

July 15, 2004

Mr. Keith Ritchie  
Ontario Energy Board  
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**Re: Process for Establishing 2006 Electricity Distribution Rates**

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We would like to offer the following comments on the Potential Issues for Generic Methodology Review resulting from the OEB's informal consultations on July 6 and 7, 2004. We hope that these comments will be of some assistance to the Board.

(1) Issue #23: Site Restoration and Removal Costs:

Discussion under this heading seemed to focus on PCB contaminated transformers. There are other environmental issues, such as substations contaminated with arsenic and coal tar associated with long-retired Coal Gasification Plants. The question then is "How is a utility to deal with extraordinary costs associated with these forms of site clean-up?"

(2) Comparators and Cohorts:

Our sense of LDC feedback was that the OEB is going to be met by numerous significant challenges if it undertakes any effort to group LDC's into cohorts. Therefore, we suggest that the first questions to be asked should be "What is the objective to be achieved through the use of cohorts?" and, "Is there an alternative to cohorts that achieves that same objective?"

(3) New Issue: Transformer Allowance:

This issue may be more appropriately addressed through another process; however this issue is also important to revenue requirement. The questions to be asked are "Do Transformer Allowances create any revenue deficiencies for LDCs?", and "If so, is the proper forum revenue requirement or a separate process to review the Transformer Allowance Rate?"

Sincerely,



Alex Palimaka  
Vice President Corporate Services & General Counsel

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