



October 27, 2006

Ontario Energy Board
2300 Yonge Street,
27th Floor,
Toronto, ON
M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

**Re: Multi-year Incentive Regulation for Natural Gas Utilities EB-2006-0209
All Stakeholder Meeting November 2nd & 3rd, 2006**

Dear Ms. Walli:

As requested by Laurie Klein in her October 20, 2006 e-mail, Union has supplied comments on the following:

1. Plan Parameters
2. Reporting Requirements

1. Plan Parameters

In Union's view the following characteristics would be appropriate for an incentive regulation framework for natural gas utilities in Ontario. These characteristics are consistent with the evidence Union filed in the RP-1999-0017 rates proceeding and the submission Union made in the RP-2004-0213 Natural Gas Forum proceeding.

- **Fairness** – There should be an appropriate balance between risks and opportunities for all stakeholders. The benefit of productivity improvements should be shared between customers and the utility.
- **Alignment** – The ratemaking framework should provide for an alignment of interests between customers, the utility, and the regulator.
- **Earnings Opportunities** – The ratemaking framework should provide the utility with the opportunity to earn a reasonable return and an opportunity to earn a superior return for superior performance. This will stimulate economic and efficient investment in required infrastructure.

- Efficiency – The ratemaking framework should motivate fair and economic decision making by the utility (such as capital versus O&M spending).
- Comprehensive – The ratemaking framework should allow the utility to manage its business in total, including growth opportunities, and not focus on individual aspects that can create distorted incentives. The emphasis should not be on cost cutting.
- Rate Predictability & Stability – The customers and the utility should generally know what rates can be charged over a reasonable period of time.
- Flexibility & Accountability – The ratemaking framework should provide the utility with the freedom to make and be accountable for certain pricing and service decisions without undue regulatory intervention.
- Sustainability – The ratemaking framework should stand the test of time and not require significant amendments.
- Simplicity – The framework and its results should be easily understood by all stakeholders and administered.

There should be no additional constraints on the utility's ability to manage its business other than what exists today (e.g. legislation, Undertakings, ARC, GDAR and RRR).

2. Reporting Requirements

Union is open to discussing the usefulness of an annual stakeholder review and discussion of actual financial and service quality results at the November 2 & 3 stakeholder meeting.

Please direct any questions to me at (519) 436-5382.

Sincerely,



Connie Burns, CMA, PMP
Manager, Regulatory Initiatives