



Rowan & Associates Inc.

C O N S U L T A N T S I N
P U B L I C P O L I C Y

Memo

To: John Vrantsidis
From: Malcolm Rowan
Date: January 20, 2006
Re: Cost Allocation Metric

You asked that I send you a note that could be posted electronically regarding my reaction to your request at the December 15th workshop for comments from intervenors whether costs should be allocated based on distance or some other metric.

A number of intervenors expressed a variety of views, which suggests to me that each party had differing notions of what you were asking.

To clarify, my comments were based on the assumption you were asking something similar to the issues involved in a recent OEB hearing into the Greenfield Energy Centre (GEC), EB-2005-0441.

The issue in that hearing was whether a natural gas generator should be allowed to by pass a utility and connect directly to a transmission line. Canadian Manufacturers & Exporters opposed the by pass option and supported postage stamp rates.

During the hearing GEC referenced direct connections by some large users to electrical transmission lines, by passing LDCs. The implication being, if it is OK for the electrical sector, it should be OK for the natural gas sector.

The Board has not ruled on this issue yet so we don't know what the outcome will be.



In event, if I correctly interpreted your question, the reason for my raising it now is I don't believe the electricity cost allocation workshop process is the appropriate venue to discuss and make decisions what is a major policy issue.

If I am wrong in my understanding of what you were asking, and you were seeking a response to a different set of circumstances, please let me know.

Regards

Malcolm Rowan