



Ontario Energy Board

Commission de l'énergie de l'Ontario

The Board's Multi-Year Electricity Distribution Rate Plan

Presentation to Stakeholders
June 20, 2006

Need for a Mechanism to Adjust EDR 2007 - 2009

- A need exists for a practical rate adjustment mechanism to see distributors over the upcoming 4-year period.
- The Board has designed a multi-year road map for distribution rate making.
- Key elements under development:
 - Cost Allocation;
 - Cost of Capital; and
 - 2nd Generation Incentive Regulation Mechanism (IRM).
- Distributors will be grouped into three ‘tranches’ and implementation will be staggered.



Objectives

- Provide greater regulatory certainty;
- Stay current with costs and revenues; and
- Lay a foundation for the 3rd generation incentive rate mechanism.

Near-term Results

- Update the cost of capital; and
- Establish a simple, practical and formulaic 2nd generation incentive rate adjustment mechanism.



Design criteria

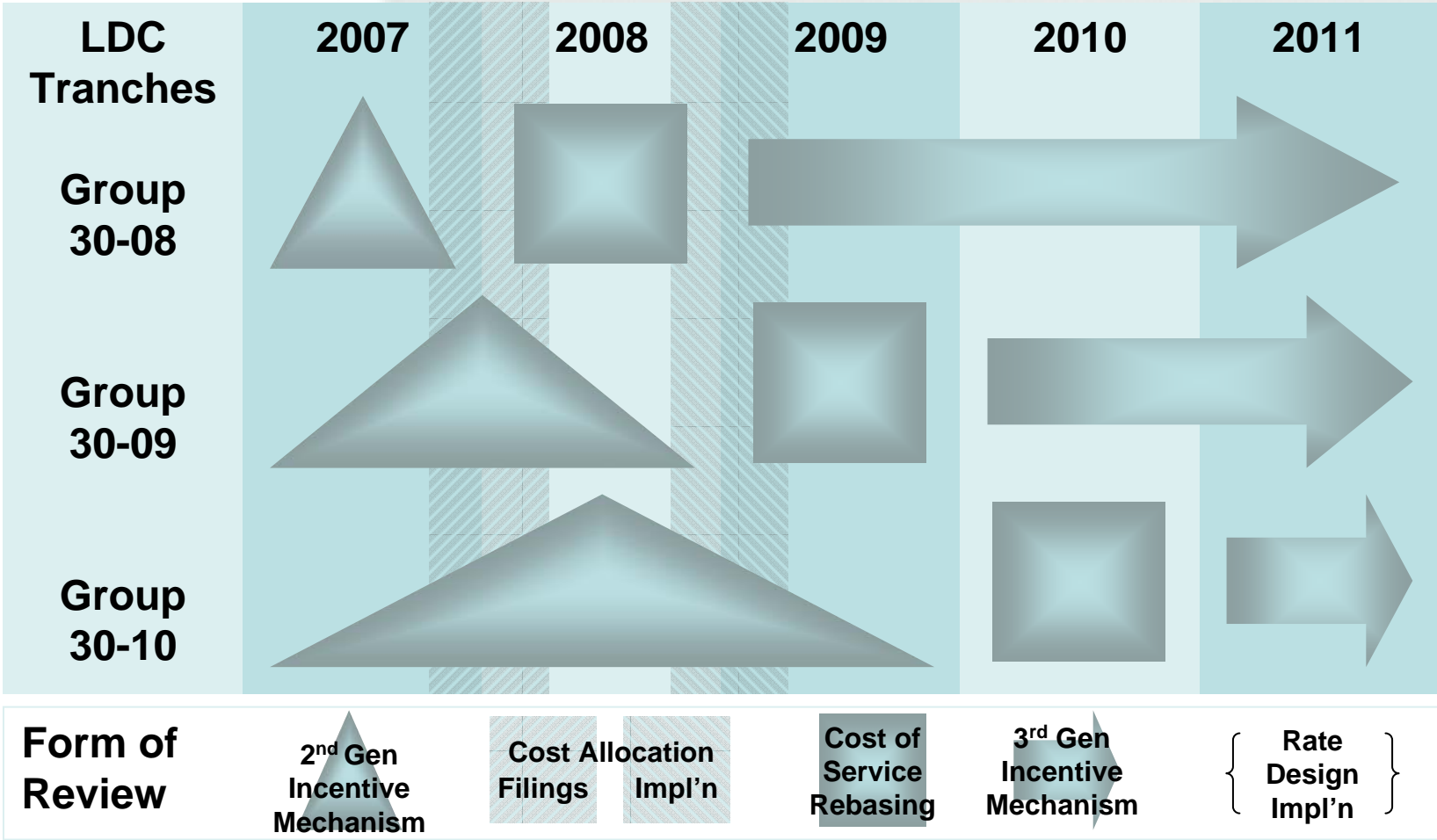
- Consistency of approach;
- Ease of implementation; and
- Multi-year applicability.

New Regulatory Approach

- Implementation of the Cost of Capital and Incentive Regulation Mechanism will be accomplished through establishment of code(s) and license amendments.



LDC rate review road map



How Does This Affect My Utility?

- How will the groupings be determined?
 - Comparator and cohort information screening;
 - Urgency of cost allocation issues;
 - Prior direction in a Board decision;
 - Need and ability to implement new rate design;
 - Realized earnings.
- What if we need to adjust rates for another reason?
 - Please advise the Board in writing as early as possible.
 - Certain items such as deferral account dispositions may be dealt with separately.

