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April 1, 2011

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P. O. Box 2319
2300 Yonge Street
Suite 2700
Toronto, Ontario
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Dear Ms. Walli:

Re: Enersource Hydro Mississauga Inc. Cost of Service Rate Application

On March 1, 2011, the Ontario Energy Board (the "Board") issued a letter identifying the list of distributors that the Board expects to file a cost of service rate application with respect to their 2012 rates. Enersource Hydro Mississauga Inc., ("Enersource") is on that list.

The purpose of this letter is to request Board approval to defer the filing of Enersource's rebasing under a cost of service rate application until 2012 for the 2013 rate year.

Enersource understands that the Board and other stakeholders might be concerned that Enersource might be earning an unacceptable return on equity and must be rebased on the four year schedule in order to address the situation. Enersource advises that its actual rate of return on average equity for 2010, the most recent year for which complete data is available, was 8.15%, and falls well below the trigger of 300 basis points from the Board-approved return of 8.57%.

It is Enersource's intention to submit a Third Generation Incentive Regulation Mechanism ("3rd GIRM") rate application later this year for rates effective May 1, 2012, in accordance with the Board's October 27, 2010 letter (Renewed Regulatory Framework for Electricity), announcing that it was extending the 3rd GIRM plan. With Board approval to defer, Enersource then intends to file its cost of service application for rebasing rates effective January 1, 2013. In effect, this amounts to only an eight-month deferral.

In further support of its request, Enersource notes that on March 15, 2011, the Board issued a letter regarding the use of modified IFRS as a basis for filing a 2012 cost of

service rate application. The Board expects that an electricity distributor filing a cost of service application for 2012 rates must make all reasonable efforts to provide the forecasts for the 2012 test year (and any other subsequent test years) in modified IFRS accounting format. In addition, the electricity distributor must provide the required actual years, the bridge year and the forecasts for the test year(s) in CGAAP-based format. Further, the distributor would be required to identify financial differences and resulting revenue requirement impacts arising from the adoption of modified IFRS accounting.

As Enersource will be transitioning to IFRS in 2012 for financial reporting, Enersource submits that more time is required for an accurate analysis and identification of all financial differences, the resulting revenue requirement impact and rate impacts before submitting a full modified IFRS cost of service application, particularly for a January 1 rate year start date. Enersource believes that filing a cost of service rate application under modified IFRS, before completing its analysis, would add significant future complexities and uncertainties, and place a considerable burden on its staff.

Enersource recognizes that rebasing for 2012 under CGAAP is an option; however, this would create undesirable accounting-related challenges of maintaining an out-of-date accounting reference (current CGAAP) for several years, which is avoidable by deferring the application by less than a year. Enersource confirms its intention to align its cost of service rates with its financial reporting under IFRS.

Reiterating a point Enersource made in EB-2009-0193, its 2009 3rd GIRM proceeding, as a result of distributors seeking a January 1 rate year start date, the Board can stagger its case load more evenly than it is able to do today. Hence, an eight-month deferral of Enersource's cost of service rate application will help to stagger the Board's case load.

In summary, Enersource requests deferral of its rebasing due to the fact that its return on equity is well within the 300 basis point range from the Board-approved return of 8.57%, and because it seeks to file its next cost of service application in modified IFRS accounting format with as much certainty as possible.

If you have any questions please do not hesitate to contact me.

Sincerely,

(Original signed by)

Gia M. DeJulio
Director, Regulatory Affairs

cc. Dan Pastoric, Executive Vice-President and Chief Operating Officer
Norm Wolff, Executive Vice-President and Chief Financial Officer