

October 31, 2006

Board Secretary
Ontario Energy Board
Suite 2701
2300 Yonge Street
Toronto ON M4P 1E4

Dear Secretary:

Re: Ontario Energy Board's Consultation on Multi-Year Incentive Rate Regulation for Natural Gas Utilities – EB-2006-0209

We are Counsel to the Consumers Council of Canada (“the Council”). We are writing in response to Ms Laurie Klein’s e-mail dated October 20, 2006, requesting parties to this process to provide comments on potential goals and parameters associated with an incentive regulation (“IR”) plan.

At this time we are prepared to provide Board Staff with some preliminary comments:

1. Any plan must be developed in a way fairly balances the interests of ratepayers and the utility shareholders;
2. Efficiencies that are created during the term of the plan should be sustainable and shared with ratepayers either during the plan or at the time of rebasing;

On the issue of plan parameters, we would like to stress that the need for individual plan parameters will depend upon the entire plan package. In effect, parameters cannot be looked at in an isolated way. If, for example, the rules regarding potential Z-factors are not precisely defined, this may necessitate the need for some form of earnings sharing. From the Council’s perspective acceptance of any specific plan parameter will depend upon the overall structure of the model eventually adopted.

With respect to plan parameters the Council has the following specific comments:

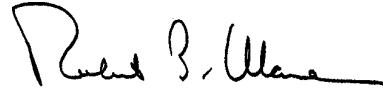
1. If 2007 is the base year that will be used for the multi-year plan, there will be a need to “normalize” it to make it representative of a typical year;

2. There may be the need to develop certain mechanisms that embed not only the costs, but also the benefits associated with certain initiatives. For example, if Enbridge Gas Distribution (“EGD”) is provided with a fuel switching budget for 2007 with expected benefits flowing from that program during the course of the plan, it will be necessary to provide for a mechanism to ensure that ratepayers benefit from the increased throughput associated with that program prior to any rebasing;
3. Given the fact the natural gas sector in Ontario is not typically operating in a steady state environment, a term of more than three years may be unmanageable and potentially either unfair to the utility ratepayers or the shareholders;
4. Although the Board is currently considering an IR regime for the Ontario electric utilities, the sectors are sufficiently different to warrant potentially different approaches;
5. Z-factors should be defined as tightly as possible prior to the implementation of the plan;
6. Off-ramps should be part of the plan and defined as tightly as possible prior to the implementation of the plan;
7. The issue of earnings sharing should not be excluded as a potential plan parameter;
8. The process to deal with demand side management (“DSM”) should be specifically defined and allow for implementation of the three-year plans as envisioned by the Generic DSM Decision; and
9. Defining the specific reporting requirements at this time is premature in the absence of the defined plan parameters.

As noted above, these represent preliminary comments. The Council looks forward to participating in further discussion with the Board Staff and other stakeholders at the meetings on November 2 and 3.

Yours very truly,

WeirFoulds LLP

A handwritten signature in black ink, appearing to read "Robert B. Warren". The signature is fluid and cursive, with a long horizontal stroke at the end.

Robert B. Warren

RBW/dh

cc: Joan Huzar
Peter Dyne
Julie Girvan