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VIA E-MAIL AND WEB POSTING

November 21, 2013

To: All Licensed Electricity Distributors
All Participants in Consultation Process EB-2010-0379
All Other Interested Stakeholders

Re: Issuance of Report of the Board on Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Electricity Distributors and Board Determination of Stretch Factor Assignments for 2014
Board File No.: EB-2010-0379

Today, the Board issued its “Report of the Board on Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario’s Electricity Distributors”. A copy of the Report is attached and is available from the Board’s website at www.ontarioenergyboard.ca. The Report provides the Board’s final determination on its policies and approaches to the distributor rate adjustment parameters and the benchmarking of electricity distributor total cost performance for the period 2014 to 2018. In addition and consistent with these policies and approaches, the Report sets out the inflation factor and the stretch factors to be used in 2014 incentive rate setting (i.e., the Price Cap Incentive Rate-setting and the Annual Incentive Rate-setting Index) applications.

The Board has also posted on its website a report prepared by Board staff’s expert consultant, Dr. Lawrence Kaufmann and his team at the Pacific Economics Group Research, LLC, entitled “[Empirical Research in Support of Incentive Rate-Setting: Final Report to the Ontario Energy Board](#)”. This report is referenced in the Board’s Report.

On September 6, 2013, the Board issued its draft “Report of the Board on Empirical Research to Support Incentive Rate-setting for Ontario’s Electricity Distributors.” The Board wished to further hear the views of stakeholders before finalizing its determinations. The Board held a Stakeholder Conference on September 11, 2013 to provide a forum for stakeholders to present their views to

the Board on the proposed policies set out in the Board's Draft Report. Following the conference, the Board received further written comment from nine stakeholders. The Board has considered these comments and has confirmed its determinations on the model it will use to assign stretch factors to distributors and on the membership of the five distributor groupings for stretch factor assignments for the 2014 rate year. The Board will adjust the stretch factor in each distributor's incentive rate-setting model, as appropriate, as well as the inflation factor.

Issuance of this determination completes the consultation process which began in November of 2012. The Board thanks all participants for their contributions. The Board will address the issue of cost awards for this consultation by separate correspondence to be issued shortly.

All documents related to this consultation are available for public inspection on the Board's web site at www.ontarioenergyboard.ca and at the office of the Board during normal business hours. Please contact Market Operations by e-mail at market.operations@ontarioenergyboard.ca with any questions. The Board's toll-free number is 1-888-632-6273.

Yours truly,

Kirsten Walli
Board Secretary

Attachment: Report of the Board on Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors