Board by **May 30, 2008**.

All filings to the Board in relation to this matter must be received by the Board Secretary by **4:45 p.m.** on the required date. They must quote file number **EB-2007-0031** and include your name, address, telephone number and, where available, an e-mail address and fax number.

Two paper copies of each filing must be provided, and should be sent to:

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
Suite 2700
Toronto, Ontario
M4P 1E4

The Board requests that interested parties make every effort to provide electronic copies of their filings in searchable/unrestricted Adobe Acrobat (PDF) format, and to submit their filings through the Board's web portal at www.errr.oeb.gov.on.ca. A user ID is required to submit documents through the Board's web portal. If you do not have a user ID, please visit the "e-filings services" webpage on the Board's website at www.oeb.gov.on.ca, and fill out a user ID password request. Additionally, interested parties are requested to follow the document naming conventions and document submission standards outlined in the document entitled "RESS Document Preparation – A Quick Guide" also found on the e-filing services webpage. If the Board's web portal is not available, electronic copies of filings may be filed by e-mail at boardsec@oeb.gov.on.ca. Those that do not have internet access should provide a CD or diskette containing their filing in PDF format.

This letter, the staff Discussion Paper and all written comments received by the Board in response to this letter, will be available for public viewing on the Board's website at www.oeb.gov.on.ca and at the office of the Board during normal business hours.

Any questions related to the project should be directed to Laurie Reid at 416-440-7623 or by e-mail at: laurie.reid@oeb.gov.on.ca.

The Board's toll free number is 1-888-632-6273.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary