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VIA E-MAIL AND WEB POSTING

May 3, 2013

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

Re: **Consultant Report and Stakeholder Consultation Meetings in May
Defining and Measuring Performance of Electricity Distributors (EB-2010-0379)**

The purpose of this letter is to invite stakeholder comment on a consultant report on benchmarking and rate adjustment parameters that has been released today, and to announce two stakeholder meetings that will be held in May.

Background

On October 18, 2012, the Board issued its Report of the Board entitled “A Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach.” A copy of the Report is available on the Board’s website at www.ontarioenergyboard.ca.

A consultation process is currently under way with respect to the implementation of the Board’s conclusions in the Report in relation to performance standards, measures, and the development of benchmarking. This consultation includes consideration of rate adjustment parameters (i.e., inflation and X factors).

On December 6, 2012, the Board issued a letter which provided stakeholders with an overview of next steps for the consultation on performance standards, measures, and the development of benchmarking. To ensure that rate adjustment parameters can be established for the 2014 rate year, the Board has now determined that the benchmarking and rate adjustment parameter consultations will proceed separately from any other work on performance standards and measures. Attachment A contains updated estimates on the timing of key activities for the benchmarking and rate adjustment parameter consultations which are known at this time. An updated timeline for further consultations on the development of performance standards and measures will be issued in June.

Invitation for Written Comment on Consultant Report

The Board has posted on its website a report prepared by Board staff's expert consultant, Dr. Lawrence Kaufmann and his team at the Pacific Economics Research Group, entitled "Empirical Work in Support of Incentive Rate Setting in Ontario" (the "PEG Report"). The PEG Report makes specific recommendations for the inflation, productivity and stretch factor parameters for the Board's incentive rate-setting. The PEG Report also makes specific recommendations for the benchmarking of electricity distributor total costs. Participants that wish to put forward alternative proposals or options for consideration are encouraged to include in their comments not only a detailed description of each proposal or option (including steps necessary for implementation, where applicable), but also the underlying rationale and principles that support the proposal or option.

Participants that wish to do so are invited to provide their own expert reports on the issues addressed in the PEG Report.

Participant comments and expert reports must be filed with the Board by **June 13, 2013** in accordance with the filing instructions set out in Attachment B.

Upcoming Consultation Meetings

Participants are invited to attend two consultation meetings in May, 2013: a Q&A session and a stakeholder conference. These meetings will take place in the Board's West Hearing Room, 25th floor, 2300 Yonge Street, Toronto. The meetings will be broadcast over the web to allow remote participation and will be transcribed. The meeting days are expected to run from 9:30 a.m. to 4:30 p.m.

Q&A Session

A question and answer session will be held on **May 16, 2013**. It is intended to be an informal session to give participants an opportunity to ask Dr. Kaufmann clarifying questions to better understand the PEG Report.

Stakeholder Conference

A two-day stakeholder conference will be held on **May 27 and 28, 2013**. The stakeholder conference will be attended by members of the Board who will subsequently report back to the full Board.

The stakeholder conference will provide a forum for in-depth discussion on issues relevant to the topics identified below. Board staff's expert consultant will be in

attendance at the stakeholder conference, and participants that intend to file expert reports are similarly invited to make their experts available at that time.

At the conference, participants and their experts will present on and have an opportunity to discuss the PEG Report and any alternatives or options put forward by other participants and their respective experts.

Presentations

Each participant or expert, as well as Board staff's expert consultant, will be provided with an opportunity to make a presentation. The following topics, addressed in the PEG Report, are suggested to provide points for general discussion through presentations and questions. This list is not intended to be exhaustive, and participants may address other matters in relation to benchmarking and/or rate adjustment parameters in their presentations that they feel are pertinent.

- Inflation Factor;
- Estimating Total Factor Productivity Growth;
- Total Cost Benchmarking(Econometric and Unit Cost); and
- Stretch Factors.

Participants that intend to prepare joint written comments or to jointly sponsor an expert are encouraged to consult with one another and make a common presentation representing their shared views.

To ensure ample time for discussion, presenters are asked to complete their presentations within 30 minutes and be available for questions from other participants for up to an additional 1.0 hour. Based on stakeholder registration, a detailed schedule will be drafted and issued to participants prior to the stakeholder conference.

Stakeholder Registration

Stakeholders that intend to participate in the Q&A session and/or the stakeholder conference are asked to email notice of their intention to RRF@ontarioenergyboard.ca by **May 10, 2013**, and to include **"EB-2010-0379 Stakeholder Attendance"** in the **subject line of their email**. Participants are asked to indicate in their email whether they intend to attend in person or by web.

Participants that intend to make a presentation at the stakeholder conference are asked to also indicate this in their e-mail, and to file copies of the presentation with the Board by **May 23, 2013** in accordance with the filing instructions set out in Attachment B.

Cost Awards

As stated in Attachment B to the Board's October 18, 2012 letter, cost awards will be available to eligible participants under section 30 of the *Ontario Energy Board Act, 1998* in respect of the consultation activities described in this letter, and will be recovered from electricity transmitters and distributors as also set out in the October 18, 2012 letter.

The Board will also allow eligible participants to seek eligibility to claim the costs of an expert to prepare a separate expert report on the issues addressed in the PEG Report. **Important information on cost awards is set out in Attachment C.** Filings to the Board in relation to cost awards must be made in accordance with the filing instructions set out in Attachment B.

Next Steps

Stakeholder input provided at the stakeholder conference and through written comments and expert reports will inform the Board's determinations on total cost benchmarking, and on the inflation, productivity and stretch factors for the Board's setting of electricity distribution rates. The Board expects to issue a Supplemental Report of the Board in relation to these matters in July, 2013.

If you have any questions regarding this consultation, please contact Lisa Brickenden at 416-440-8113, or by e-mail at RRF@ontarioenergyboard.ca. The Board's toll-free number is 1-888-632-6273.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary

Attachment A – Consultation Activities Timeline
Attachment B – Filing Instructions
Attachment C – Cost Awards

ATTACHMENT A
To Letter Dated May 3, 2013

Consultation Activities Timeline

Empirical Work Consultation Process (Benchmarking and Rate Adjustment Parameters)

May

1 st – 3 rd	Issue PEG report for written comment – May 3 rd .
6 th – 10 th	
13 th – 17 th	Q&A Session on PEG Report – May 16 th .
20 th – 24 th	
27 th – 31 st	Stakeholder Conference on PEG Report – May 27 th & 28 th .

June

3 rd – 7 th	
10 th – 14 th	Written Comments Due on PEG Report – Jun 13 th .
17 th – 21 st	
24 th – 28 th	

July

1 st – 5 th	
8 th – 12 th	
15 th – 19 th	Issue Supplemental Report of the Board Report on Empirical Work – Jul 19 th . Issue Supplemental PEG Analysis and Report – Jul 19 th .
22 nd – 26 th	
29 th – 31 st	

August

1 st – 2 nd	
5 th – 9 th	
12 th – 16 th	Issue Board determination on stretch factor assignments – Aug 12 th . Issue PEG Report for 2014 stretch factor assignments – Aug 12 th .
19 th – 23 rd	
26 th – 30 th	

ATTACHMENT B
To Letter Dated May 3, 2013

Filing Instructions

Two (2) 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 stakeholders 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 <https://www.pes.ontarioenergyboard.ca/eservice/>, quoting the file number **EB-2010-0379**. 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.ontarioenergyboard.ca, and fill out a user ID password request. Additionally, stakeholders 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@ontarioenergyboard.ca.

Those that do not have internet access should provide a CD containing their filing in PDF format.

Filings to the Board must be received by the Board Secretary by **4:45 p.m.** on the required date. They must quote the applicable file number (**EB-2010-0379**) and include your name, address, telephone number and, where available, your e-mail address and fax number.

All materials related to this consultation will be available for viewing at the Board's offices and posted on the ["Defining and Measuring Performance of Electricity Transmitters and Distributors \(EB-2010-0379\)"](#) page of the Board's website (www.ontarioenergyboard.ca).

If the filing 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 filing available for viewing at the Board's offices or placing the filing on the Board's website, the Board will remove any personal (i.e., not business) contact information from the filing (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 filing will be available for viewing at the Board's offices and will be placed on the Board's website.

ATTACHMENT C
To Letter Dated May 3, 2013

Cost Awards

Eligible Participants

Subsequent to its October 18, 2012 letter, the Board determined that the following participants are eligible for cost awards in relation to this consultation process: Association of Major Power Consumers in Ontario (AMPCO); Building Owners and Managers Association of the GTA (BOMA); Canadian Manufacturers & Exporters (CME); Consumers Council of Canada (CCC); Energy Probe Research Foundation (EPRF); Federation of Rental-housing Providers of Ontario (FRPO); Low-Income Energy Network (LIEN); Northwatch; Retail Council of Canada (RCC); School Energy Coalition (SEC); and Vulnerable Energy Consumers Coalition (VECC).

New Provision for Experts

Eligible participants may now seek eligibility to claim the costs of an expert in preparing a separate expert report for consideration by the Board in this consultation. The Board strongly encourages participants to coordinate regarding the preparation of any such reports. In this regard, please note:

- i. An eligible participant (or group of eligible participants) that plans to retain an expert should advise the Board by letter by **May 9, 2013** in accordance with the filing instructions set out in Attachment B.
- ii. The letter submitted by the requesting participant(s) must:
 - a. provide the name and the credentials of the expert demonstrating relevant subject-matter expertise and special knowledge or experience relevant to the initiative(s) in question; and
 - b. advise if the expert will also attend meetings (the attendance of experts at meetings will be permitted by the Board, within reason).
- iii. Based on the foregoing information, the Board will make a determination on the eligibility of the participant (or group of participants) to claim the costs of the proposed expert in this consultation.

Eligible Activities

Cost awards will be available to each eligible participant as follows.

Activity Eligible for Cost Awards		Maximum Number of Hours
For each eligible participant	Preparation for, attendance at, and reporting on the May Q&A session	10 hours
	Preparation for, attendance at, and reporting on the May stakeholder conference	10 hours per day
	Written comments	20 hours
For each expert retained by an eligible participant	Preparation for, attendance at, and reporting on the May Q&A session	10 hours
	Preparation of separate expert report	40 hours
	Preparation for, attendance at, and reporting on the May Stakeholder Conference	10 hours per day
For each expert retained by a collaborative (i.e. group of eligible participants)	Preparation for, attendance at, and reporting on the May Q&A session	10 hours
	Preparation of separate expert report	40 hours + (10 hours * number of <u>additional</u> members in a collaborative)
	Preparation for, attendance at, and reporting on the May Stakeholder Conference	10 hours per day

Eligible participants that submit both written comments and an expert report must ensure that they do not claim cost awards twice for the same underlying work.

Cost Awards for Jointly Sponsored Expert Reports

The Board encourages eligible participants with common viewpoints to collaborate. The Board believes that eligible groups should have flexibility to budget potential cost awards as needed to best assist the Board throughout this consultation. As such, costs should be pooled when groups with common viewpoints collaborate and pool their resources.

To recognize that time will be spent developing a shared understanding of the positions among multiple participants in a collaborative, the Board will, as indicated in the table above, allow for an additional 10 hours for the expert to prepare the expert report for each additional member in a collaborative. For example, if an expert is sponsored by three eligible participants, then the Board will provide for up to 60 hours (40 hours + (10 hours * 2)) for the expert retained by the collaborative.