



2004-07-13

Mr. Peter O'Dell, Acting Board Secretary
Ontario Energy Board
P.O. Box 2319, 26th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Dear Mr. O'Dell

Re: Informal Consultation on Establishing 2006 Distribution Rates

As per the Board's request for submissions regarding the establishment of 2006 Distribution Rates, EnWin Powerlines Ltd. would like to submit the following comments regarding the preliminary issues list.

Issues

1. Comparators and Cohorts – A review of other jurisdictions currently using comparators and cohorts would be beneficial in identifying how successful these measures have been. Also we would like to emphasize the importance of the impacts different factors such as size, complexity of the system, age of the infrastructure, load (residential, commercial, industrial), and etc have on comparability.

2. Test Year for Establishing Rate Base/Revenue Requirement – Our preference is for a historical test year (2004) with the ability to make adjustments for any known future differences or existing anomalies.

5. Weather Normalization – We advocate a move to fixed distribution rates, as the need for weather normalization would be diminished. However, weather related activities such as lightening still remain variable (increased outages/maintenance/labour) therefore requiring replacement programs. We do not believe ROE should be adjusted negatively.

7. Debt/Equity Structure - Due to the unsettled regulatory environment in a market that is still infantile, we recommend that the debt and equity structures and rates remain as deemed rather than actual until a greater level of stability is achieved.

9. Depreciation Rates – Depreciation rates should remain at current levels, as a change to these rates would necessitate restatement of financial statements and tax returns and modifications to capital asset depreciation system programs. Consistency in depreciation policies is also important to allow for better year over year comparisons. A review should be conducted to ensure LDC's are using similar rates to ease LDC comparability.

13. Definition of Distribution Rate Base – A distinction should be made for Transformer Station Asset ownership in order to have consistency when comparing rates of LDC's. This distinction can be made through the development of a new classification or the specification of a distinct method for distinguishing these assets. Currently LDC's who owned Transformer Station Assets in 1999 have these connection charges included in their distribution rates and are being compared to LDC's that did not own any Transformer Stations at that time.

The rate base should be updated to include any new accounts or assets that are not currently included in the Uniform System of Accounts.

15. Working Capital Component of Rate Base – The working capital allowance (15%) carried over from our pre-deregulated environment should be adjusted upwards to reflect the dramatic increases in the cost of doing business in the newly deregulated environment.

16. Capitalizing Expenses – Whichever approach is agreed upon regarding the capitalizing of overheads and indirect costs, it should be applied consistently amongst LDC's for ease of comparability purposes.

17. Capital Projects – The review of capital expenditures is currently undertaken by the individual Boards and shareholder of the LDC, a further review by the Ontario Energy Board would be a duplication of efforts. If however this proves to be necessary, the fair trendline approach is preferable.

18. Contributed Capital – A prudency review to ensure the appropriate amount of contributed capital is earning a return should be conducted.

25. Bad Debts Expense – The appropriate amount of uncollectibles should be based on historical amounts adjusted to take into account the most recent changes concerning LDC's Consumer Security Deposit Policies and the specific demographics of the LDC's service territory.

26. Employee Compensation and Staffing – The Shareholder/LDC Board should remain accountable for the review of reasonableness relating to compensation and staffing of an LDC.

28. Advertising, Entertainment, Charitable/Political Contributions, etc. – The prudence of these expenditures as they relate to ratepayer impacts should remain the responsibility of the shareholder/LDC Board.

32. Fixed/Variable – A partial movement towards a uniform fixed charge for 2006 would assist in mitigating the effect of DSM initiatives on LDC revenues, however the methodology used to attain this may be cumbersome and the outcome possibly confusing to the customer given that these amounts may change significantly when the cost allocation studies are completed in 2007.

New Issues Identified at the Informal Consultation Sessions held July 6 & 7, 2004.

Wholesale Meters – The costs associated with required wholesale meter upgrades should be included in the rate base.

Standard Supply Service - The current administrative charge of \$0.25 per month does not accurately reflect the true cost of providing these services and should be addressed in a timely manner.

Updating of the Accounting Procedures Handbook - We support the requirement for an updated Accounting Procedures Handbook that includes more prescriptive accounting guidelines.

We appreciate the opportunity to comment in this informal consultation regarding the establishment of distribution rates going forward and look forward to the formal process on this matter.

Sincerely,

***ENW* Powerlines Ltd.**

Giovanna Gesuale
Manager, Regulatory Affairs

gg