

By Email and Courier

July 18, 2006

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St., Suite 2700
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Cost Allocation Review: Comments on Board Staff Proposal on Principles and Methodologies, Board File EB-2005-0317

We are pleased to provide the following comments on the Cost Allocation Review: Staff Proposal on Principles and Methodologies, as issued for stakeholder feedback on June 28th 2006. As requested, we enclose three paper copies and one electronic version of this submission.

Please note that while Veridian Connections Inc. is submitting these comments related to its specific business interests, we also support the comments filed by the Coalition of Large Distributors (CLD), of which Veridian is a member.

Our comments denoted by section of the proposal are as follows:

Section 11.3.1 – Background

The Proposal outlines the fact that density of a rate classification is a direct cost driver, but states that “it should not be assumed that the density relationship is linear”, referring to the relationship of the costs to that of the number of customers. It is agreed that costs may not have a relationship that is simply linear to the density of customers, but for some categories of cost, the relationship may be less than linear and for others it may be greater than linear.

The Proposal states that “If a distributor plans to maintain density rates in the future, then background studies to support the different allocation of costs to the various density classifications should be undertaken.”

This specific and additional requirement for support of density based rate classifications into the future is contrary to the statements in Chapter 2 where a ‘limited number of rate

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classification changes' to be addressed in these filings is identified. Density based rates are not included in this list.

While it is reasonable to require distributors to provide an explanation of the methodology used to develop density weightings for allocation factors, we submit that the requirement for background studies to justify the continuation of an approved rate classification is excessive.

Section 11.3.3 – Filing Question

The Proposal states: “For each rate classification that is impacted by density, the distributor will need to provide a rationale for the density threshold used for that rate classification.”

It should be noted that the existing density rate classifications of many distributors were inherited through acquisitions of former Ontario Hydro service areas where the status quo of these rate classes was simply maintained and rationale for density thresholds used was simply adopted from Ontario Hydro definition.

As a result, these distributors can only provide reference to the rationale developed by Ontario Hydro in determining these density thresholds.

If you have any questions or require clarification on any of these comments, please do not hesitate to contact me.

Regards,

George Armstrong
Manager of Regulatory Affairs and Key Projects

c Laurie Stickwood
Dave Clark
Michael Angemeer