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February 17, 2009

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

Dear Ms. Walli:

**RE: Enersource Hydro Mississauga Inc.
2009 3rd Generation Incentive Regulation Mechanism Application
EB-2008-0171**

Please find attached the reply submission of Enersource Hydro Mississauga in the above-captioned proceeding.

Sincerely,

A handwritten signature in black ink, appearing to read 'G. DeJulio', with a large, stylized flourish extending from the end.

Gia M. DeJulio
Director, Regulatory Affairs
gdejulio@enersource.com
905-283-4098

c.c.: John Bonadie, Enersource
Intervenors of Record

IN THE MATTER of the *Ontario Energy Board Act 1998*,
Schedule B to the *Energy Competition Act*, 1998, S.O. 1998, c.15;

AND IN THE MATTER OF an Application by Enersource Hydro
Mississauga Inc. (Enersource”) for an Order or Orders approving
just and reasonable rates and other service charges for the
distribution of electricity, effective May 1, 2009.

ENERSOURCE’S REPLY SUBMISSION

This is Enersource’s submission in reply to the submissions made by Board Staff, the School Energy Coalition (“SEC”) and the Vulnerable Energy Consumers Coalition (“VECC”). Enersource appreciates the comments made by these parties and the opportunity to clarify our position and the requests we are making in this proceeding.

At the outset, Enersource acknowledges the potential for confusion between the language in our 3rd GIRM application dated November 7, 2008 (the “Application”) and our response to Board staff interrogatory #1 (the “IR Response”).

In the Manager’s Summary in the Application, Enersource stated that the company’s costs would be increasing in 2009 and 2010, and that it was important to align our rate year with our fiscal year. These statements, written in tandem, might be interpreted that Enersource’s intention to align the rate year with the fiscal year would be the means by which Enersource would recover those anticipated cost increases. However, that was not the intention as, at the time Enersource filed the Application, it had not yet been determined whether we would proceed with a full cost-of-service application effective January 1, 2010.

During the interrogatory process, Enersource came to the conclusion that we would not be able to file a cost-of-service application in time for rates to be implemented on January 1, 2010. Nevertheless, the rate year/fiscal year alignment issue continued (and continues) to be important to Enersource, so we provided a detailed explanation of a “3rd GIRM Solution” in the IR Response, including our motivation to align the rate year with the fiscal year.

Enersource has been explicit about the company’s motivation, where we wrote in the IR Response:

“Enersource has requested that the rate order to be issued in this proceeding be made interim commencing on January 1, 2010 in order to enable the alignment of Enersource Hydro Mississauga’s rate year with the 2010 fiscal year, that is, January 1 – December 31, 2010.”

and

“Enersource is not proposing the alignment of rate year with fiscal year to recover a deficiency as in the Hydro Ottawa submission”

To reiterate, Enersource is seeking a final order for rates to be in effect from May 1 to December 31, 2009, and an interim rate order effective January 1, 2010 simply to accommodate regulatory timing constraints, knowing that a 3rd GIRM application filed in November, 2009, for rates to be in effect January 1, 2010, will likely not be decided until April, 2010. Enersource is not seeking recovery of a deficiency (it has not even enumerated one); it is simply seeking an alignment of the company's rate year with the fiscal year.

Enersource believes that the current mis-alignment between rate year and fiscal year results in inequities, whereby the actual rate of return inevitably fails to match the approved rates of return, straddled across two separate fiscal years. As Enersource's parent is a reporting issuer, we are forced to explain this inequity and failure to achieve the OEB-approved rate of return to our bondholders, and thus, we are seeking a resolution to this inequity.

Any change in Enersource's rates effective January 1, 2010 would pertain to the 3rd GIRM application that we file in November, 2009 (i.e., the CPI and productivity factor adjustments). It is quite possible that rates under that application could decrease if inflation rates are less than the productivity factor adjustment. Therefore, the alignment of the rate year and fiscal year solution proposed by Enersource could, in fact, facilitate a one-time refund to customers, if the application of a 2010 3rd GIRM rate formula causes a decrease in rates rather than an increase.

As provided in the IR Response, Enersource restates here that the alternative we propose is to simply modify the timing of implementation of the 3rd GIRM rate setting methodology, but we do not propose to change the methodology itself. Enersource understands that the 3rd GIRM structure contemplates that rates will be in place for twelve months. However, Enersource submits that it would be prudent from a regulatory perspective for the Board to exercise its discretion to depart from that structure in this particular circumstance.

To address other positions taken in submissions, Enersource points out that the off-ramp provided under the 3rd GIRM structure does not allow Enersource to align the rate year with the company's fiscal year, which is the critical issue for Enersource. Also, because there are very few distributors who are reporting issuers in Ontario, Enersource's proposal would have limited application as a precedent, and therefore there is no need for a generic proceeding as was suggested.

Enersource also wishes to emphasize that in proposing the 3rd GIRM Solution we were mindful of avoiding inconveniencing our customers. The 3rd GIRM Solution as proposed requests that Enersource's distribution rates be amended in conjunction with the May 1, 2010 RPP adjustment for that very reason.

In regards to the application of section 21(7) of the *Ontario Energy Board Act*, Enersource requests that a final order be issued that sets rates on a final basis from May 1, 2009 to December 31, 2009, and also sets rates on an interim basis commencing January 1, 2010. In other words, an interim order would not be issued. Rather, interim rates would be issued pursuant to a final order. Should the Board not accept this application of section 21(7), Enersource intends to make a request for interim rates as part of a future rate application.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 17th DAY OF
FEBURARY, 2009.**