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**Commission de l'Énergie de l'Ontario**  
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**VIA E-MAIL AND WEB POSTING**

November 2, 2006

**To:** All Licenced Electricity Distributors  
Ontario Power Authority  
All Other Interested Parties

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

The Board has received a proposal from the Electricity Distributors Association (EDA) regarding a revenue stabilization mechanism for local electricity distributors (LDCs). The proposal is outlined in a report entitled, *Designing an Appropriate Lost Revenue Adjustment Mechanism (LRAM) for Electricity CDM Programs in Ontario*, that was developed for the EDA by Elenchus Research Associates. A copy of this report is posted on the Board's website.

The Board would be informed by parties' views on this proposal. To that end, the Board is inviting all interested parties to comment on the EDA's proposal. Specifically, parties are asked to comment on the following:

- What are the implications, advantages, and disadvantages of adopting the EDA's proposed approach?
- If the Board provided for a revenue stabilization mechanism for distributors, would it affect the distributors' risk? If so, how might it impact on the distributors' allowed ROE, and/or the design of an incentive regulation framework?
- What are the implications of adopting the EDA's proposed approach if CDM programs, associated expenditures and program results are not reviewed and tested by the Board in the context of rate recovery?
- There are two options set out on page 14 of the report. Do you think one, both, or neither are appropriate? Please provide a detailed explanation for your choice.

- Are there alternative approaches to the EDA's proposal that the Board might consider for setting a lost revenue adjustment mechanism for CDM, including CDM funded by the OPA? If so, what do you think is the most appropriate approach? Please provide a detailed explanation for your proposed approach.

**Written comments must be sent to the Board Secretary by 4:30 p.m. on November 17, 2006, as set out below.**

Following a review of the written comments received, the Board will determine how to proceed.

### **Instructions for Sending Materials to the Board Secretary**

All written comments must be sent to the Board Secretary at the address set out above in the form of seven (7) paper copies and an electronic version in searchable Adobe Acrobat (PDF) and Word or PowerPoint (as applicable). Please quote file number EB-2006-0267 and include your name, postal address and telephone number and, if available, e-mail address and fax number. Electronic versions may be sent on diskette or by e-mail to [boardsec@oeb.gov.on.ca](mailto:boardsec@oeb.gov.on.ca). Electronic versions should use the following file name format: EB-2006-0267\_comment\_<sender name or organization>.

This letter, a copy of the EDA proposal, and written comments received by the Board will be available for public inspection on the Board's website at [www.oeb.gov.on.ca](http://www.oeb.gov.on.ca) and at the Board's office during normal business hours.

Any questions relating to this consultation should be directed to the Market Participant hotline at 416-440-7604 or by e-mail at [market.operations@oeb.gov.on.ca](mailto:market.operations@oeb.gov.on.ca). The Board's toll-free number is 1-888-632-6273.

Yours truly,

*Original Signed By*

Peter H. O'Dell  
Assistant Board Secretary