

**NOTICE OF APPLICATION AND WRITTEN HEARING
FOR AN
ELECTRICITY DISTRIBUTION RATE CHANGE
AND
NOTICE OF COMBINED PROCEEDING AND HEARING
RELATING TO SMART METERS**

PUC Distribution Inc.

PUC Distribution Inc. has filed an application with the Ontario Energy Board (the "Board"), received on January 26, 2007 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Schedule B). The Board has assigned the application File No. EB-2007-0568. This Notice contains important information about participation in the hearing associated with the applicant's rate change application ("rate proceeding") and about participation in a combined proceeding relating to rate adjustments for smart meters ("smart meter combined proceeding").

PUC Distribution Inc. has applied to the Board to change its distribution rates. The application has been filed on the basis of the guidelines set out in the December 20, 2006 "Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors", available from the Board as described under "Need More Information?" below.

The standard electricity bill for residential and small general service customers has four line items: Electricity; Delivery, Regulatory and Debt Retirement Charge. The rate change application affects only the Delivery line of that bill. If approved, a typical residential customer consuming 1,000 kWh per month would experience an approximate decrease of 0.3% in the electricity bill. A small general service customer

consuming 2,000 kWh per month and having a monthly demand of 50 kW or lower would experience approximately no change in the electricity bill.

PUC Distribution Inc. may apply for a specific rate adjustment related to smart meters. This adjustment is referred to as a “smart meter adder”, and represents temporary advance funding to facilitate the acquisition and installation of smart meters through the 2007 rate year. If a smart meter adder is applied for, **the percentage decrease in the electricity bill referred to above does not include the amount of PUC Distribution Inc.’s smart meter adder.** The prudence of the amount requested by PUC Distribution Inc. for its smart meter adder will not be examined as part of the rates proceeding. It will be dealt with in a separate process at a later date.

As a starting point to that future process, certain general principles will be the subject of a combined proceeding for which a hearing will be held after May 1, 2007. The combined proceeding will involve a number of electricity distributors, and may include or consider PUC Distribution Inc.’s smart meter adder. Further information about the treatment of smart meter adders and the nature and scope of the combined proceeding may be found in the January 29, 2007 “Report of the Board on 2nd Generation Incentive Regulation for Ontario’s Electricity Distributors: Addendum for Smart Metering Rates”, available from the Board as described under “Need More Information?” below.

How to see PUC Distribution Inc.’s Pre-filed Evidence

Copies of the application are available for inspection at the Board’s offices in Toronto and on its website, and at the PUC Distribution Inc. offices and on its website, if available.

How to Participate in the Rate Proceeding

The Board intends to proceed with PUC Distribution Inc.’s rate change application by way of written hearing unless a party satisfies the Board that there is good reason for holding an oral hearing. If you object to a written hearing in this matter, you must

provide written reasons why an oral hearing is necessary. Any objections to a written hearing must be received by the Board and copied to the applicant at the addresses below no later than **10 days** from the date of publication of this Notice or, if you have been served this Notice directly, no later than 10 days from the date of service. The Board will not award costs in this matter.

Proceeding by way of written hearing, the Board requests interested parties to file submissions, in writing, setting out their views on the application. You must forward three paper copies and, if possible, an electronic copy in Word format and in searchable PDF format of your submission to the Board and one copy to the applicant at the addresses below. All submissions must be received by the Board and the applicant at the addresses below no later than **21 days** from the date of publication of this Notice or, if you have been served this Notice directly, no later than 21 days from the date of service. If PUC Distribution Inc. wishes to respond to a submission, the response must be filed with the Board and copied to the party that made the submission no later than **7 days** from the date of receipt of the submission.

How to Participate in the Smart Meter Combined Proceeding

If you wish to participate in the smart meter combined proceeding, you must separately notify the Board of your intention to do so **even if you are participating in the hearing on PUC Distribution Inc.'s rate change application**. Application for intervenor status and cost eligibility must be by letter and received by the Board no later than **10 days** from the date of publication of this Notice or, if you have been served this Notice directly, no later than 10 days from the date of service. If you have notified the Board of your interest in the combined proceeding, you will receive further details regarding participation in, and the timing and conduct of, the combined proceeding once these become available.

How to Make Filings to the Board

All filings to the Board must quote File No. EB-2007-0568, and clearly state the sender's name, postal address and telephone number and, when available a fax number and e-mail address. All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

Need More Information?

Further information on how to participate may be obtained by visiting the Board's Web site at www.oeb.gov.on.ca or by calling our Consumer Relations Centre at 1-877-632-2727.

IMPORTANT

RATE PROCEEDING: IF YOU DO NOT FILE AN OBJECTION TO A WRITTEN PROCEEDING OR DO NOT PARTICIPATE IN THE PROCEEDING BY FILING A SUBMISSION IN ACCORDANCE WITH THIS NOTICE, THE BOARD MAY PROCEED WITH THE RATE PROCEEDING WITHOUT YOUR PARTICIPATION AND YOU WILL NOT BE ENTITLED TO FURTHER NOTICE IN THIS PROCEEDING.

SMART METER COMBINED PROCEEDING: IF YOU DO NOT NOTIFY THE BOARD OF YOUR INTENTION TO PARTICIPATE IN THE SMART METER COMBINED PROCEEDING IN ACCORDANCE WITH THIS NOTICE, THE BOARD MAY PROCEED WITH THE SMART METER COMBINED PROCEEDING WITHOUT YOUR PARTICIPATION AND YOU WILL NOT BE ENTITLED TO FURTHER NOTICE IN THIS PROCEEDING.

Addresses

The Board:

Post:
Ontario Energy Board
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The Applicant:

PUC Distribution Inc.
765 Queen Street East
Sault Ste. Marie, ON
P6C 6P2

E-mail: terry.greco@ssmpuc.com

DATED at Toronto, February, 06, 2007

ONTARIO ENERGY BOARD

Original Signed By

Original signed by

Peter H. O'Dell
Assistant Board Secretary