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VIA E-MAIL AND WEB POSTING

December 6, 2012

To: All Licensed Electricity Distributors
All Registered Participants in Consultation EB-2010-0379

**Re: Electricity Distributor Historical Cost Data Extracted from the Ontario Hydro MUDBANK System for the Period 1989 to 1998 and from the Ontario Energy Board Reporting and Record Keeping Requirements Systems for the Period 2002 to 2011
Defining and Measuring Performance of Electricity Distributors (EB-2010-0379)**

In its October 18, 2012, Report of the Board entitled "A Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach", the Board described empirical work on the electricity distribution sector that it will carry out, including total cost benchmarking and an Ontario total factor productivity ("TFP") study.

Development of further empirical analysis on the Ontario electricity distribution sector has been hindered in the past by a lack of data covering a sufficient period of time. Today Board staff has posted on the Board's website 10 years of Ontario electricity distributor historical cost data that Board staff has extracted from the Ontario Hydro MUDBANK system for the period 1989 to 1998. The MUDBANK system is Ontario Hydro's Municipal Utility Information System that provided regulatory and statistical functions to support Ontario Hydro's regulatory role for the over 300 Municipal Electric Utilities that were in existence at that time. Board staff has mapped this data to reflect the 77 licensed electricity distributors that exist today.

Board staff has also posted on the Board's website historical cost data filed with the Board by electricity distributors for the period 2002 to 2011 through the Board's Reporting and Record Keeping Requirements.

The data is accessible on the [Defining and Measuring Performance of Electricity Distributors and Transmitters](#) web page. For continuity sake, the data is also accessible on the [Comparison of Ontario Electricity Distributors Costs](#) web page.

Development of Empirical Analysis on the Ontario Electricity Distribution Sector

The purpose of this letter is to let stakeholders know that the data is available for electricity distributor review and that Board staff is seeking expert advice from Dr. Lawrence Kaufmann with Pacific Economics Group Research LLC (“PEG”) on how the data might be used in defining and measuring electricity distributor performance. Dr. Kaufmann will also be asked to comment on how we might link (i.e., interpolate between) the MUDBANK data with the data on the sector available in the Board’s Electricity RRR repository for the period 2002 to 2011. These matters, amongst others, will be topics for discussion with stakeholders at the January 10, 2013 Stakeholder Meeting. Next steps are discussed in more detail below.

Board staff does not intend that the data be revised or amended as a result of distributor review or Dr. Kaufmann’s advice, and is of the view that the data, as it is, could advance further empirical work on the sector.

Based on consultations carried out in developing the 3rd generation incentive regulation plan for Ontario’s electricity distributors, this MUDBANK and RRR data, once reviewed and assessed, could be used to estimate an Ontario-specific TFP trend and/or to help develop total cost benchmarking tools.

Two additional sets of data are being gathered by Board staff with the help of Hydro One to support the empirical analysis: data on payments to Hydro One for low voltage service for each distribution company for the period 2002-2011; and some historical data on the assets in the Ontario Hydro retail system. These sets of data will be posted on the Board’s website as soon as practicable.

Next Steps

To help determine the appropriateness of using the data for further empirical work on the sector, distributor review and Dr. Kaufmann’s advice will be discussed at the January 10, 2013 Stakeholder Meeting.

Subsequent to, and informed by discussions at that meeting, the working group will assist Board staff in the development of staff’s recommendations to the Board in relation to further empirical work on the sector and other implementation matters identified in Chapter 4 of the Board’s Report. The working group will meet in January and February. Working group analysis will detail issues and review and evaluate proposals.

The working group’s work will be documented and will form part of a Staff Report which will be issued in mid-April, 2013 and will be the subject of stakeholder consultation in April and May. All interested stakeholders may provide written

comment on further development of empirical analysis on the Ontario electricity distribution sector in conjunction with their comments on the Staff Report.

Questions relating to the data that has been posted on the Board's website today should be directed to Board staff by e-mail to the Market Operations hotline at 416-440-7604 or by e-mail at market.operations@ontarioenergyboard.ca. The Board's toll-free number is 1-888-632-6273.

Yours truly,

Kirsten Walli
Board Secretary