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PEG

Pacific Economics Group Research, LLC

November 11, 2013

The attached materials present the final productivity and benchmarking research of Pacific Economics Group Research ("PEG") to be used in support of incentive rate-setting for electricity distributors in Ontario. PEG's final work is summarized in five separate documents or files:

1. Our final report *Productivity and Benchmarking Research in Support of Incentive Rate Setting in Ontario: Final Report to the Ontario Energy Board*; this report describes PEG's empirical methodologies and presents the results of our work

2. The document *Documentation for PEG Working Papers.pdf*; this document provides an annotated guide to PEG's datasets, the link between PEG data and RRR data, how specific RRR data series are used in the productivity and benchmarking calculations, and related issues.

3. The Excel file *PEG TFP and BM data calculations.xlsx*; this file contains an Excel worksheet that includes all the data used in PEG's productivity and benchmarking research, the results of PEG's index-based input price and productivity computations, and related workpapers.

4. The zipped file *PEG Econometric BM Model.zip*; this zip file contains the dataset used in PEG's econometric research, as well as the workpapers calculating and summarizing the results of PEG's econometric work.

5. The Excel file *PEG Price Cap IR BM Algorithm.xlsx.* This file is a spreadhsheet-based program that allows users to enter data for a particular distributor in a

desired year and compute that distributor's actual cost (using PEG's calculation of total cost) as well as the approximate costs predicted for that distributor using PEG's econometric cost model. Distributors can use this algorithm to assess how close their actual costs are to the model's predictions, and to evaluate how different cost-cutting scenarios can be manifested in stretch factor assignments. At the September 11th Stakeholder Meeting, PEG committed to developing and providing this algorithm to the industry and stakeholders.

With Best Regards,

Larry Kaufmann
Senior Advisor PEG