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January 8, 2010

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

Dear Ms. Walli:

**Re: Enersource Hydro Mississauga Inc. Application for the Disposition of the
Balances of Group 1 Deferral and Variance Accounts (EB-2009-0405) –
Enersource's Re-Submission**

Enersource Hydro Mississauga Inc. is resubmitting its final argument, attached. Please see the addition to paragraph 27 at page 7. This clarification reiterates Enersource's ability to immediately exclude 20 MUSH and other designated customers from being charged the proposed non-RPP Global Adjustment rate rider (as referenced in the pre-filed evidence at Tab B page 9), by billing these customers manually.

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

Sincerely,

(Original signed by)

Gia M. DeJulio
Director, Regulatory Affairs

cc. George Vegh, McCarthy Tétrault
Intervenors in EB-2009-0193

Attach.

Final Submission
Enersource Hydro Mississauga Inc.
EB-2009-0405

1. This is the reply of Enersource Hydro Mississauga Inc. (“Enersource”) to the submissions filed by Board Staff and the Intervenor. It addresses the following issues:
 - Consistency with the EDDVAR Report (paragraphs 2 - 10);
 - Account 1588 Global Adjustment Sub-account Balance (paragraphs 11 - 15);
 - Disposition of the Balances of Certain Group 1 Deferral and Variance Accounts (paragraphs 16 - 21);
 - Rate Rider Presentation on Customers’ Bills (paragraphs 22 – 27); and
 - MUSH Sector (paragraphs 28 – 30).

Consistency with the EDDVAR Report

Positions of the Parties

2. Board Staff notes that although the application is not consistent with the guidelines outlined in the EDDVAR Report (with respect to the quarterly disposition of account 1588 due to the inclusion of other Group 1 account balances in the application), it recognizes Enersource’s particular circumstances in terms of the material increase in the Global Adjustment sub-account balance during 2009 and the effect that it has had on Enersource’s cash flow position. “On that basis, Board staff accepts Enersource’s proposal to combine the debit balance as of September 30, 2009 in account 1588 with the credit balance in other Group 1 accounts as of December 31, 2008. Board staff agrees with Enersource that in all other respects, its application is consistent with the EDDVAR Report”¹.

¹Board Staff submission page 3.

3. SEC states that the EDDVAR threshold for account 1588 has not been met² and that it would be inappropriate for the Board to order clearance of Account 1588 on the basis proposed.³
4. Enersource observes that the concerns of Energy Probe are simply an echo of those of SEC, so we are not addressing them separately.

Enersource's Response

5. The Panel has discretion to depart from the EDDVAR Report when it is in the public interest to do so. In other words, the panel is to be guided, but not bound, by the Report.
6. A recent example of the Board expressing willingness to depart from policy is found in the Board's Decision delivered from the bench on December 15, 2009 in Hydro One Networks' Rate Application EB-2009-0096:

The Board considers the cost of capital policy to be sufficiently robust to apply across the Board to all electricity LDCs. The prior policy also applied to all LDCs. The Board does, however, recognize that it is open to parties to argue that there may be certain circumstances where the policy should not be applied. The Board will, therefore, allow the filing of evidence that establishes the specific circumstances, which exist in this case and with this applicant, which would make the application of the policy inappropriate.⁴

7. Enersource submits that it should not be limited by a strict interpretation of the EDDVAR Report with respect to the timing of and trigger for applying for disposition of Group 1 accounts due to the unexpected pace of growth of the Global Adjustment ("GA") balances. This has been an industry-wide phenomenon.

² SEC submission page 3.

³ SEC submission page 5.

⁴ EB-2009-0096 December 15, 2009 Transcripts page 146

8. Further, in Board Staff's November 13, 2009 submission in Enersource's 2010 3rd GIRM rate application EB-2009-0193, concerns were expressed.⁵ "Enersource has a large credit amount (excluding the global adjustment) owing back to customers as of December 31, 2008. Board staff believes that to delay the disposition of this balance by an additional year would be unfair to customers and would create further intergenerational inequity by deferring the over/underage." Also, in the context of the GA sub-account balance, Board Staff said, "Enersource highlights an important element of concern for Board staff."
9. Based on Board Staff's EB-2009-0193 submission, Enersource filed this Application for disposition of certain Group 1 accounts as at December 31, 2008 and the RSVA Power account 1588 as at September 30, 2009.
10. Enersource submits that the disposition of the Group 1 balances solely as at December 31, 2008 may have a financial impact on the organization and would impose a strain on its cash flows.

Account 1588 Global Adjustment Sub-account Balance

Positions of the Parties

11. Even SEC acknowledged "that, for this utility, the buildup in the Global Adjustment sub-account has become a significant concern"⁶. Further, it stated "we believe that the Board should provide the utility with some relief from the cash flow pressure that obviously arises in this situation"⁷.
12. SEC further understood that the GA is a true-up mechanism, and ultimately customers have to pay it. "Schools do not object to paying amounts they are required to pay."⁸

⁵ Board Staff submission in EB-2009-0193 page 7.

⁶ SEC submission page 4.

⁷ SEC submission page 5.

⁸ SEC submission page 4.

13. SEC also acknowledged that “the utility’s situation is particularly challenging if it is refunding more than \$20 million in the other Group 1 accounts, but is left still holding a net regulatory asset of more than \$33 million in Account 1588.”⁹

Enersource’s Response

14. The October 30, 2009 Coalition of Large Distributors (the “CLD”) submission in the Cost of Capital in Current Economic and Financial Market Conditions EB-2009-0084 demonstrates how GA balances have been dramatically increasing among Enersource’s peers:

For example, the total amount held in deferral accounts reflecting the cost of global adjustments has increased considerably between 2008-2009. By way of magnitude, balances in the GA variance accounts for CLD members have increased in the range of 125% to as much as 592% from December 31, 2008 to September 30, 2009. Collectively, the CLD members are holding \$184 million as of September 30, 2009, a 236% increase since December 31, 2008.¹⁰

15. The criticality of this situation has been acknowledged by Board Staff in its hosting of meetings among distributors and the IESO on the topic of Global Adjustment. At one meeting on December 10, 2009, Board Staff sought further understanding of the process followed by the IESO and distributors in recovering the GA from customers, and the resulting growing account balances due to ongoing timing and volume variances. Board Staff is seeking solutions from industry members to mitigate problems with respect to significant GA account balances going forward. In light of the urgency of this situation, Enersource submits that the Account 1588 GA sub-account must be addressed at this time.

⁹ SEC submission page 4.

¹⁰ CLD EB-2009-0084 submission page 3, footnote 4.

Disposition of the Balances of Certain Group 1 Deferral and Variance Accounts

Positions of the Parties

16. SEC proposes an extraordinary one-time recovery of \$20,086,187 from Account 1588 over two years, to match a refund to non-1588 Group 1 Accounts. SEC submits that this keeps Enersource “whole” by providing an additional clearance in excess of that provided in the EDDVAR, while still minimizing the ratepayer impacts of departing from that policy. SEC calculates that it would leave a net balance in Account 1588 of \$12,779,576 (a debit of \$21,701,454 in the Global Adjustment sub-account, offset by \$8,921,878 credit in the remainder of the account), and purports that this is an amount that is easier to manage, and within the normal ups and downs of that account year by year.¹¹

Enersource’s Response

17. Enersource will not be left “whole” under the SEC proposal; it will leave a debit (recovery) balance as of September 30, 2009 of almost \$13 Million. Further, Enersource does not agree that such a net balance in account 1588 is easier to manage.

18. The balance in account 1588 as of September 30, 2009 for which Enersource is seeking disposition is the actual debit balance which is creating a cash flow burden for Enersource. Further, the Global Adjustment sub-account balance exhibits no indication that it will be mitigated or will reverse itself in the coming months or years. Instead, there is a strong possibility that this sizeable account balance will continue to grow. Even SEC admitted “While there is the possibility that the adjustments will be credits in the coming year, the utility cannot count on that.”¹²

19. Enersource submits that it should not be carrying for such a long period of time such a significant variance account balance for this aspect of the cost of power that has been incurred by its customers. This debit balance affects the financial ease with which Enersource is able to obtain funding for capital and operational expenses.

¹¹ SEC submission page 5.

¹² SEC submission page 4.

The greater the debit balance and the longer it exists the greater the negative implications for Enersource.

20. Enersource is seeking to pass through these costs to its customers in a relatively timely fashion. If it were to delay the full recovery and refund of the Group 1 account balances as applied for, then significant inter-generational inequities would result. Enersource would likely not apply for recovery of the GA account balance until its next rates application, and assuming a two-year recovery period, that would extend collection out to 2013, for costs incurred from 2007 to 2009, four to six years earlier. This is not desirable from a fairness-to-ratepayers' point of view.
21. Finally, it is unknown what the Group 1 account balances would be at some future point in time. It is preferable to address today's known quantities, to clear these account balances via relatively low-impact rate changes, and avoid possible future rate shocks should the GA continue to grow at the same pace as the past year.

Rate Rider Presentation on Customers' Bills

Positions of the Parties

22. Board staff noted that, if the application is approved, Enersource intends to include the 1588 Global Adjustment sub-account rate rider as an adjustment to the monthly Provincial Benefit or Global Adjustment line on the customer's bill. Board Staff observed that it has been the Board's practice to include deferral and variance account rate riders as part of the distribution charge.¹³

Enersource's Response

23. In Board Staff's November 13, 2009 submission in EB-2009-0193, it addressed concerns with handling the disposition of Account 1588 - Global Adjustment sub-account. "Therefore Board staff suggests that a separate rate rider be established to clear the GA sub-account balance to Non-RPP customers within rate classes. What

¹³ Board Staff submission page 3.

remains unclear to Board staff is whether Enersource's billing system could accommodate that change within a reasonable timeframe." ¹⁴

24. Enersource confirms that its billing system can accommodate a GA rate rider as discussed in Tab B, pages 8 and 9, the calculations of which are presented in Attachment B, Schedules 1 and 4.
25. Further, Board Staff's interrogatory requests ("IRs") in the rate proceedings for EnWin Utilities Ltd. (EB-2009-0221), Horizon Utilities Corporation (EB-2009-0228) and PowerStream Inc. (EB-2009-0246), among others, have quoted Board Staff's submission in EB-2009-0193. The IRs indicate that Board Staff is proposing that a separate disposition rate rider be applied prospectively to Non-RPP customers for 1588 - Global Adjustment. Board Staff polled whether each of these distributors' billing systems is capable of billing non-RPP customers the separate rate rider. ¹⁵
26. In these proceedings it is apparent that Board Staff has been exploring the billing capabilities of distributors to apply different rate riders to different customer classes, knowing Enersource's proposal to apply a rate rider to non-RPP customers via the GA charge, not the distribution charge. Thus, while it has been the Board's practice to include deferral and variance account rate riders as part of the distribution charge, Enersource submits that Board Staff is exploring the capabilities of certain distributors to apply rate riders via the GA charge.
27. To be clear, Enersource's billing system is capable of applying, within the next billing cycle, a GA rate rider to non-RPP customers via the GA charge; however, it would take about six months to set up and test changes to its billing system to be able to charge different distribution rate riders **within** a rate class. However, Enersource reiterates its ability to immediately exclude 20 MUSH and other designated customers¹⁶ from being charged the proposed non-RPP GA rate rider, by preparing these bills manually.

¹⁴ Board Staff submission in EB-2009-0193 page 7.

¹⁵ Board Staff Interrogatory Request #2 (a) and (b) in EB-2009-0221.

¹⁶ Enersource's pre-filed evidence at Tab B page 9.

MUSH Sector

Positions of the Parties

28. Board Staff noted that “with respect to Enersource’s proposal to exclude 20 MUSH sector and other designated institutional customers that were required to switch to non-RPP as of November 1, 2009 Enersource has not confirmed that all of these 20 MUSH sector customers were all RPP customers in 2008.”¹⁷

Enersource’s Response

29. Enersource confirms that the 20 MUSH sector and other designated customers were all RPP customers up until November 1, 2009, and in 2008, all but one customer, as well. That one customer was on HOEP prior to August 2008, but represents an immaterial amount in the GA sub-account balance.

Conclusions

30. For the reasons detailed above, Enersource submits that its Application should be approved as filed.

¹⁷ Board Staff submission page 3.