



Email & Courier

November 17, 2006

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
26th Floor, Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: EDA Proposal for a Revenue Stabilization Mechanism for Local Electricity Distributors
Board File No.: EB-2006-0267**

Veridian Connections Inc. ("Veridian") is pleased to offer its comments on the Electricity Distributors Association ("EDA") proposal regarding a revenue stabilization mechanism ("RSM") for electricity distributors.

Veridian has participated in the development of the EDA's responses to the questions posed in the Board's November 2nd letter. We support the EDA's contention that a mechanism is needed to mitigate the impact on electricity distributors of the ambitious electricity conservation targets established for the Province of Ontario. We agree that the proposed RSM offers a number of potential advantages in this regard, and are in general agreement with the EDA's comments.

If an RSM is adopted by the Board, it is Veridian's view that its design should be limited to protecting LDCs from lost revenue due to conservation and demand management programs, and should not alter the way in which weather and economic growth risk has historically been assigned.

However, Veridian believes that alternative approaches to the RSM may have considerable merit and deserve further exploration. Specifically, we believe consideration should be given to Hydro One's proposal for a distribution rate adjustment factor derived from the Ontario Power Authority's provincial conservation targets. It is our view that such an adjustment factor, properly designed, would appropriately mitigate the impact of conservation activities on LDC revenues, and would be much simpler and less costly to implement than the proposed RSM. Furthermore, the use of an adjustment factor seems compatible with the Board's incentive rate regulation plans.

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Addressee: Ms. Kirsten Walli
Re: EDA Proposal for a Revenue Stabilization Mechanism for Local
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Page 2

Thank you for the opportunity to comment on this issue. If you have any questions, please do not hesitate contact me.

Yours truly,

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