



**Ontario Energy Board**

**Commission de l'énergie de l'Ontario**

**Stakeholder Information Session on  
Cost of Capital and Incentive Regulation**

Opening Remarks  
June 20, 2006

# Today's Objectives

## **This session aims to:**

- facilitate common knowledge and understanding of the cost of capital and incentive regulation; and
- identify supplementary issues to be addressed in staff's proposals.



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# Today's Agenda

9:00 am - 9:10 am	Information Session	Opening Remarks - Marika Hare & Mark Garner
9:10 am - 9:30 am		The Board's Multi-year Rate Plan - Colin McLorg Focus on the Cost of Capital and 2 <sup>nd</sup> Generation Incentive Regulation
9:30 am -		Incentive Regulation in Theory and Practice - Dr. Mark Newton Lowry
10:30 am - 10:45 am		Morning Break
- 12:00 pm		Incentive Regulation in Theory and Practice (... continued)
12:00 pm - 1:00 pm		Lunch Break
1:00 pm -		Cost of Capital in Theory and Practice - Dr. Fred Lazar and Dr. Eli Prisman Schulich School of Business, York University
2:30 pm - 2:45 pm		Afternoon Break
- 3:30 pm		Cost of Capital in Theory and Practice (... continued)
3:30 pm - 4:30 pm		Board Staff's Proposals - Russ Houldin & Lisa Brickenden
4:30 pm		Closing Remarks



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# The Cost of Capital and 2<sup>nd</sup> Generation IRM

## **Consistent with the Board's multi-year rate plan:**

- Formulaic adjustment to 2006 rates for 2007
  - Incentive Regulation (up to 3 years); and
- Update the cost of capital methodology.



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# The Board's Approach

## Implementation through licence amendment:

- To amend licences to allow objectives to be achieved through code(s).
  - Interested parties will be invited to comment.
- To develop substance of the Code(s):
  - Phase I – Development of Mechanisms and Principles:
    - Staff proposal – **mid-June**;
    - Stakeholder meetings – **to early July**;
    - Revised staff proposal – **mid-July**;
    - Parties' expert reports – **mid-August**; and
    - Technical conference on expert reports – **September**.
  - Phase II – Code Development:
    - Board will consider expert reports, staff proposal and comments from parties.
    - Board will issue its proposed Code(s) for comment.



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