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VIA E-MAIL AND WEB POSTING

November 23, 2006

**To: All Participants in Proceedings EB-2006-0087, EB-2006-0088 and EB-2006-0089
All Licensed Electricity Distributors
All Other Interested Parties**

**Re: Multi-year Electricity Distribution Rate Setting Plan
Cost of Capital (EB-2006-0088), 2nd Generation Incentive Regulation Mechanism (EB-2006-0089) and Generic Licence Amendment Proceeding (EB-2006-0087)**

The cost of capital (EB-2006-0088) and 2nd generation incentive regulation mechanism (EB-2006-0089) consultative process and the generic licence amendment proceeding (EB-2006-0087) were initiated as part of the Board's multi-year electricity distribution rate setting plan. Central to the Board's approach to setting electricity distribution rates for the coming years is the codification of a simple, practical and mechanistic incentive rate adjustment, including the cost of capital. The consultative process was designed to result in the development of one or more Codes, while the generic licence amendment proceeding was designed to implement the code-based approach by means of the introduction of new licence provisions.

In the context of the generic licence amendment proceeding, Board staff has recently recommended that the Board discontinue its code-based approach, and the Panel in that proceeding has by Decision dated November 20, 2006 indicated that it supports that approach. The Board agrees. Therefore, in the interests of achieving a more timely setting of electricity distribution rates for the 2007 rate year, the Board will discontinue the code-based approach at this time. The Board will instead implement its cost of capital and 2nd generation incentive regulation policies by means of guidelines. As a result, the generic licence amendment proceeding, which was commenced on the Board's own motion, will be discontinued.

The Report and Guidelines will be issued shortly for comment by interested parties. A final Report and Guidelines will be issued following consideration of comments received for use by electricity distributors in applying for 2007 distribution rates.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary