

Ontario Energy
Board

Commission de l'énergie
de l'Ontario

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November 27, 2013

Mr. Maurice Tucci
Director, Regulatory & Technical Policy
Electricity Distributors Association
3700 Steeles Avenue West
Suite 1100
Vaughan, ON
L4L 8K8

Dear Maurice:

Re: Empirical work supporting rate setting and Data issues

I am responding to your letter dated September 27, 2013 setting out comments by the EDA relating to the work done on the productivity and benchmarking research in support of incentive rate setting in Ontario. In the letter, you have expressed concerns about the distributors' data that are used by Pacific Economics Group Research, LLC (PEG). You have also made comments about statistical work conducted by PEG and have provided information from your consultant Adonis Yatchew.

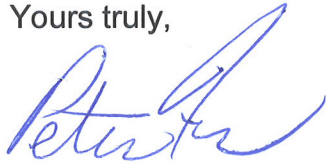
As you will be aware last week the Board issued its *Report of the Board on Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors*. The Board's final report examines the views expressed by experts who have submitted evidence and who have made presentations at consultations. I believe this addresses the comments in your letter regarding the approach to benchmarking.

At the same time as the issuance of the Board's Report, the Board posted a report by Pacific Economics Group Research LLC, *Productivity and Benchmarking Research In Support Of Incentive Rate Setting in Ontario: Final Report To The Ontario Energy Board*. As part of the materials posted by the Board, PEG has prepared its 'Documentation for Working Papers' as a guide to the calculations in PEG's final report. This document should address the concerns raised during the last few months about use of the distributor data. Please read the Board's report in conjunction with PEG's final documentation.

You will find attached to this letter a table of responses to the comments and observations from distributors that you summarized on pages 2 through 5 of your letter. Board staff understands that the points you raised also appear in letters and emails that distributors have sent directly to the Board. Board staff will be replying to each of the letters and emails as well as providing you with the attached summary of comments from staff and PEG.

Any questions relating to this letter should be directed to Duncan Skinner at Duncan.skinner@ontarioenergyboard.ca or at 416-440-8127. The Board's toll-free number is 1-888-632-6273. EDA members will also have an opportunity to discuss these issues at the workshop to be held on December 3.

Yours truly,



Peter Fraser
Managing Director, Regulatory Policy

Attachment

cc: Gia DeJulio, Chair, EDA Regulatory Council