

Ontario Energy Board
P.O. Box 2319
27th 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
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL AND WEB POSTING

September 17, 2008

To: All Participants in Consultation EB-2007-0673
All Licensed Electricity Distributors
All Other Interested Parties

Re: **3rd Generation Incentive Regulation for Electricity Distributors
Issuance of Supplemental Report of the Board (Including Amended
Filing Guidelines for 2009 Rate Applications)**

Today, the Board issued its “Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario’s Electricity Distributors” (the “Supplemental Report”). The Supplemental Report is available on the Board’s website at www.oeb.gov.on.ca.

On July 14, 2008, the Board issued its “Report of the Board on 3rd Generation Incentive Regulation for Ontario’s Electricity Distributors” (the “July 14, 2008 Report”) which sets out the Board’s policies and approach to 3rd generation incentive regulation (“3rd Generation IR”). At that time, the Board deferred making a determination on the value of certain parameters pending further consultation.

The Supplemental Report sets out the Board’s determination of the values for the productivity factor, the stretch factors, and the capital module materiality threshold for use in 3rd Generation IR. It also sets out the Board’s determination on the issue of tax changes in relation to the Z-factor. The filing guidelines in the Supplemental Report reflect those determinations and supersede those found in the Appendix to the July 14, 2008 Report.

Distributors are expected to file their incentive regulation rate applications for the 2009 rate year by **November 7, 2008**. The filing models for both 2nd and 3rd Generation IR will be issued by the end of September and a web cast for distributors filing incentive regulation rate applications is planned for on October 17, 2008. As indicated in the Supplemental Report, further consultation will be undertaken to finalize the ranking of distributors based on the benchmarking results prior to that web cast. Details on this consultation and the web cast will be issued shortly.

Issuance of the Supplemental Report completes this consultation process. The Board thanks all participants in this consultation for their contribution, and wishes to acknowledge in particular the efforts of stakeholders that were members of the Working Group that worked closely with Board staff in the development of proposals

for 3rd Generation IR. The Board will address the issue of cost awards for this consultation by separate correspondence to be issued shortly.

Yours truly,

Original signed by

John Pickernell
Assistant Board Secretary

Attachment: Supplemental Report of the Board on the 3rd Generation Incentive Regulation for Ontario's Electricity Distributors