enersource
Hydro Mississauga

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August 19, 2009

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

Dear Ms. Walli:

Re: Board Order Regarding Smart Meter Variance Accounts 1555 and 1556

Please find enclosed Enersource Hydro Mississauga Inc.'s ("Enersource's") application for an order to draw-down the balances in its smart meter variance accounts 1555 and 1556 as at December 31, 2008. This application replaces the one dated June 22, 2009, which Enersource requests be withdrawn. This application and evidence are in accordance with the decision of the Ontario Energy Board (the "Board") in the Combined Smart Meter Proceeding in EB-2007-0063, with the Board's decision in Enersource's 2008 Smart Meter Application in EB-2008-0265, as well as in the Board's Guideline G-2008-0002 Smart Meter Funding and Cost Recovery.

Enersource requests that the schedules (the "Schedules") that support this application and the agreement under which the smart meter assets have been procured ("Attachment A") be treated as confidential pursuant to the Board's *Practice Direction on Confidential Filings*. The reason for this request is that these documents contain information that is commercially sensitive. The non-redacted Schedules and the agreement in Attachment A have been provided to the Board in confidence under separate cover.

If you have any questions or concerns with this application, please do not hesitate to contact me at (905) 283-4098.

Sincerely,

Original signed by:

Gia M. DeJulio
Director, Regulatory Affairs

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

IN THE MATTER OF the *Ontario Energy Board Act, 1998* being 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. for an order to draw-down its December 31, 2008 balances of accounts 1555 and 1556.

A P P L I C A T I O N

1. Enersource Hydro Mississauga Inc. ("Enersource") distributes electricity to the inhabitants of the City of Mississauga, pursuant to a distribution license (ED-2003-0017) issued by the Ontario Energy Board (the "Board") and charges Board-authorized rates (EB-2008-0171) for the distribution service it provides.

2. Enersource seeks an order of the Board that will allow Enersource to draw-down the balances in its smart meter variance accounts 1555 and 1556 as of December 31, 2008 in accordance with the Board's decision in EB-2007-0063 in which the Board stated:

   Utilities that are not requesting rate increases may, however, wish to draw down funds previously collected through the smart metering rate adders. They are authorized to do so in order to meet costs approved in this Decision, and will file draft orders with the Board to that effect.

3. It is important to note that:
   a. drawing-down these accounts will not result in any rate impacts to Enersource's customers;
   b. all expenses recorded in accounts 1555 and 1556 up to December 31, 2008 were at the same cost levels as those found prudent by the Board in EB-2007-0063; and
   c. all smart meter costs recorded in accounts 1555 and 1556 relate to functionality that does not exceed the minimum functionality adopted in Ontario Regulation 425/06.

4. Enersource requests that the Board dispose of this matter without a hearing. Enersource is the only party that may potentially be negatively impacted by the application.

DATED August 19, 2009 at Mississauga, Ontario

Background

Enersource is one of the named distributors that were authorized by Ontario Regulation ("O. Reg.") 427/06 to implement the provincial government's objective of the installation of 800,000 smart meters by the end of 2007. The Ministry of Energy and Infrastructure is committed to the installation of a smart meter in all Ontario homes and small businesses by the end of 2010.

In support of achieving this requirement Enersource developed a Smart Meter Integration Plan ("SMIP") which was filed with the Board on December 15, 2006 (EB-2005-0529). As part of this SMIP, Enersource applied for and was authorized to charge a Smart Meter Rate Adder ("SMRA") in the 2006 Rate Year of $0.31/metered-customer/month (the "2006 SMRA").

On February 9, 2007 Enersource filed its 2007 Smart Meter Rate Adder ("2007 SMRA") as part of its application for rates effective May 1, 2007 (EB-2007-0523). The application was filed in accordance with the Board's filing guidelines for smart meter funding to be included in 2007 electricity rates. On April 12, 2007 Enersource was authorized to charge a 2007 SMRA commencing May 1, 2007 of $1.28/metered-customer/month.

On May 2, 2007 the Board issued a Notice of a Combined Proceeding (EB-2007-0063) to determine the prudence and recovery of costs associated with smart metering activities for thirteen licensed distributors. Enersource was one of the thirteen licensed distributors who were deemed to be applicants in the Combined Proceeding. The Board issued its Decision in this Combined Proceeding on August 8, 2007, approving the costs claimed by Enersource with respect to smart metering activities.

On August 23, 2007 Enersource filed a Forward Test Year distribution rate rebasing application with the Board (EB-2007-0706) for rates effective May 1, 2008. In this application Enersource proposed to recover a 2008 Smart Meter Rate Adder (the "2008 SMRA") of $0.57/metered-customer/month which was developed to support the recovery of Enersource's investment in smart meters for the 2008 Test Year, and to return the over-recovery of revenue through the 2006 SMRA and the 2007 SMRA. Enersource received Board approval of the 2008 SMRA, pursuant to a rate order dated April 18, 2008.

On July 16, 2008, Enersource filed an application (EB-2008-0265) to recognize the revenue and associated costs incurred in relation to smart meter capital invested between May 1, 2007 and December 31, 2007. The Board found that the costs incurred by Enersource between May 1, 2007 and December 31, 2007 were prudently incurred and did not relate to functionality that exceeds the minimum functionality adopted in O. Reg. 425/06. The Board issued its Decision in this matter on December 8, 2008, approving the costs claimed by Enersource with respect to smart metering activities. The Board also approved the accounting changes as proposed by Enersource in the application, to recognize these approved smart meter costs and those approved in the Combined Proceeding in rate base, and to dispose of the related amounts in the established variance accounts.

On November 7, 2008 Enersource filed a Third Generation Incentive Ratemaking Mechanism ("3rd GIRM") application with the Board (EB-2008-0171). In this application Enersource proposed to recover a 2009 Smart Meter Funding Adder (the "2009 SMFA") of $1.41/metered-customer/month which was developed to support the recovery of Enersource's investment in smart meters for the 2009 Test Year and to return the over-recovery of revenue through the prior SMRAs. Enersource received Board approval of its 3rd GIRM model and the 2009 SMFA pursuant to the Board's Decision and rate order dated March 16, 2009.

On July 6, 2009, Enersource filed a second 3rd GIRM application with the Board (EB-2009-0193), for the purpose of aligning its rate year with its fiscal year which begins January 1, 2010. In this application, among other things, Enersource has applied for a 2010 Smart Meter Funding Adder (the "2010 SMFA") of $2.17 per metered-customer per month.

This Application

This application is consistent with the Board's Decisions in EB-2007-0063 and EB-2008-0265. Those Board Decisions allowed Enersource to recover the costs of installed smart meters by including in rate base the capital invested from May 1, 2006 to December 31, 2007. Those Decisions also allowed Enersource to dispose of the related amounts in the established variance accounts and recognized the associated revenue requirement and return on investment. The Board explicitly found that Enersource's smart meter procurement activities were prudent and that the amounts recorded in the variance accounts as of December 31, 2007 were eligible to be disposed of through rates.

Consistent with those Decisions, Enersource proposes to calculate the revenue requirement for the investment in smart meters for the 2008 calendar year and to recognize the associated revenue requirement by clearing the smart meter variance accounts 1555 and 1556. Details supporting this application are included in the attached schedules as follows:

Table 1: List of Schedules

Schedule 1	Assumptions & Data
Schedule 2	Smart Meter Revenue Requirement Calculation
Schedule 3	PILs Calculation
Schedule 4	Smart Meter Average Net Fixed Assets & Undepreciated Capital Cost
Schedule 5	Amortization Year 2008 (Adjustment for Intangibles)
Schedule 6	Accounting Treatment
Schedule 7	Capital and OM&A Details
Schedule 8	Cost Breakdown of Functional Specification for Advanced Metering Infrastructure (AMI)
Schedule 9	Smart Meter Revenue Requirement Summary

Source: Enersource Hydro Mississauga

Schedule 1 identifies the relevant assumptions and data upon which Enersource relied. Schedule 2 details the calculation of the total smart meter revenue requirement for 2006, 2007 and 2008 of $1,791 thousand. Schedule 3 (PILs Calculation) and Schedule 4 (Average Net Fixed Assets and UCC) assist to support this revenue requirement calculation. Schedule 5 highlights adjustments made to 2008 capital investments for changes related to the adoption of CICA Section 3064, Goodwill & Intangible Assets. Schedule 6 details the accounting entries to clear the smart meter variance accounts with reference to specific Uniform System of Accounts ("USoA"). Schedule 7 identifies specific OM&A and capital costs for the period. Schedule 8 shows the cost breakdown of functional specification for AMI, and Schedule 9 identifies the smart meter revenue requirement.

Enersource has also identified the net revenue requirement from May 1, 2006 to December 31, 2008 on Schedule 9 as $(1,573) thousand. This represents the Total Revenue Requirement for Smart Meters Installed (all amounts in thousands of dollars) for 2006, 2007 and 2008 of $2,799 (also identified on Schedule 2 as the sum of $46.6, $960.6, and $1,791, respectively) less the SMRAs for May 2006 through to December 2008 of $4,372 (identified on Schedule 9 as $676 for the 2006 rate year, $2,842 for the 2007 rate year and $854 for May 1, 2008 to December 31, 2008). This Net Revenue Requirement for that time period of $(1,573) thousand, has been incorporated into the calculation of Enersource's 2009 Smart Meter Funding Adder, and is currently being returned to customers pursuant to the Board's decision in EB-2008-0171.

The amounts sought for recovery in this application are actual (not forecast) costs. This evidence includes all the information specified in the Board's Guideline - Smart Meter Funding and Cost Recovery (G-2008-0002). These information requirements are listed below along with the supporting documents that present them.

Table 2: List of Information Requirements and where they are Presented in the Application

Information Requirement	Presented In
• status of implementation of smart meters (i.e., how many have been installed and when 100% completion is expected)	Schedule 8; 100% completion date is anticipated to be December 2010
• a copy of the agreement under which the smart meter assets have been procured	Attachment A
• calculation of the revenue requirement related to smart meter costs	Schedule 2
• capital and operating unit cost per installed smart meter and in total for a) procurement and installation of the components of the AMI system, b) customer information system, c) incremental operating and maintenance activities, d) changes to ancillary systems and e) stranded meters	Schedule 7
• a variance analysis comparing actual costs to previously filed costs	Schedules 7, 8 and 9
• justification for any smart meter or AMI costs incurred to support functionality that exceeds the minimum functionality adopted in O. Reg. 425/06	Not applicable
• costs incurred that are associated with functions for which the SME has the exclusive authority to carry out pursuant to O. Reg. 393/07, the basis on which recovery of those costs is allowed under applicable law	Not applicable

Source: Enersource Hydro Mississauga

This application excludes the regulatory treatment of all costs associated with the stranded conventional meters which remain in rate base as directed by the Board.

Smart Meter Supply Agreements

Enersource files this non-confidential version of the application to support the Board in its review and to protect the interests of our suppliers with whom contractual agreements have been made.

Enersource's original smart meter supplier agreement expired December 31, 2007. In anticipation of this contract expiry, and in order to fulfill the requirements of both O. Reg. 427/06 subsection 1(3) as well as Enersource's strict internal procurement policies, Enersource undertook a formal Request for Proposals (the "RFP") for the procurement of smart meters post December 31, 2007.

As a result of the RFP, Enersource entered into agreements with Elster Metering for the AMI system (and with Olameter Inc. for installation services). As a consequence of entering into these subsequent agreements for the supply of smart meters and services, Enersource obtained a long term commitment from the same suppliers of equivalent systems and services at reduced unit capital costs.

Orders Sought

Enersource seeks an order of the Board that will permit Enersource to draw-down the smart meter variance accounts 1555 and 1556, and recognize as revenue the recoveries of smart meter funding for January 1 - December 31, 2008 pursuant to Schedule 6. This application includes actual smart meter investments, all of which are an extension to and remain consistent with those expenses approved by the Board in its EB-2008-0265 December 8, 2008 Decision.

Schedules

Enersource Hydro Mississauga Inc.
Assumptions and Data
Schedule 1

Assumptions:

All revenues and costs (operating and capital) included in this application are based on actuals for the calendar year 2008
All calculations are consistent with the OEB's methodologies and based on the OEB Smart Meter Model (EB-2007-0523)
Amortization is straight line and has the half year rule applied in first year, based on CICA Handbook.

Data:	2006	2007	2008
Working Capital Requirement	15.0%	15.0%	13.3%
Deemed Debt - Long term	60%	60%	56%
Deemed Debt - Short Term	0%	0%	4%
Deemed Equity	40%	40%	40%
Weighted Debt Rate - Long Term	6.44%	6.44%	6.44%
Weighted Debt Rate - Short Term	0.00%	0.00%	4.47%
Approved ROE	9.00%	9.00%	8.57%
Weighted Average Cost of Capital	7.46%	7.46%	7.21%
PILs Tax Rate	36.12%	36.12%	33.50%

Other:

Amortization Policy:	Years
Smart Meters Amortization Rate	15
Computer Hardware Amortization Rate	5
Computer Software Amortization Rate	2

Enersource Hydro Mississauga Inc.

Smart Meter Revenue Requirement Calculation for 2006, 2007 & 2008 Investments

Schedule 2

	A			B			C		
Average Asset Values	**2006**			**2007**			**2008**		
Net Fixed Assets Smart Meters	[redacted]			[redacted]			[redacted]		
Net Fixed Assets Computer Hardware	[redacted]			[redacted]			[redacted]		
Net Fixed Assets Computer Software	[redacted]			[redacted]			[redacted]		
Net Fixed Assets Tools & Equipment	[redacted]			[redacted]			[redacted]		
Net Fixed Assets Other Equipment	[redacted]			[redacted]			[redacted]		
Total Net Fixed Assets	$ 191,831			$ 7,623,696			$ 12,843,626		
Opening Net Fixed Assets	$ -			$ 191,831			$ 7,623,696		
Closing Net Fixed Assets	$ 191,831			$ 7,623,696			$ 12,843,626		
Average Net Fixed Assets		$ 95,915			$ 3,907,763			$ 10,233,661	
Working Capital									
Operation Expense	$ 26,603			$ 295,887			$ 94,140		
Working Capital 15.0% & 13.3%	$ 3,991	$ 3,991		$ 44,383	$ 44,383		$ 12,521	$ 12,521	
Smart Meters included in Rate Base		$ 99,906			$ 3,952,146			$ 10,246,182	
Return on Rate Base									
Deemed Debt	60.0%	$ 59,944		60.0%	$ 2,371,288		56.0%	$ 5,737,862	
Deemed Debt							4.0%	$ 409,847	
Deemed Equity	40.0%	$ 39,962		40.0%	$ 1,580,859		40.0%	$ 4,098,473	
		$ 99,906			$ 3,952,146			$ 10,246,182	
Weighted Debt Rate	6.44%	$ 3,860		6.44%	$ 152,711		6.44%	$ 369,518	
Weighted Debt Rate							4.47%	$ 18,320	
Approved ROE	9.0%	$ 3,597		9.0%	$ 142,277		8.57%	$ 351,239	
Return on Rate Base		$ 7,457	$ 7,457		$ 294,988	$ 294,988		$ 739,078	$ 739,078
Operating Expenses									
Incremental Operating Expenses			$ 26,603			$ 295,887			$ 94,140
Amortization Expenses									
Amortization Expenses - Smart Meters	[redacted]			[redacted]			[redacted]		
Amortization Expenses - Computer Hardware	[redacted]			[redacted]			[redacted]		
Amortization Expenses - Computer Software	[redacted]			[redacted]			[redacted]		
Amortization Expenses - Tools & Equipment	[redacted]			[redacted]			[redacted]		
Amortization Expenses - Other Equipment	[redacted]			[redacted]			[redacted]		
Total Amortization Expenses			$ 19,841			$ 328,593			$ 886,078
Revenue Requirement Before PILs			$ 53,902			$ 919,468			$ 1,719,295
Calculation of Taxable Income									
Incremental Operating Expenses			-$ 26,603			-$ 295,887			-$ 94,140
Depreciation Expenses			-$ 19,841			-$ 328,593			-$ 886,078
Interest Expense			-$ 3,860			-$ 152,711			-$ 387,838
Taxable Income For PILs			$ 3,597			$ 142,277			$ 351,239
Grossed up PILs			-$ 7,298			$ 41,177			$ 72,087
Revenue Requirement Before PILs			$ 53,902			$ 919,468			$ 1,719,295
Grossed up PILs			-$ 7,298			$ 41,177			$ 72,087
Revenue Requirement for Smart Meters			**$ 46,604**			**$ 960,644**			**$ 1,791,383**

Enersource Hydro Mississauga Inc.
PILs Calculation
Schedule 3

	2006	2007	2008
INCOME TAX			
Net Income	$ 3,597	$ 142,277	$ 351,239
Amortization	$ 19,841	$ 328,593	$ 886,078
CCA - Class 47 (8%) Smart Meters	[redacted]		
CCA - Class 45 (45%) Computers			
CCA - Class 12 (100%) Software			
CCA - Class 8 (20%) Other Equipment			
Change in taxable income	$ (13,832)	$ 42,951	$ 87,434
Tax Rate *(3. LDC Assumptions and Data)*	36.12%	36.12%	33.50%
Income Taxes Payable	$ (4,996)	$ 15,514	$ 29,290
ONTARIO CAPITAL TAX ("OCT")			
Smart Meters	[redacted]		
Computer Hardware			
Computer Software			
Tools & Equipment			
Other Equipment			
Rate Base	$ 174,402	$ 7,506,941	$ 12,463,066
Less: Exemption	$ -	$ -	$ -
Deemed Taxable Capital	$ 174,402	$ 7,506,941	$ 12,463,066
Ontario Capital Tax Rate	0.300%	0.225%	0.225%
Net Amount (Taxable Capital x Rate)	$ 523	$ 16,891	$ 28,042

Gross Up

	PILs Payable	PILs Payable	PILs Payable
Change in Income Taxes Payable	$ (4,996)	$ 15,514	$ 29,290
Change in OCT	$ 523	$ 16,891	$ 28,042
PIL's	$ (4,473)	$ 32,405	$ 57,332
	Gross Up	Gross Up	Gross Up
	36.12%	36.12%	33.50%
	Grossed Up PILs	Grossed Up PILs	Grossed Up PILs
Change in Income Taxes Payable	$ (7,821)	$ 24,286	$ 44,046
Change in OCT	$ 523	$ 16,891	$ 28,042
PIL's	**$ (7,298)**	**$ 41,177**	**$ 72,087**

Enersource Hydro Mississauga Inc.
Smart Meter Average Net Fixed Assets and UCC
Schedule 4

	2006	2007	2008
Net Fixed Assets - Smart Meters			
Opening Capital Investment	[redacted]	[redacted]	[redacted]
Capital Investment Year 1	[redacted]	[redacted]	[redacted]
Capital Investment Years 2 & 3	[redacted]	[redacted]	[redacted]
Closing Capital Investment	[redacted]	[redacted]	[redacted]
Opening Accumulated Amortization	[redacted]	[redacted]	[redacted]
Amortization Year 1	[redacted]	[redacted]	[redacted]
Amortization Years 2 & 3	[redacted]	[redacted]	[redacted]
Closing Accumulated Amortization	[redacted]	[redacted]	[redacted]
Opening Net Fixed Assets	[redacted]	[redacted]	[redacted]
Closing Net Fixed Assets	[redacted]	[redacted]	[redacted]
Average Net Fixed Assets	[redacted]	[redacted]	[redacted]
Net Fixed Assets - Hardware			
Opening Capital Investment	[redacted]	[redacted]	[redacted]
Capital Investment Year 1	[redacted]	[redacted]	[redacted]
Capital Investment Years 2 & 3	[redacted]	[redacted]	[redacted]
Capital Investment Transferred from Software	[redacted]	[redacted]	[redacted]
Closing Capital Investment	[redacted]	[redacted]	[redacted]
Opening Accumulated Amortization	[redacted]	[redacted]	[redacted]
Amortization Year 1	[redacted]	[redacted]	[redacted]
Amortization Years 2 & 3	[redacted]	[redacted]	[redacted]
Adjustment at Year End	[redacted]	[redacted]	[redacted]
Closing Accumulated Amortization	[redacted]	[redacted]	[redacted]
Opening Net Fixed Assets	[redacted]	[redacted]	[redacted]
Closing Net Fixed Assets	[redacted]	[redacted]	[redacted]
Average Net Fixed Assets	[redacted]	[redacted]	[redacted]
Net Fixed Assets - Software			
Opening Capital Investment	[redacted]	[redacted]	[redacted]
Capital Investment Year 1	[redacted]	[redacted]	[redacted]
Capital Investment Years 2 & 3	[redacted]	[redacted]	[redacted]
Capital Investment Transferred to Computer	[redacted]	[redacted]	[redacted]
Closing Capital Investment	[redacted]	[redacted]	[redacted]
Opening Accumulated Amortization	[redacted]	[redacted]	[redacted]
Amortization Year 1	[redacted]	[redacted]	[redacted]
Amortization Years 2 & 3	[redacted]	[redacted]	[redacted]
Adjustment at Year End	[redacted]	[redacted]	[redacted]
Closing Accumulated Amortization	[redacted]	[redacted]	[redacted]
Opening Net Fixed Assets	[redacted]	[redacted]	[redacted]
Adjustment at Year End	[redacted]	[redacted]	[redacted]
Closing Net Fixed Assets	[redacted]	[redacted]	[redacted]
Average Net Fixed Assets	[redacted]	[redacted]	[redacted]

Enersource Hydro Mississauga Inc.
Smart Meter Average Net Fixed Assets and UCC
Schedule 4

UCC - Smart Meters

CCA Class 47 (8%)	2006	2007	2008
Opening UCC	[redacted]		
Capital Additions			
UCC Before Half Year Rule			
Half Year Rule			
Reduced UCC			
CCA Rate Class 47			
CCA			
Closing UCC			

UCC - Computer Hardware

CCA Class 45 (45%)	2006	2007	2008
Opening UCC	[redacted]		
Capital Additions			
UCC Before Half Year Rule			
Half Year Rule			
Reduced UCC			
CCA Rate Class 47			
CCA			
Closing UCC			

UCC - Computer Software

CCA Class 12 (100%)	2006	2007	2008
Opening UCC	[redacted]		
Capital Additions			
UCC Before Half Year Rule			
Half Year Rule			
Reduced UCC			
CCA Rate Class 47			
CCA			
Closing UCC			

Enersource Hydro Mississauga Inc.
Amortization Year 2008
Schedule 5

	2008 Capital Investment	Adjustment of Software to Hardware	2008 Actual (Note 1)
Capital Expenditure			
Smart Meter Capital Costs	[redacted]		
Smart Meter Computer Equipment			
Smart Meter Computer Software			
Total SM Capital Costs	$ 6,106,008	$ (47,268)	$ 6,058,740
Amortization Expense for 2008 Investments			
Smart Meter Capital Costs	[redacted]		
Smart Meter Computer Equipment			
Smart Meter Computer Software			
Total SM Amortization Expense	$ 270,869	$ 32,863	$ 303,732

Note 1

Commencing October 1, 2008 the Corporation adopted CICA handbook Section 3064, Goodwill and Intangible Assets, which was adopted retrospectively as of January 1, 2007. According to this section, computer software for a computer-controlled machine that cannot operate without that specfic software is an integral part of the related hardware. Accordingly, we determined the smart meter software to be an integral component of hardware which is reflected in the adjustment above.

Enersource Hydro Mississauga Inc.
Accounting Treatment for Smart Meter Accounts
Schedule 6

Accounting Treatment for Smart Meter Accounts with respect to Smart Meter Minimum Functionality

1. To clear OM&A balances to December 31, 2008 from the Smart Meter OM&A Variance Account to the current period

Debit: OM&A Account 5065 Metering Expenses	*$*	*94,140*		
Credit: Smart Meter OM&A Variance Account 1556			*$*	*94,140*

2. To clear PILs balances to December 31, 2008 from the Smart Meter OM&A Variance Account to the current period

Debit: PILs Account 6110	*$*	*72,087*		
Credit: Smart Meter OM&A Variance Account 1556			*$*	*72,087*

3. To clear amortization balances to December 31, 2008 from the Smart Meter OM&A Variance Account to the current period

Debit: OM&A Account 5705 Amortization Expense	*$*	*886,078*		
Credit: Smart Meter OM&A Variance Account 1556			*$*	*886,078*

4. To clear the capital balance to December 31, 2008 from the Smart Meter Capital & Recovery Offset Variance Account to Fixed Asset Accounts

Debit: Fixed Asset Accounts 1860, 1920, 1925, & 2055 as appropriate	*$*	*6,058,740*		
Credit: Smart Meter Capital & Recovery Offset Account 1555			*$*	*6,058,740*

5. To clear the capital balance to December 31, 2008 from the Smart Meter Capital & Recovery Offset Variance Account to Fixed Asset Accounts

Debit: Smart Meter Capital & Recovery Offset Variance Account 1555	*$*	*886,078*		
Credit: Accumulated Amortization Account 2105			*$*	*886,078*

6. To clear the Smart Meter Capital & Recovery Offset Variance Account and to recognize as revenue actual smart meter rate adder recoveries received up to December 31, 2008

Debit: Smart Meter Capital & Recovery Offset Varaiance Account 1555	*$*	*1,791,383*		
Credit: Revenue Account 4080 by appropriate customer class			*$*	*1,791,383*

Enersource Hydro Mississauga Inc.
Capital & Operating Expenses
Schedule 7

Capital Investments By Calendar Year			OEB Decision (EB-2008-0265) to Clear 2006/7	2008	Total 2006/7/8 Actual
	2006	2007	Total	2008	Total
Smart Meter Capital Costs	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Smart Meter Computer Equipment	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Smart Meter Computer Software	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total SM Capital Costs	**$ 211,672**	**$ 7,760,458**	**$ 7,972,130**	**6,058,740**	**$ 14,030,870**

Smart Meter Accumulated Amortization	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Smart Meter Computer Equipment Accumulated Amortization	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Smart Meter Computer Software Accumulated Amortization	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total SM Capital Costs	**$ (19,841)**	**$ (328,593)**	**$ (348,434)**	**(838,810)**	**$ (1,187,244)**

Net Fixed Assets Smart Meter	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Net Fixed Assets Smart Meter Computer Equipment	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Net Fixed Assets Smart Meter Software	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total SM Capital Costs	**$ 191,831**	**$ 7,431,865**	**$ 7,623,696**	**5,219,930**	**$ 12,843,626**

Operating Expenses By Calendar Year	2006	2007	OEB Decision (EB-2008-0265) to Clear 2006/7	2008	Total 2006/7/8 Actual
Labour & Benefits	$ 20,083	$ 132,416	$ 152,499	$ 672,824	$ 825,323
Call Centre / Community Relations	$ -	$ 422	$ 422	$ -	$ 422
Training / Change Management	$ -	$ -	$ -	$ 300	$ 300
Miscellaneous Administration	$ 6,521	$ 14,990	$ 21,510	$ (175,855)	$ (154,345)
Telephony / Data Communications	$ -	$ 1,078	$ 1,078	$ 38,285	$ 39,363
Customer Communications	$ -	$ 104,804	$ 104,804	$ 133,125	$ 237,930
IT maintenance contracts / software	$ -	$ 42,176	$ 42,176	$ 47,888	$ 90,065
Overhead	$ -	$ -	$ -	$ (622,426)	$ (622,426)
Total SM OM&A	**$ 26,603**	**$ 295,887**	**$ 322,490**	**$ 94,140**	**$ 416,631**

Enersource Hydro Mississauga Inc.

Cost Breakdown of Functional Specification for an Advanced Metering Infrastructure

Schedule 8

Recovery of Costs Incurred for Installed Units (Minimum Functionality)

	A		B		C		D = A + B + C		E		F = D + E	
	Total Jan. 1 - Dec. 31, 2006		**Total Jan. 1 - Apr. 30, 2007**		**Total May 1 - Dec. 31, 2007**		**Total Dec. 31, 2007**		**Total Jan. 1 - Dec. 31, 2008**		**Total Dec. 31, 2008**	
<u>**Capital Costs**</u>	$ (000's)	Qty	$ (000's)	Qty	$ (000's)	Qty	$ (000's)	Qty	$ (000's)	Qty	$ (000's)	Qty
Advanced Metering Communication Device (AMCD)												
1. Smart Meters	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
2. Installation Costs	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
3. Workforce Automation	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Advanced Metering Regional Collector (AMRC) (Includes LAN)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
4. Collectors	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
5. Repeaters	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
6. Installation	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Advanced Metering Control Computer (AMCC)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
7. Computer Hardware	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
8. Computer Software	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
9. Computer Software License Installation	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Wide Area Network (WAN)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
10. Activation Fees	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Other AMI Capital Costs Related to Minimum Functionality	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
11. AMI Interface to CIS	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
12. Professional Fees	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
13. Integration	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
14. Program Management	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
TOTAL CAPITAL COSTS	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
TOTAL OM&A COSTS	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
TOTAL COSTS	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
TOTAL COSTS per UNIT $ (Total Cost / Quantity of Smart Meters)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total Costs Incurred to :	Dec. 30, 2006		Apr. 30, 2007		Dec. 31, 2007		Dec. 31, 2007		Dec. 31, 2008		Dec. 31, 2008	
Quantity of Units Installed					[redacted]		[redacted]		[redacted]		[redacted]	

Enersource Hydro Mississauga Inc.

Smart Meter Revenue Requirement - Summary

Schedule 9

Summary of Actual Costs claimed in this application (000's)	Total 2006 Actual	Jan. - Apr. 2007 Actual	May - Dec. 2007 Actual	Total 2007 Actual	Total 2006 & 2007 Actual	Total 2008 Actual	Total 2006/7/8 Actual
Capital Costs (must be installed, and used and useful)							
Smart Meters	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Computer Hardware	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Computer Software	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Tools & Equipment	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Other Equipment	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total Capital Costs	**$ 212**	**$ 1,514**	**$ 6,246**	**$ 7,760**	**$ 7,972**	**$ 6,059**	**$ 14,031**
O M & A							
2.1 Advanced metering communication device (AMCD)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2.2 Advanced metering regional collector (AMRC) (includes LAN)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2.3 Advanced metering control computer (AMCC)	$ -	$ -	$ 33	$ 33	$ 33	$ 48	$ 81
2.4 Wide area network (WAN)	$ -	$ -	$ 1	$ 1	$ 1	$ 38	$ 40
2.5 Other AMI OM&A costs related to minimum functionality	$ 27	$ 67	$ 194	$ 261	$ 288	$ 8	$ 296
Total O M & A Costs	**$ 27**	**$ 67**	**$ 229**	**$ 296**	**$ 323**	**$ 94**	**$ 417**

Summary of Revenue Requirement Calculation (000's)			Total 2006 Actual	Jan. - Apr. 2007 Actual	May - Dec. 2007 Actual	Total 2007 Actual	Total 2006 & 2007 Actual	Total 2008 Actual	Total 2006/7/8 Actual
Net Fixed Assets									
Net Fixed Assets Beginning of Year			$ -			$ 192	$ 192	$ 7,624	$ 7,816
Net Fixed Assets End of Year			$ 192			$ 7,624	$ 7,816	$ 12,797	$ 20,612
Software Adjustment								$ 47	$ 47
Net Fixed Assets End of Year			$ 192			$ 7,816	$ 8,007	$ 12,844	$ 28,475
Average Net Fixed Asset Values			$ 96			$ 3,908	$ 4,004	$ 10,234	$ 14,237
Working Capital Allowance									
Operation Expense			$ 27			$ 296	$ 323	$ 94	$ 417
Working Capital Allowance 15% and 13.3%			$ 4			$ 44	$ 48	$ 13	$ 61
Smart Meters Rate Base			$ 100			$ 3,952	$ 4,052	$ 10,246	$ 14,298
Return on Rate Base (from approved 2006 EDR application)	**2006/7**	**2008**							
Deemed Debt 56% @ Weighted Debt Rate 6.44%	3.86%	3.61%	$ 4			$ 153	$ 157	$ 370	$ 526
Deemed Debt 4% @ Weighted Debt Rate 4.47%	-	0.18%						$ 18	$ 18
Deemed Equity 40% @ ROE 8.57%	3.60%	3.43%	$ 4			$ 142	$ 146	$ 351	$ 497
Return on Rate Base	7.464%	7.034%	$ 7			$ 295	$ 302	$ 739	$ 1,042
Operating Expenses									
Incremental Operating Expenses			[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Amortization Expenses - Meters (15 years)			[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Amortization Expenses - Hardware (5 years)			[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Amortization Expenses - Software (2 years)			[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total Operating Expenses			$ 46			$ 625	$ 671	$ 980	$ 1,651

	Total 2006 Actual	Jan. - Apr. 2007 Actual	May - Dec. 2007 Actual	Total 2007 Actual	Total 2006 & 2007 Actual	Total 2008 Actual	Total 2006/7/8 Actual
Revenue Requirement Before PILs	$ 54			$ 920	$ 973	$ 1,719	$ 2,693
Less OM&A and Depreciation	-$ 46			-$ 625	-$ 671	-$ 980	-$ 1,651
Less Deemed Interest	-$ 4			-$ 153	-$ 157	-$ 388	-$ 544
Net Income for Gross up	$ 4			$ 142	$ 146	$ 351	$ 497
Grossed up PILs (Based on PILs Calculation)	-$ 7			$ 41	$ 34	$ 72	$ 106
Revenue Requirement for Smart Meters Installed	$ 47			$ 961	$ 1,007	$ 1,791	$ 2,799

Rate Rider to Clear Actual Expenses to Dec. 31 2008	Rate Adder	Metered Cust.	No. of Mths	Amt Recovered		Amt Recovered	Total 2006/7/8 Actual
Revenue Requirement for Smart Meters Installed							$ 2,799
Carrying costs							
Less Smart Meter Adder Recovery							
May 2006 to April 2007	$ 0.31	180,127	12	$ 670			
Adjustment for actual 2006 revenue				$ 6	$ (676)		$ (676)
May 2007 to April 2008	$ 1.28	182,794	12	$ 2,808			
Adjustment for actual 2007 revenue				$ 34	$ (2,842)		$ (2,842)
May 2008 to December 2008	$ 0.57	183,500	8	$ 837			
Adjustment for actual 2008 revenue				$ 17	$ (854)		$ (854)
Total							**$ (1,573)**

Permanent Capital Rate Adjustustment	Rate Adder	Metered Cust.	No. of Mths	Amt Recovered
January - April 2009	$ 0.57			
May 2009 - December 2009	$ 1.41			

Note: The variance of $(1,573) above is being returned to customers as calculated in the 2008 SMRA as per EB-2007-0706 Exhibit G, Schedule 2, Tabs 6 - 9, and as part of the 2009 SMFA EB-2008-0171.
Enersource is in the process of applying for a new 2010 SMFA (EB-2009-0193), which includes in its computation the return of this $1.573 Million to ratepayers.
Per the OEB's FAQ August 2008, Enersource continued its concurrent investment in smart meters and reduced its funding requirement in the calculation of the 2008 SMRA, 2009 SMFA and 2010 SMFA.