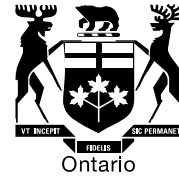


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BY E-MAIL AND WEB POSTING

August 31, 2006

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

Re: Cost of Capital (EB-2006-0088) and 2nd Generation Incentive Regulation Mechanism (EB-2006-0089)
Technical Conference September 18 – 22, 2006

On June 20, 2006 the Board notified interested parties that it would make provision for a technical conference at which participants who have provided the Board with expert reports, including Board staff, would be expected to make available their experts. On August 28, 2006, the Coalition of Large Distributors filed a letter with the Board posing a number of questions regarding the technical conference.

This letter provides clarification generally in relation to the technical conference and, in so doing, provides clarification in relation to the questions asked by the Coalition of Large Distributors.

Technical Conference as Part of the Board's Code Development Process

The Board acknowledges that technical conferences are referred to in the Board's *Rules of Practice and Procedure* in the context of pre-hearing procedures, and recognizes that use of that term in the context of the development of a Code may have created some uncertainty regarding the nature and objectives of the process.

The objectives of the technical conference are:

- to allow participants and their respective experts to clarify and elaborate on their written comments;
- to provide participants with an opportunity to explore in some depth the rationale and merits of alternatives supported by other participants and their respective experts; and

- to help the Board to gain, through the presentations and an interactive exchange with participants and their respective experts, a clearer understanding of the positions of participants and of significant issues and areas of concern.

This technical conference is being provided for within the scope of a consultative process that is intended to provide policy direction through the development of a Code under section 70.1 of the *Ontario Energy Board Act, 1998*. This phase of the process is not an adjudicative one, nor is this opportunity to make presentations and to explore alternatives intended to be, or to be conducted as, an adjudicative hearing. Board Member attendance at this conference and transcription of the week's activities are intended to facilitate a greater understanding by the Board of the positions of various interested parties and of significant issues and areas of concern. Members of the Board that have been designated to oversee this process will be attending the technical conference. They do so as representatives of the Board, and not as a panel of the Board tasked with specific decision-making responsibilities. As in other Code development processes, direction will be provided by the Board as a whole in relation to the subject-matter of the consultation, rather than by a panel of the Board.

Presentations and Conduct of Technical Conference

The Board will provide each participant's expert, including Board staff's experts, with an opportunity to make a presentation on issues associated with the Board's selection of cost of capital and 2nd generation incentive regulation methodologies. A set of questions or topics for discussion will be circulated shortly to guide participants in preparing their presentations. Participants that have not put forward an expert report may also make a presentation. The Board encourages participants that have prepared joint written comments to consult with one another and make a common presentation representing their shared views.

To ensure ample time for discussion, the Board asks that presenters complete their presentations within 30 minutes and be available for questions from Board Members, Board staff and other participants for up to an additional 1.5 hours.

The following will apply to the conduct of the technical conference:

- the Board Members in attendance will moderate the discussion, including the order of questioning of presenters;
- questioning of presenters through counsel will be permitted but is not required; and
- Board staff will participate in the conference on the same basis as other participants.

Location and Registration

The technical conference will take place from **September 18 to September 22, 2006** in the Board's West Hearing Room, 25th floor, 2300 Yonge Street, Toronto. For planning purposes, please be advised that September 18, 19, and 20th are tentatively dedicated to cost of capital matters, and incentive regulation matters will be explored on September 21 and 22nd. A detailed schedule will be issued to participants prior to the technical conference.

Those interested in making a presentation and all other participants interested in attending are requested to register in advance by e-mail to EDR@oeb.gov.on.ca or telephone to Doreen Robinson at 416-440-7612 by **4:30 p.m. on September 8, 2006**. Further, participants who intend to make a presentation are asked to make a written copy of the presentation available to the Board in advance. Presentation materials must be sent to the Board Secretary by **4:30 p.m. on September 13, 2006**, as set out below.

Next Steps

Further Written Comment

Participants are invited to make further written comments following the technical conference. This will allow participants an opportunity to address issues discussed during the conference. While participants may prepare their written comments as they determine appropriate, it is not necessary that participants reiterate positions already expressed in earlier materials. Cost awards will be available to eligible participants in relation to the preparation of these written comments, up to a maximum of 20 hours. The costs to be awarded will be recovered from licensed, rate-regulated electricity distributors. Written comments must be sent to the Board Secretary by **4:30 p.m. on October 6, 2006**, as set out below.

Issuance of Proposed Code(s)

Following the technical conference and receipt of the written comments referred to above, the Board will consider the views of staff and of all parties. The Board will then issue a proposed Code or Codes for notice and comment with a view to implementation of cost of capital and 2nd generation incentive regulation methodologies.

Instructions for Sending Materials to the Board Secretary

All presentation materials and written comments must be sent to the Board Secretary at the address set out above in the form of seven (7) paper copies and an electronic version in searchable Adobe Acrobat (PDF) and Word or PowerPoint (as applicable). Please quote file numbers EB-2006-0088 (Cost of

Capital) and EB-2006-0089 (2nd Generation IRM) and include your name, postal address and telephone number and, if available, e-mail address and fax number. Electronic versions may be sent on diskette or by e-mail to boardsec@oeb.gov.on.ca.

This letter and the presentations and written comments received by the Board will be available for public inspection on the Board's website at www.oeb.gov.on.ca and at the Board's office during normal business hours.

Any questions relating to this consultation should be directed to Russ Houldin at 416-440-8112 or Lisa Brickenden at 416-440-8113, or e-mail EDR@oeb.gov.on.ca. The Board's toll-free number is 1-888-632-6273.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary