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November 17, 2006

Via E-mail and Courier

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

Dear Sir:

**Re: EDA Proposal for a Revenue Stabilization Mechanism
for Electricity Distributors
EB-2006-0267
Comments of Enbridge Gas Distribution Inc.**

We are counsel to Enbridge Gas Distribution Inc. ("Enbridge").

Enbridge welcomes the opportunity to offer the following comments in respect of the above-noted Proposal. Enbridge supports those views expressed which highlight the importance of protecting distributors from the financial consequences of pursuing conservation and demand management ("CDM"), regardless of the party undertaking the activity. As Enbridge witnesses have stated on prior occasions, CDM activities are contrary to a distributor's core business, namely, the growth of its distribution market. Failing to have an appropriate lost revenue adjustment mechanism ("LRAM") in place would simply add a financial penalty on top of an activity which is inherently inconsistent with the business goals of the distribution company.

Stated in the simplest terms, an LRAM attempts to "true up" the rate impact of CDM activities ensuring that neither the utility earns a windfall for lower than forecasted CDM results, nor suffers a loss by higher than forecasted CDM results. The LRAM keeps the distributor and the consumers whole, relative to the forecast used to develop a particular year's revenue requirement.

Enbridge submits that it matters not whether the CDM activities are undertaken directly by the distributor, a third party retained by the distributor, the OPA, or some other unregulated entity that participates in or carries out CDM programs. The conduct of any of these entities will, if successful, have a negative impact on a distributor's revenue stream, relative to forecast. If an appropriate LRAM is not in place, the shareholder will be penalized and, in effect, will be indirectly subsidizing the cost of the CDM activities. While it is clear that it is the goal of the Province of Ontario to create a "conservation culture", it has also been stated that conservation should be a profitable course of action for utilities.

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An LRAM mechanism has been in use for gas distribution utilities since 1997, and despite the passage of time, it has not been the subject of radical changes in methodology or expressions of concern. Enbridge believes that an LRAM mechanism similar to that used by the gas utilities would function appropriately for electric distribution companies and the calculations thereunder would not be unduly onerous or complex. Enbridge believes that the OPA is in a good position to publish annually consolidated CDM results in a manner that would enable each utility to calculate their LRAM with a reasonable degree of accuracy. The aggregate of the success or failure of each of the CDM activities undertaken within a service territory would then be compared to forecast, and an appropriate adjustment to rates would be made in the subsequent year.

Another justification for the existence of an LRAM is the fact the CDM funding, at least over the medium term, is unpredictable. There is also a great deal of uncertainty forecasting the results which CDM programs will actually generate. Enbridge believes that this degree of uncertainty is one of the primary reasons why the Ontario Energy Board approved the establishment of an LRAM. "Trueing up" based on actuals is simply fair to everyone given the unpredictability of funding and uncertainty of forecasting.

In the end, the most critical point which Enbridge makes is that regardless of the mechanism methodology, it must account for the activities of all entities participating in and undertaking CDM to ensure that the distributor is held whole.

These Comments are forwarded via e-mail in searchable pdf format, followed by the delivery of seven paper copies to the Board office.

Yours very truly,

AIRD & BERLIS LLP

Original signed: "Dennis O'Leary"

Dennis M. O'Leary

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