

The **ALLIANCE**

*Representing Aurora, Innisfil, Newmarket, North Bay,
Orillia, Parry Sound and Tay LDCs*

590 Steven Court
Newmarket ON L3Y 6Z2



July 16, 2004

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

Dear Mr. O'Dell:

Re: Process For Establishing 2006 Electricity Distribution Rates

We have a great deal of concern regarding the Board's direction going forward on future LDC distribution rates. The rate regulation and review process can be relatively simple, and need not be a burden to the distributors nor the Board. A simple process can also protect the interests of consumers.

While we fully appreciate the need for the Board to ensure all rate approvals are fair and reasonable, the rate setting process should attain efficiency wherever possible. That is, the need for an extensive process should be demonstrated before it is applied. We note the Board has had significant success in streamlining the MAADs and Service Area Amendment process, and we are at a loss to understand why this initiative is not being pursued in rate approvals as well.

Our proposal would be to have a simple spreadsheet input of major distributor accounts, showing past years actual, current year projected, and future year forecasts. It would include key financial indicators that would allow the Board to determine financial health and stability of the distributor. Also included would be the service quality indicators already established by the Board. The spreadsheet would contain customer bill calculations for various class and size of customers. A second sheet would show proposed rate changes and the impacts on customers and the distributor. All the information would be available for anyone to see.

This information would be sufficient for the Board to quickly determine if an LDC was financially stable, maintaining service levels for its customers, and all at reasonable rates. The proposed rate changes and their impacts could be easily approved or referred for a detailed analysis.

If a detailed analysis was required, then further information would be requested and supplied by the distributor. A formal hearing by the Board could be an outcome.

The process we have mentioned above would work for the small and medium sized LDCs, and we suggest that it would also work for the large LDCs.

A similar process was used by the previous regulator for decades. The spreadsheet was called UFAP. It provided the regulator and the LDC an easy method of performing rate reviews. Minimal staffing was required by both the regular and the distributor.

Our major concern about the process we see the Board embarking upon will increase costs to the electricity customers in the province, with no improvement in service, reliability or costs.

We would be pleased to expand on this suggestion and work with the Board to streamline the rate review process.

Sincerely yours,

Jim Richardson, for

The Alliance
Representing Aurora, Innisfil, Newmarket, North Bay,
Orillia, Parry Sound and Tay LDCs.

c.c. - Mr. Keith Ritchie
Research and Policy Analyst