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BY E-MAIL AND WEB POSTING

June 29, 2006

To: All Licensed Electricity Distributors
All Participants in Proceedings EB-2006-0088 and EB-2006-0089

Re: **Cost of Capital (EB-2006-0088) and 2nd Generation Incentive Regulation Mechanism (EB-2006-0089)**
Cost Award Eligibility

The Ontario Energy Board (the "Board") has begun a process to address two important elements of the multi-year rate-setting plan for electricity distributors; namely, a review of the Cost of Capital ("COC") and the development of a second generation incentive rate mechanism ("IRM"). This process is described in the Board's April 27, 2006 letter.

Eligibility for Cost Awards

In the April 27, 2006 letter, the Board stated that cost awards will be available to eligible persons under section 30 of the *Ontario Energy Board Act, 1998* in relation to their participation in the consultative portion of this project. The Board also stated that the costs to be awarded will be recovered from all licensed electricity distributors based on their respective distribution revenues. The Board wishes to clarify that the multi-year rate-setting plan will not apply to Cornwall Street Railway, Light and Power Company and Dubreuil Forest Products Ltd., two licensed electricity distributors whose distribution rates are not currently fixed or approved by the Board. Accordingly, they will not be required to contribute towards any cost awards made in this consultation.

Requests for cost eligibility had to be made in writing to the Board Secretary by May 19, 2006. All such requests have been posted on the Board's website. If an electricity distributor has any objections to any of the requests for cost eligibility, such objections must be filed with the Board Secretary within 14 calendar days of the date of this letter. The Board will then make a final determination on the cost eligibility of the participants.

Electricity distributors who wish to object to any of the cost eligibility requests must file three paper copies of the objection, and an electronic copy in both Adobe Acrobat (PDF) and Word, with the Board Secretary by **4:30pm** on July 14, 2006. Electronic copies may be submitted on diskette or by email to boardsdsec@oeb.gov.on.ca. The objection must quote file numbers **EB-2006-0088** and **EB-2006-0089** and include your name, address, e-mail address and fax number.

Activities Eligible for Cost Awards

In Appendix B to its letter of April 27, 2006, the Board identified the activities that would be eligible for cost awards but left open the issue of the quantum of costs for preparation time in advance of meetings. In addition, the Board has since that time indicated that there will be an additional opportunity to make written comments on Board staff's draft proposals for COC and IRM, including the submission of expert studies, as well as a technical conference. Appendix A to this letter sets out additional information regarding the activities that are eligible for cost awards in relation to this consultation, including these additional activities.

Participants are reminded that the Board will apply the principles described in section 5.0 of the Board's **Practice Direction on Cost Awards** in reviewing any cost claims made in relation to the activities provided in Appendix A to this letter.

For any questions regarding the COC or IRM consultations please contact Russ Houldin at 416 440-8112 or Lisa Brickenden at 416 440-8113, or e-mail EDR@oeb.gov.on.ca.

Yours truly,

Original signed by

Peter H O'Dell
Assistant Board Secretary

**Cost of Capital (EB-2006-0088) and 2nd Generation Incentive Regulation
Mechanism (EB-2006-0089)**

**Appendix A
to Letter Dated June 29, 2006**

Activities Eligible for Cost Awards

Consultations on Board Staff Proposals (Phase 1)

Preparation time for information session and stakeholder discussion meetings on first draft of Board staff's proposals	Up to 150% of attendance time
Attendance at information session (June 20, 2006)	Actual meeting time (7.5 hours)
Written comments on first draft of Board staff's proposals	Up to 21 hours
Attendance at stakeholder discussion meetings (June 21 – 30, 2006)	Actual time at meeting (estimated at 3.5 hours)
Written comments on second draft of Board staff's proposals	Up to 14 hours
Preparation of expert submissions	Up to 42 hours
Preparation for and reporting on technical conference	Up to 150% of attendance time
Attendance at technical conference	Actual time at conference (estimated at 38 hours)

Written Submissions during Formal Code Notice and Comment (Phase 2)

Written submissions on the Board's proposed Codes during each round of the formal notice and comment process	Maximum of 21 hours for each Code
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