



14 July 2004

Ms. Julie Chabot
Advisor, Regulatory Affairs
Hydro-Québec
17e étage
75, boul. René Lévesque Ouest
Montréal, Québec H2Z 1A4

Dear Ms. Chabot:

Review of the Cost Recovery Methodology for the Electricity Industry

On 31 March 2004 Sylvain Gignac on behalf of Hydro-Québec Production; Brascan Power; Manitoba Hydro; Ontario Power Generation Inc. and Powerex Corp requested a review of the Cost Recovery Methodology for the electricity industry. His request was a letter sent via e-mail to myself as Chair of the Cost Recovery Liaison Committee. During the intervening time the *User Fees Act* was proclaimed effective 31 March 2004 and has required additional research on our part in determining our response to this request. I spoke with Sylvain several times during this period to discuss the status of this request.

Julie, this is to confirm that you have assumed responsibility for this file from Sylvain. I would like to further confirm that you will continue to be the contact person on behalf of the other four companies.

As discussed with you last week, the NEB will be undertaking a review of the Cost Recovery Regulations as they relate to the allocation of costs within the electricity industry. This review will necessarily take into account the new *User Fees Act* and will include consultation with you and the four co-requesters, as well as CEA and other electricity companies that may be affected by this review. Details of process and timing are currently being developed with an expectation that consultations will take place this fall.

If you, or your colleagues, have questions or wish to have a discussion on any aspect, I would be pleased to convene a conference call. In the meantime, I am committed to ensuring this review is meaningful and completed as quickly as possible given the various aspects to be considered.

Yours truly,

A handwritten signature in cursive script, appearing to read 'V. Katarey'.

V. Katarey
Business Leader
Corporate Services

c.c. Mr. Barry Green, Ontario Power Generation Inc
Ms. Kelly Hunter, Manitoba Hydro
Mr. Mike MacDougall, Powerex
Mr. Daniel St-Onge, Brascan Power
Mr. Hans Konow, CEA