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December 11, 2006

**To: All Participants in Proceeding EB-2006-0267
All Licenced Electricity Distributors
Ontario Power Authority
All Other Interested Parties**

Board File No.: EB-2006-0266

On November 2, 2006 the Ontario Energy Board (the Board) issued a letter requesting written comment on a proposal received by the Board from the Electricity Distributors Association (EDA), regarding a revenue stabilization mechanism for local electricity distributors (LDCs). The deadline for written comments was November 17, 2006.

The letter indicated that following a review of the written comments received, the Board would determine how to proceed. The purpose of this letter is to describe the Board's next steps regarding the EDA proposal.

The Board has determined that the proposal, and the comments received, will inform work currently being undertaken by Board staff to examine the regulatory treatment of LDCs' Conservation and Demand Management (CDM) activities beyond September, 2007.

Overview of the Project

On July 13, 2006, the Minister of Energy issued a directive for the OPA to organize the delivery and funding of CDM programs through Ontario LDCs. Funding of \$400 million will be available over three consecutive years, and will be administered by the OPA through funds from the Global Adjustment Mechanism. It is expected that as of October 2007, responsibility for the funding of CDM activities will lie primarily with the OPA. However, successful implementation of the Government's energy conservation objectives may require some level of funding for CDM activities through distribution rates.

Consistent with the Board's business plan, the objective of this project is to ensure that a long-term regulatory framework is in place to address any rate-related matters stemming from LDC involvement in the delivery of CDM programs funded by the OPA, and through distribution rates.

The project will involve an examination of the following issues:

- The regulatory treatment of the funding stream to LDCs from the OPA (e.g. for CDM operating and capital expenditures, incentives, and any other revenues).
- The regulatory treatment of funding for CDM activities through distribution rates.
- Revenue protection to address distribution system load reductions associated with CDM activities.
- Reporting requirements.
- Identification of potential compliance/conduct matter concerns.

The Board's Approach

The Board will release a draft report for comment in mid-January 2007.

Following consideration of any written comments received on the report, the Board will provide guidance on the regulatory treatment of LDCs' CDM activities.

Invitation to Participate and Cost Awards

The Board encourages participation in this process by interested parties.

Cost awards will be available to eligible persons in relation to their participation in this process under section 30 of the *Ontario Energy Board Act, 1998*. The costs to be awarded will be recovered from all licensed electricity distributors based on their respective distribution revenues. Appendix A contains further details regarding cost awards for this project. Any person intending to request an award of costs must file with the Board a written submission to that effect by **December 22, 2006**. The submission must be addressed to the Board Secretary at the Board's mailing address set out above. Licensed electricity distributors will be provided with an opportunity to object to any of the requests for cost award eligibility, following which the Board will make a determination on the cost eligibility of the parties requesting an award of costs.

All filings to the Board in relation to this matter must quote file number **EB-2006-0266** and include your name, address, telephone number, and, where available, an e-mail address and fax number. 7 paper copies of each filing must be provided. The Board requests that interested parties make every effort to provide electronic copies of their filings in Adobe Acrobat (PDF) or Word, either on diskette or by e-mail to boardsec@oeb.gov.on.ca.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

Appendix A

Cost Awards

Eligibility

The Board will determine eligibility for costs in accordance with its *Practice Direction on Cost Awards*. Any person intending to request an award of costs must file with the Board a written submission to that effect, identifying the nature of the person's interest in this process and the grounds on which the person believes that it is eligible for an award of costs, addressing the Board's cost eligibility criteria as set out in section 3 of the Board's *Practice Direction on Cost Awards*. An explanation of any other funding to which the person has access must also be provided, as should the name and credentials of any lawyer, analyst or consultant that the person intends to retain, if known.

Activities Eligible for Cost Awards

Cost awards will be available in relation to written submissions on Board staff's Discussion Paper, up to a maximum of 21 hours or such additional time as the Board may permit.

Cost Awards

When determining the amount of the cost awards, the Board will apply the principles set out in section 5 of its *Practice Direction on Cost Awards*. The maximum hourly rates set out in the Board's Cost Awards Tariff will also be applied.

The Board expects that groups representing the same interests or class of persons will make every effort to communicate and co-ordinate their participation in this process.