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VIA E-MAIL

December 3, 2007

To: Mr. Joe Lafontaine

**Re: Enquiry on Essex Powerlines Corporation 2008 Rate Application
Board File No. EB-2007-0878**

This letter is in response to your enquiry dated November 24, 2007 to the Ontario Energy Board (the Board) regarding the notice of application and written hearing for Essex Powerlines Corporation for electricity distribution rates to be effective May 1, 2008.

Essex Powerlines Corporation is one of about 85 electricity distributors in Ontario that are regulated by the Board. To streamline the process for the approval of distribution rates and charges for these distributors, the Board issued a report on December 20, 2006 containing guidelines for 2008 rate adjustments for distributors applying for rates on the basis of the cost of capital and 2nd generation incentive regulation mechanism. Essex Powerlines Corporation has followed these guidelines with respect to its 2008 distribution rates application.

In summary, the guidelines referred above provide that distribution rates be adjusted by an inflation factor minus a productivity factor of 1%, and other adjustments. Based on Essex Powerlines Corporation application, this would amount to a distribution rate increase of 0.5%. However, since the recovery of Essex Powerlines Corporation regulatory assets costs will end on April 30, 2008, the net impact for a residential customer using 1,000 kWh per month, would be a decrease of about 1.3%. **Please note that the application of Essex Powerlines Corporation has not been approved by the Board.**

Yours truly,

Original Signed By

John Pickernell
Assistant Board Secretary