



Grimsby Power Incorporated

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January 30, 2004

Paul B. Pudge
Ontario Energy Board
Assistant Secretary
P.O. Box 2319
2300 Yonge Street, 26th Floor
Toronto, Ontario
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Re: RP-2003-0144

Dear Sir:

Grimsby Power is a subsidiary company of Niagara Power Incorporated, which has entered into a partnership with a neighbouring LDC's holding company. Collectively they have partnered to form Niagara West Transformation Corporation. The formation of this new company saves local consumers millions of dollars. Collectively, we have issues with regards to your proposal as submitted.

We believe that your recommendations deal specifically with resolving a generation issue. It does nothing to resolve the issues of transmission and distribution that are way beyond the assistance of DSM. Additional facilities are necessary to avoid blackouts. This is something that we experienced in our area in July 2002.

The funding of these new facilities requires financial planning and guaranteed revenues in order to meet obligations to lenders. The current unstable state of the electric industry already has lenders adding an increased premium to the interest rate to offset their perceived risk factor.

Therefore, maintaining a variance account does not put money in our bank accounts to pay lenders. Unless there are going to be funds distributed on a monthly basis to offset the reduced revenues/shortfalls due to DSM. While these monthly adjustments would increase administrative workload, it would resolve our concern, or better yet increase the rate first. Then the variance account could be maintained and credited back to customers if DSM activities exceed the expected projections.

Further, we are required to maintain a base load on the existing Hydro One facilities to avoid stranding their assets. The DSM report does not indicate how these agreements are to be handled or adjusted. For example, if consumers reduce load by 3% due to DSM initiatives does this reduce our load guarantee by 3%? How do you measure DSM load reductions in areas that are experiencing growth to

adjust for any shortfall in revenues that otherwise would have been received? We feel these items need to be addressed in order for the report to be complete.

The report also indicates that regulatory mechanisms be introduced for LDCs to reduce system losses. The report does not mention if this is reviewed on an individual basis or the broad-brush approach. Many LDCs may have inherited system losses strictly in the number of feeders that they have and the supply points servicing them, which can adversely affect the existing losses and limit and LDC's ability to effectively reduce the losses without incurring major expenses.

We trust that the Ontario Energy Board will consider our concerns. We would be pleased to discuss any of our concerns with staff or the Board directly. I can be reached by telephone at 905 945-5437 extension 221, by fax 905 945-9933 or by e-mail brianw@grimsbypower.com.

Yours truly,

Brian Weber
President