

July 16, 2004

Ontario Energy Board  
**Attention: Peter O'Dell, Board Secretary**  
PO Box 2319  
26<sup>th</sup> Floor, 2300 Yonge Street  
Toronto, Ontario  
M4P 1E4

Dear Mr. O'Dell,

**Re: Process for establishing 2006 Electricity Distribution Rates**

We would like to congratulate the Ontario Energy Board for taking on this initiative so that the Board and its staff can establish a comfort level on the appropriateness of LDC revenue requirements and ensure that all LDC's are treated on a level playing field. However having attended the informal consultation sessions on July 6 & 7, 2004 at the Ontario Science Centre we are somewhat concerned that you may be trying to accomplish too much at once and you might very well get stuck in a myriad of detail that need not be completely understood at this time, because of the interactions of all the parties striving for change in the electrical distribution industry. Simply put, let's try to keep it simple and do what we can within the limited timeframe that we have.

There are a number of issues which need to be addressed through the industry as a whole and should be prioritized so that they fit into a workable timeframe by setting up sub committees to look into items like tax implications, depreciation rates, etc.

Some issues like post retirement benefits and pensions seem to be very utility specific and probably do not apply to the industry as a whole and should be dealt with on a case by case basis.

Other issues such as establishing the test year should be as simple as taking the most recent audited year 2004, prior to any DSM initiatives, which in itself will be creating a number of new challenges for all of us. Weather normalization can be as simple as using the last three-year history, average the pattern, use the municipal growth projections and forecast the load.

Since financial institutions are resistant to change and as they have now accepted our deemed equity/debt ratios and built them into their covenants, for those utilities who have legitimate debt, the ratios should remain the same.

The issue of bad debt is a risk that the Ontario Energy Board already decided that LDC's should accept by establishing our deposit policies guidelines, therefore we should not be expected to do anything else but share those risks with all our customers.

All of the issues are worthy of consideration but it is important that we establish the revenue requirement in a timely fashion and allow for the needed flexibility to account for unforeseen influences, which will impact our industry.

Yours truly,

John A. Alton, CET  
President

JAA/jh