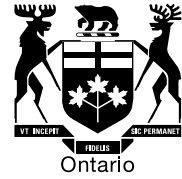


**Ontario Energy
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EB-2013-0421

January 28, 2015

**To: All Licensed Electricity Distributors
All Licensed Electricity Transmitters
Participants in EB-2011-0043 proceeding as attached to PO3
Additional Invitees listed as attached to PO3**

Re: Cost Allocation Policy

You are receiving this letter and attached Notice and Procedural Order because the Board thinks that you might wish to participate in part of the proceeding.

The Board has before it a Leave to Construct application for transmission facilities by Hydro One Networks Inc. (EB-2013-0421). In the application, Hydro One is proposing to allocate the costs associated with the transmission projects in a manner that deviates from the current cost responsibility rules in the Transmission System Code ("TSC") and the Distribution System Code ("DSC").

In the Board's *Report on a Renewed Regulatory Framework for Electricity Distributors*, issued October 18, 2012, the Board concluded that a shift to place greater emphasis on the principle of "beneficiary pays" was appropriate. This is the rationale Hydro One has used for its proposed deviations from the current cost responsibility rules which are described in the attached procedural order.

The Board has decided that it will use its findings in relation to the cost allocation matters in this application to inform potential policy related changes to the cost responsibility rules in the TSC and DSC.

You are invited to review the attached Notice and Procedural Order which explains the cost allocation issues to be addressed in greater detail and, if you have a substantial interest in those issues, to request intervenor status in the Phase 2 (Cost Allocation) proceeding.

Any questions relating to this letter should be directed to David Richmond at david.richmond@ontarioenergyboard.ca or at 416-440-7654. The Board's toll-free number is 1-888-632-6273.

Yours truly,

Original signed by

David Richmond
Manager, Facilities and Infrastructure