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Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th floor
Toronto, ON M4P 1E4

Dear Ms Walli

Consultation on Energy Issues Relating to Low Income Consumers

Board File No.: EB-2008-0150

Our File No.: 339583-000010

We are writing on behalf of Canadian Manufacturers and Exporters (“CME”) to provide comments on the “Report of the Board: Low Income Energy Assistance Program” (“Report”) pursuant to the Board’s correspondence of March 10, 2009.

CME participated in the Stakeholder Consultation process to examine issues associated with low income energy consumers in relation to their use of natural gas and electricity, which took place on September 22-25, 2008. CME also provided written comments by letter dated October 31, 2008. As the Board will be aware, CME’s previous comments on this process focused on the aspects of the energy issues relating to low income customers that could directly affect CME members. CME has again limited its comments on implementation issues of the Report to the issues that affect CME members.

CME members represent approximately 75% of manufactured output in the Province of Ontario, and approximately 90% of all exports. Manufacturing is the single largest sector of the economy (17.5% of Gross Domestic Product or about \$300B) employing, directly, over 1 million people in the Province. Both electricity and natural gas are sources of energy for the manufacturing sector. As a result, the members of CME are affected by electricity and natural gas distribution rates.

CME’s previous comments raised concerns about the extent to which the Board’s policies, programs, or other measures designed to assist low income consumers could result in interclass subsidies. The Board Report establishes that the Low Income Energy Assistance Program (“LEAP”) will be funded through distribution rates, but does not explicitly state whether any of the LEAP costs will be allocated to the distribution rates of non-residential classes. The Board Report sets out the mechanism for LEAP funding as follows:

The Board favours funding through distribution rates, specifically by allowing distributors to incorporate amounts in their operating, maintenance and

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administration (OM&A) expenses. For each distributor, the amount would be included as a component of OM&A at the time of rebasing. In order to ensure timely implementation of LEAP, the Board will provide for a LEAP deferral account. This account may be brought forward for disposal upon rebasing. The Board will review LEAP cost allocation periodically as it reviews the effectiveness of the program.

In CME's view, questions with respect to the allocation of LEAP costs should not be left in limbo. Instead of LEAP cost allocation being reviewed "periodically" as the Board "reviews the effectiveness of the program", the Board should provide clarity with respect to the allocation of LEAP costs on a priority basis.

Exposing non-residential rate classes to any LEAP costs is both unfair and unreasonable for reasons which have been previously articulated by CME and others in their prior submissions to the Board. If non-residential rate classes are ineligible for the low income rate assistance available to the residential rate class under LEAP, then they should have no responsibility for any of the costs of LEAP.

CME requests that the Board confirm its intention to continue applying the cost-based ratemaking principles to which it has historically adhered. Adherence to cost-based ratemaking is particularly important in light of the difficult economic circumstances faced by all rate classes. All customers are facing economic challenges. Non-residential ratepayers should not have to pay for others to receive economic relief when similar relief is not also available to them. For these reasons, CME urges the Board to confirm that LEAP costs included in distribution rates will not be allocated to non-residential rate classes.

Yours very truly,

A handwritten signature in black ink, appearing to read 'Vincent J. DeRose', with a long horizontal flourish extending to the right.

Vincent J. DeRose
VJD/kt

c All Interested Parties
Paul Clipsham (CME)

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