

**ENERSOURCE HYDRO MISSISSAUGA INC.
PROPOSED SETTLEMENT AGREEMENT
EB-2007-0706**

Index and Notes

Note: all references to interrogatory responses are formatted as "Ex/Sch/page #".

" + Att" means plus Attachment(s)

Exhibits A through H are found in the prefiled evidence that was filed with the Board on August 23, 2007.

Exhibit J pertains to the responses to interrogatories that were filed with the Board on November 12, 2007.

Exhibit K pertains to the further clarifications that were filed with the Board on November 22, 2007.

Exhibit L pertains to the undertakings that were filed with the Board on December 4, 2007.

EB-2007-0706

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is for the consideration of the Ontario Energy Board ("the Board") in its determination of Enersource Hydro Mississauga Inc.'s ("Enersource") 2008 electricity distribution rates application (Board file number EB-2007-0706).

By Procedural Order No. 2 dated November 20, 2007, the Board scheduled a Settlement Conference to commence November 28, 2007. The Settlement Conference was duly convened, in accordance with Procedural Order No. 2 with Mr. George Dominy as facilitator. The Settlement Conference proceeded until December 13, 2007. Enersource and the following Intervenor are the parties to this Settlement Proposal:

- Association of Major Power Consumers in Ontario ("AMPCO");
- Consumers Council of Canada ("CCC");
- Energy Probe Research Foundation ("Energy Probe");
- PowerStream Inc. ("PowerStream");
- School Energy Coalition ("SEC"); and
- Vulnerable Energy Consumers Coalition ("VECC").

The role adopted by the Board Staff in Settlement Conference is set out on page 5 of the Board's Settlement Conference Guidelines. Although Board Staff is not a party to this Agreement, as noted in the Guidelines, the Board Staff who did participate in the settlement conference are bound by the same confidentiality standards that apply to parties to the proceeding.

Attached as Appendix A to this Agreement is the Board's Issues List, per Procedural Order No. 2 dated November 20, 2007. The Agreement is supported by the evidence filed in the EB-2007-0706 proceeding. The Agreement identifies the issues on the Board's list for which agreement has been reached. This Agreement represents a Complete Settlement on all issues, meaning that Enersource and all of the other parties who discussed the issue either agree with the settlement or

take no position. For the purpose of this Agreement, the term "No Position" may include both parties who were involved in negotiations on an issue but who ultimately took no position on that issue and parties who were not involved in negotiations on that issue at all.

It is acknowledged and agreed that none of the "Completely Settled" provisions of this Agreement is severable. If the Board does not, prior to the commencement of any hearing of the evidence in EB-2007-0706, accept the completely settled provisions of the Agreement in their entirety then there is no Agreement (unless the parties agree that any portion of the Agreement the Board does accept may continue as a valid Agreement).

It is further acknowledged and agreed that parties will not withdraw from this Agreement under any circumstances except as provided under Rule 32.05 of the Ontario Energy Board's Rules of Practice and Procedure.

For greater certainty, the parties further acknowledge and agree that these conditions apply to the "Completely Settled" issues in respect of which they are shown as taking No Position.

~~It is also acknowledged and agreed that this Agreement is without prejudice to parties re-~~
examining these issues in any subsequent proceeding, and taking positions inconsistent with the resolution of these issues in this Agreement. However, no party will in any subsequent proceeding take the position that the resolution therein of any issue settled in this Agreement, if contrary to the terms hereof, should be applicable for all or any part of the Test Year.

The parties agree that all positions, information, documents, negotiations and discussions of any kind whatsoever which took place or were exchanged during the Settlement Conference are strictly confidential and without prejudice, and inadmissible unless relevant to the resolution of any ambiguity that subsequently arises with respect to the interpretation of any provisions of this Agreement.

The evidence supporting this Agreement on each issue is set out in each section of the Agreement. Abbreviations will be used when identifying exhibit references (for example "Exhibit B1, Schedule 1, Tab 4, Page 1" will be referred to as "B1/S1/T4/p1"). The Appendices to the Agreement provide further evidentiary support. The parties agree that this Agreement and the Appendices form part of the record in the proceeding.

STATEMENT OF PROPOSED SETTLEMENT BY ISSUE

The complete Issues List, as approved by the Board on November 20, 2007, is addressed below. As all issues were settled, the parties were not required to consider whether the scope of any issue should be narrowed for the purpose of the hearing of evidence thereon.

APPENDICES DETAILING IMPACTS OF THIS AGREEMENT

Attached as Appendix B to this Agreement is a summary, prepared by the Applicant and agreed by all parties, of the results of this Agreement relating to Operating Expenses, Capital Budget, Rate Base, Depreciation, Cost of Capital, Return on Equity, PILs, Revenue Requirement, and Deficiency, comparing those items as filed by the Applicant with those items after implementation of this Agreement, and showing how this Agreement changes each item.

Attached as Appendix C to this Agreement is a breakdown of the resulting revenue requirement by rate class, cost allocation and rate design information, calculation of resulting rates, and bill impacts (using the Board's standard bill impact scenarios). The parties agree that, subject to the assumptions set forth in that Appendix, the resulting rates and rate impacts are correct in all material respects. The agreement to the terms hereof by each of the parties is conditional on the correctness of the results in Appendix C.

OVERVIEW

In support of the need for adjusted distribution rates, Enersource has demonstrated that its forecasted 2008 Test Year costs to provide electricity distribution services to its customers are reasonable. The rate adjustments that result from this Settlement Agreement will allow Enersource to make the necessary investments to serve new and existing customers, to maintain the integrity of the distribution system, to maintain and improve the quality of its service and to meet all compliance requirements during 2008. The resulting rates are considered just and reasonable.

The revenue deficiency for the 2008 Test Year, which the parties have agreed to, is \$4.088 million. This is calculated as the difference between distribution revenue at current rates of \$108.357 million and Enersource's total revenue requirement of \$112.445 million, which excludes transformer allowance; detailed calculations can be found at Appendix B.

During the Settlement process, Enersource agreed to certain changes from its initial 2008 EDR Rate Application submitted to the Board on August 23, 2007. The significant changes are noted below:

- CIS capital budget increased by \$2.922 million due to higher than expected costs for customization, implementation, hardware and interfaces. Enersource has agreed to amend the depreciable life of the new CIS for rate making purposes based on its past experience. Please refer to articles 1.1, 1.2 and 3.4.
- The Working Capital Allowance rate was revised from 15.0% to 13.3%. This preserves Enersource's Working Capital Allowance at the level approved by the Board in the 2006 EDR. A formal Lead/Lag study will be undertaken by Enersource. Please refer to article 1.3.
- The forecast distribution revenue at current rates was increased by \$0.691 million as a result of adding back throughput and demand associated with projected CDM energy savings. This adjustment recognizes the Intervenor's concerns with respect to the uncertainty with CDM programs. Please refer to articles 2.1 and 2.2.

- Forecast OM&A was reduced by \$1.6 million, as negotiated between the parties. Enersource management is currently reviewing its 2008 Test Year initiatives to determine the impact of scaling back, eliminating or deferring certain initiatives and will subsequently implement the changes. Please refer to article 3.1.
- The forecast PILs expense is reduced by \$5.525 million to reflect changes in legislation, changing the CCA class for the CIS system, and revising the PILs calculation to exclude regulatory asset income. Please refer to article 3.3.
- Enersource has agreed to amend its capital structure and proposed cost of capital. This results in a weighted average cost of capital of 7.146%. Please refer to article 5.
- The revenue to cost ratios have been adjusted, based on the finding of Enersource's Cost Allocation Review-Informational Filing and are consistent with the Board's *Report on Cost Allocation for Electricity Distributors*. Please refer to article 7.1. The resulting bill impacts are outlined in Appendix C.

The parties have achieved a complete settlement of the issues raised by Enersource's 2008 Test Year Electricity Distribution Rates Application.

1. RATE BASE

1.1 Is the proposed Rate Base for Test Year 2008 appropriate?

Status: Complete Settlement

The originally proposed Net Physical Plant rate base for the 2008 Test Year was \$408.928 million. The parties have agreed that the revised budgeted cost of the CIS system was \$2.922 million higher than the budgeted cost as filed in the Application, and as a result the rate base for the Test Year should be higher by the amount of \$1.709 million. The revised Net Physical Plant rate base for the 2008 Test Year is \$410.637 million (please see Issue 3.4). The parties accept this rate base amount for the 2008 Test Year.

Supporting Parties: AMPCO, CCC, Energy Probe, SEC, VECC

Parties Taking No Position: PowerStream

Evidence References:

ExC/S1-5

JA: p9-12, p13-15, p16, p17-18; JD: p28, p43 (+Att); JE: p3, p19-20

1.2 Is the proposed Capital Expenditures forecast for Test Year 2008 appropriate?

Status: Complete Settlement

The originally proposed capital budget for the 2008 Test Year was \$44.595 million. The revised capital budget for the 2008 Test Year is \$47.517 million due to a \$2.922 million increase in the budgeted cost of the new CIS system over the budgeted cost set forth in the Application.

Enersource also agreed to the regulatory treatment of the disposition of land that is included in its capital budget for the 2008 Test Year. Specifically, with respect to the land adjacent to 3240 Mavis Road in Mississauga, upon future disposition any realized profits will be shared equally between Enersource's shareholders and ratepayers. This is without prejudice to Enersource's position regarding the proceeds from the disposition of any other capital property by Enersource.

Supporting Parties: AMPCO, CCC, Energy Probe SEC, VECC

Parties Taking No Position: PowerStream

Evidence References:

ExC/S2, ExC/S3/T3-4

JA: p1, p2, p3, p6 (+Att), p7, p8, p21; JB: p11 (+Att), p13, p14, p15; JD: p10, p11, p29 (+Att), p31, p32 (+Att), p33-35 (+Att), p37-40, p41-42, p44, p45-47 (+Att), p48-49, p59; JE: p17, p24, p28.

KA: p3-9; KB: p12, p18, p19, p22, p24, p27 (+Att), p28 (+Att); KC: p1-12, p23; KD: p5, p8.

L: p3 (+Att), p6-9, p10 (+Att), p15, p17, p19, p28, p29

1.3 Is the Working Capital Allowance for Test Year 2008 appropriate?

Status: Complete Settlement

The originally proposed Working Capital Allowance for the 2008 Test Year was \$96.477 million, based on the Board's default of 15% of Cost of Power plus expenses. The parties acknowledge that some other LDCs have done detailed studies of working capital requirements, and found that their actual needs are lower than the 15% figure. The parties have agreed that Enersource shall carry out a formal Lead/Lag study and will table that study no later than the summer of 2009. The revised Working Capital Allowance for the 2008 Test Year will be \$85.925 million. This amount was determined as 13.3% of the sum of the 2008 Cost of Power and the 2008 OM&A expenses. The parties agree that the results of the Applicant's Lead/Lag study will not be implemented until Enersource's next rate rebasing application, at which time the Board will determine on the available evidence, including that study, the appropriate Working Capital Allowance to be applied.

Supporting parties: AMPCO, CCC, Energy Probe, SEC, VECC

~~Parties Taking No Position: PowerStream~~

Evidence References:

ExC/S1/T8, ExC/S3/T5

JA: p20, p22-23; JD: p22; JE: p21

KB: p32, p53-56; KC: p14

L: p11, p26 (+Att)

2. OPERATING REVENUE

2.1 Is the proposed forecast of 2008 Test Year Revenues appropriate?

Status: Complete Settlement

The originally projected revenue at current rates for the 2008 Test Year was \$109.708 million. The revised projected revenue for the 2008 Test Year at current rates is \$110.399 million after an adjustment to remove the projected savings of CDM as set forth under Issue 2.2 below.

Supporting parties: AMPCO, CCC, Energy Probe, SEC, VECC

Parties Taking No Position: PowerStream

Evidence References:

ExB/S2/T2.1

2.2 Is the proposed load forecast (both kWh and kW) for Test Year 2008 appropriate, including the impact of CDM?

Status: Complete Settlement

The originally proposed reduction to forecast throughput in the 2008 Test Year attributable to the effects of Conservation and Demand Management has been eliminated. This increases the estimated throughput by 57.6 million kWh and demand by 2,600 kW. In its August 23, 2007 filing, Enersource reduced its energy and demand charge parameter forecast for the 2008 Test Year consistent with its estimated CDM savings. Recognizing that there is considerable uncertainty with respect to the programs that will be offered, the customer groups that will be targeted by these programs, the role of the Ontario Power Authority, the level and accessibility of funding that will be made available by the government or government agencies, and the results attainable Enersource has agreed to remove this adjustment. Enersource expects that any 2008 Test Year lost revenue attributable to CDM will be eligible for recovery through the Lost Revenue Adjustment Mechanism and that this issue will be dealt with through a future application.

Supporting parties: AMPCO, CCC, Energy Probe, SEC, VECC

Parties Taking No Position: PowerStream

Evidence References:

ExB/S2/T2, ExB/S2/T2.1, ExB/S2/T3, ExB/S3/T2, ExB/S3/T3

JA: p24-28, p29, p30, p31, p32, p33-34(+Att); JB: p6; JD: p2-3, p4, p20, p23, p24-27; JE: p17, p18, p22

KB: p33; KC: p18, p19; KD: p2, p4, p6

2.3 Is the proposed forecast of number of customers (connections) for Test Year 2008 appropriate?

Status: Complete Settlement

For the purposes of achieving a settlement of all issues, the parties have accepted Enersource's August 23, 2007 filing, as set forth in more detail in the evidence cited below.

Supporting parties: AMPCO, CCC, Energy Probe, SEC, VECC

Parties Taking No Position: PowerStream

Evidence References:

ExB/S2/T1

JA: p8, p24-28, p29; JB: p3, p4 (+Att), p5; JD: p19, p20; JE: p13, p22

2.4 Is the Test Year weather normalization (forecast) methodology appropriate?

Status: Complete Settlement

For the purposes of achieving a settlement of all issues, the parties have accepted Enersource's August 23, 2007 filing, as set forth in more detail in the evidence cited below.

Supporting parties: AMPCO, CCC, Energy Probe, SEC, VECC

Parties Taking No Position: PowerStream

Evidence References:

ExB/S3/T1

JA: p35; JB: p8 (+Att), p10; JE: p14-16 (+Att).

KB: p13; KC: p15-18

2.5 Is the proposed forecast of Test Year 2008 revenues from other regulated rates and charges appropriate?

Status: Complete Settlement

For the purposes of achieving a settlement of all issues, the parties have accepted Enersource's August 23, 2007 filing, as set forth in more detail in the evidence cited below.

Supporting parties: AMPCO, CCC, Energy Probe, SEC, VECC

Parties Taking No Position: PowerStream

Evidence References:

ExB/S2/T5, ExB/S2/T6

JA: p24-28, p36, p99; JB: p2, p7 (+Att); JE: p13

KA: p1-2; KD: p1

3. OPERATING COSTS

3.1 Is the overall Test Year OM&A forecast appropriate? Including,

- Manpower Costs
- Material Costs
- Transportation Costs
- Other Controlled Costs
- Controllable Costs
- CDM Operating Expenses
- Other Expenses
- Bad Debt Expense

Status: Complete Settlement

For the purposes of negotiating this Settlement Agreement, Enersource has agreed to reduce the OM&A expense forecast of the 2008 Test Year for rate making purposes by \$1.6 million from \$42.076 million to \$40.476 million. Enersource management is currently reviewing its 2008 Test Year initiatives to determine the impact of scaling back, eliminating or deferring certain initiatives and will subsequently implement the changes.

Supporting parties: AMPCO, CCC, Energy Probe, SEC, VECC

Parties Taking No Position: PowerStream

Evidence References:

ExD/S1-2

JA: p37, p39, p40-42, p43 (+Att), p44, p45-46, p47-58, p63-64, p65, p66; JB: p16, p17, p21; JC: p1-2, p9; JD: p5 (+Att), p9, p13, p22, p36, p50-51, p52-53, p54, p55, p56, p57-58, p62-63, p64, p65; JE: p25, p27, p29

KA: p19-34; KB: p26, p34, p37-38 (+Att), p39, p42; KC: p24; KD: p7

L: p4 (+Att), p12 (+Att), p13, p14 (+Att), p19 (+Att), p20 (+Att), p21 (+Att), p30, p31-32 (+Att).

3.2 Is the Test Year forecast of Capital Taxes appropriate? (D/S1/T7)

Status: Complete Settlement

Enersource will adjust Ontario capital taxes for recently announced legislative changes as they affect the 2008 capital tax obligation of Enersource. This adjustment is not yet reflected in Appendix B or Appendix C attached to this Agreement, but will be reflected in the final rate order.

Supporting parties: AMPCO, CCC, Energy Probe, SEC, VECC

Parties Taking No Position: PowerStream

Evidence References:

ExD/S1/T7, ExD/S2/T7

3.3 Is the Test Year PILS forecast appropriate? (D/S1/T7)

Status: Complete Settlement

Enersource has agreed to reduce its overall corporate tax rate for the 2008 Test Year to 33.5% consistent with federal tax legislation that is expected to come into force January 1, 2008. Enersource has amended its proposed CCA class for the new CIS system from Class 45 to Class 12. Enersource has amended its proposed CCA classes for legislative changes as detailed in the March 2007 Federal Budget. Enersource has also amended the PILs calculation to exclude regulatory asset income for purposes of calculating PILs. As a result of these changes, the 2008 Test Year PILs expense is decreased from \$11.768 million to \$6.243 million. These impacts are shown in more detail in Appendix B.

Enersource will recalculate the 2008 Test Year PILs expense for any necessary changes when the Board revises the allowed Return on Equity (expected in February 2008). This change is not yet reflected in the results shown in Appendices B and C attached to this Agreement.

Supporting parties: AMPCO, CCC, Energy Probe, SEC, VECC

Parties Taking No Position: PowerStream

Evidence References:

ExD/S1/T7, ExD/S2/T7

JA: p67 (+Att), p68-69, p70-72 (+Att); KB: p44

3.4 Is the proposed level of the Depreciation expense for 2008 appropriate? (D/S1/T8)

Status: Complete Settlement

The originally proposed depreciation expense for the 2008 Test Year was \$34.357 million. The revised depreciation expense for the 2008 Test Year is \$34.108 million after adjustments related to the new CIS system. The adjustments related to the new CIS system include a) an increase in capital cost of \$2.922 million, and b) a change in the depreciation period for the new CIS from 5 years to 10 years. Enersource has agreed to amend the depreciable life of the new CIS to reflect its past experience. Specifically, the existing CIS has served since 1999 and, when it is retired, will have been in-service for approximately 9 years.

Supporting parties: AMPCO, CCC, Energy Probe, SEC, VECC

Parties Taking No Position: PowerStream

Evidence References:

ExD/S1/T8, ExD/S2/T8.1-8.6

JA: p4, p19 (+Att), p62; JD: p37-40, p66

KB: p17

3.5 Is the capitalization policy appropriate?

Status: Complete Settlement

For the purposes of achieving a settlement of all issues, the parties have accepted Enersource's August 23, 2007 filing, as set forth in more detail in the evidence cited below.

Supporting parties: AMPCO, CCC, Energy Probe, SEC, VECC

Parties Taking No Position: PowerStream

Evidence References:

ExA/S12/T3

JD: p28; JE: p7

3.6 Are the proposed Distribution Loss Factors appropriate? (D/S1/T9)

Status: Complete Settlement

For the purposes of achieving a settlement of all issues, the parties have accepted Enersource's August 23, 2007 filing, as set forth in more detail in the evidence cited below.

Supporting parties: AMPCO, CCC, Energy Probe, SEC, VECC

Parties Taking No Position: PowerStream

Evidence References:

ExD/S1/T9, ExD/S2/T9

JA: p81

KA: p42-46

3.7 Is the recovery of amounts relating to Lost Revenue Adjustment Mechanism and Shared Savings Mechanism appropriate? (D/S1/T10)

Status: Complete Settlement

Enersource has amended its:

- LRAM claim to incorporate free riders; and
- SSM claim from an after-tax claim to a before-tax claim.

Both amendments achieve consistency with the Board's Decision on Toronto Hydro's LRAM, SSM application (EB-2007-0582). Also Enersource confirms that the distribution rates used to calculate the LRAM did not include the rate rider for regulatory asset recovery.

Supporting parties: CCC, Energy Probe, SEC, VECC

Parties Taking No Position: AMPCO, PowerStream

Evidence References:

ExD/S1/T10, ExD/S2/T10.1-10.3

JA: p82 (+Att), p83, p84, p85, p86, p87; JB: p18, p19, p20; JE: p30

KA: p39 (+Att), p40, p41

**3.8 Is the proposed forecast of Management Fees/Recoveries for 2008 appropriate?
(D/S1/T11)**

Status: Complete Settlement

For the purposes of achieving a settlement of all issues, the parties have accepted Enersource's August 23, 2007 filing, as set forth in more detail in the evidence cited below.

Supporting parties: AMPCO, CCC, Energy Probe, SEC, VECC

Parties Taking No Position: PowerStream

Evidence References:

ExD/S1/T11, ExD/S2/T1

JA: p38, p60, p61; JC: p3, p4, p5, p6, p7-8; JD: p18 (+Att), p30, p60 (+Att), p61; JE: p11-12 (+Att), p26

KA: p11 (+Att), p12-16; KC: p26

4. DEFERRAL AND VARIANCE ACCOUNTS

4.1 Is the proposed clearance of various deferral and variance accounts and regulatory asset balances appropriate?

Status: Complete Settlement

For the purposes of achieving a settlement of all issues, the parties have accepted Enersource's August 23, 2007 filing, as set forth in more detail in the evidence cited below, with respect to the amounts to be cleared with respect to such accounts. As set forth under Issue 8.3 below, the method of recovery of Account 1590 will be revised to be consistent with the Board's guidelines.

Supporting parties: AMPCO, CCC, Energy Probe, SEC, VECC

Parties Taking No Position: PowerStream

Evidence References:

ExG/S2/T3, ExD/S2/T4

JA: p73-75, p76, p77(+Att), p78 (+Att), p79, p80(+Att); JE: p6, p31-32, p33-34 (+Att), p35-36

KA: p49 (+Att), p50, p51, p54-57; KB: p46 (+Att), p47; KC: p27, p28

4.2 Are the proposed variance and deferral accounts for the test year appropriate?

Status: Complete Settlement

For the purposes of achieving a settlement of all issues, the parties have accepted Enersource's August 23, 2007 filing, as set forth in more detail in the evidence cited below.

Supporting parties: AMPCO, CCC, Energy Probe, SEC, VECC

Parties Taking No Position: PowerStream

Evidence References:

KA: p53 (+Att)

L: p23

5. COST OF CAPITAL

5.1 Is the proposed Test Year weighted average cost of capital appropriate?

Status: Complete Settlement

Enersource has agreed to amend its 2008 Test Year capital structure for rate making purposes to 40% equity, 56% long term debt and 4% short term debt. The parties agree that the resulting weighted average cost of capital for rate making purposes is 7.146% based on:

- the current Board approved cost of short term debt of 4.59%, as set out under Issue 5.2;
- Enersource's actual cost of long term debt of 6.44%, as set out under Issue 5.3; and
- 8.39% ROE, as set out under Issue 5.4.

The Board approved ROE and cost of short term debt will be updated in Q1 2008 and will be incorporated in the rate order (please see issue 5.2 and issue 5.4 respectively).

Supporting parties: AMPCO, CCC, Energy Probe, SEC, VECC

Parties Taking No Position: PowerStream

Evidence References:

ExE/S1/T1, ExE/S3/T1, ExE/S4/T1

JD: p14

L: p22 (+Att), p24 (+Att)

5.2 Is the proposal for not using Short-Term debt appropriate?

Status: Complete Settlement

The Board issued a policy directive on deemed or hypothetical capital structures and the associated cost of each component of the capital structure. Briefly, the directive provides that all distributors will be deemed to employ the same capital structure consisting of 40% equity, 56% long term debt and 4% short term debt. Enersource has agreed to amend its 2008 Test Year capital structure for rate making purposes to include a short term debt component of 4% at an assumed cost of 4.59%. The Board approved cost of short term debt will be updated in Q1 2008 and will be incorporated in the rate order.

Supporting parties: AMPCO, CCC, Energy Probe, SEC, VECC

Parties Taking No Position: PowerStream

Evidence References:

ExE/S1/T1, ExE/S2/T1, ExE/S4/T1

JA: p93-94

L: p22 (+Att), p24 (+Att)

5.3 Is the proposed cost of Long-Term debt appropriate?

Status: Complete Settlement

For the purposes of achieving a settlement of all issues, the parties have accepted Enersource's August 23, 2007 filing, as set forth in more detail in the evidence cited below.

Supporting parties: AMPCO, CCC, Energy Probe, SEC, VECC

Parties Taking No Position: PowerStream

Evidence References:

ExE/S1/T1, ExE/S2/T1, ExE/S4/T1

JD: p12, p16; JE: p8

KB: p5 (+Att)

L: p22 (+Att), p24 (+Att)

5.4 Is the proposed Test Year ROE of 9% appropriate?

Status: Complete Settlement

Enersource has amended its 2008 Test Year allowed return on equity to 8.39%. This is subject to further updating when the Board recalculates the allowed Return on Equity (expected in Q1 2008; please see issue 5.1) and will be incorporated in the rate order.

Supporting parties: AMPCO, CCC, Energy Probe, SEC, VECC

Parties Taking No Position: PowerStream

Evidence References:

ExE/S1/T1, ExE/S3/T1, ExE/S4/T1

JA: p95(+Att), p96

6. SMART METERS

6.1 Has Enersource correctly applied the Board's Decision in EB-2007-0063 (Smart Meter Combined Proceeding)?

Status: Complete Settlement

For the purposes of achieving a settlement of all issues, the parties have accepted Enersource's August 23, 2007 filing; as set forth in more detail in the evidence cited below.

Supporting parties: CCC, Energy Probe, SEC, VECC

Parties Taking No Position: AMPCO, PowerStream

Evidence References:

ExG/S2/T6, ExG/S2/T7, ExG/S2/T8, ExG/S2/T9

KA: p35-37

6.2 Is the request for a 2008 Smart Meter Adder of \$0.57/metered customer/month appropriate?

Status: Complete Settlement

For the purposes of achieving a settlement of all issues, the parties have accepted Enersource's August 23, 2007 filing; as set forth in more detail in the evidence cited below.

Supporting parties: CCC, Energy Probe, SEC, VECC

Parties Taking No Position: AMPCO, PowerStream

Evidence References:

ExG/S2/T6, ExG/S2/T7

JA: p59, p88-89, p90 (+Att); JB: p22-23; JD: p44

7. COST ALLOCATION

7.1 Are the revenue to cost ratios in the cost allocation for the test year appropriate?

Status: Complete Settlement

Subject to AMPCO's proviso as set forth below, the parties agree that the Revenue to Cost ratios determined through the Cost Allocation Review – Informational Filing will be revised as set out in the table below: all customer classes that had revenue to cost ratios below 100% will be increased to 91.5%, and all customer classes that had revenue to cost ratios above 100% will be reduced to 111%. This change is based on the findings of the Cost Allocation Review – Informational Filing, supports movement towards the revenue to cost ratios endorsed by the Board in its recently issued *Report on Cost Allocation for Electricity Distributors*, dated November 28, 2007 (the "*Cost Allocation Report*") and avoids material or adverse rate impacts. Further, the costs related to recovery of the transformer ownership allowance will be reallocated to the customer class receiving this allowance.

	Revenue to Cost ratio CAR-IF (%) RUN 1	Revised Revenue to Cost ratio 2008 Test Year (%)
Residential	87.69	91.50
GS < 50 kW	113.60	111.00
Small Commercial	149.92	111.00
GS > 50 kW	120.64	111.00
GS > 500 kW	86.78	91.50
Large User	137.16	111.00
Street Lighting	25.22	91.50

The parties agree that the rates and bill impacts set forth in Appendix C annexed hereto are consistent with the implementation of these revised revenue to cost ratios and the agreed to reallocation of the transformer allowance.

After the completion of the evidentiary record in this proceeding, the Board issued the *Cost Allocation Report* that states that “To the extent that distributors can address influencing factors that are within their control (such as data quality), they should attempt to do so and to move revenue-to-cost ratios nearer to one.” (p. 4) All parties, except AMPCO, believe that the revenue to cost ratios settled in this Agreement are consistent with the *Cost Allocation Report*.

Because at this point in these proceedings AMPCO is not in a position to review Enersource’s treatment of influencing factors within its control (such as data quality) to determine whether the proposed revenue-to-cost ratios for 2008 are appropriate, AMPCO cannot determine whether the settlement is in compliance with the *Cost Allocation Report*.

The *Cost Allocation Report* states that, where it is determined that implementing the policies of the *Cost Allocation Report* is “impractical in any given case and can be reasonably deferred, the cost allocation issue may be addressed in the context of the distributor’s 2009 IRM rate application.” (at p.14) AMPCO has accepted the proposed 2008 revenue-to-cost ratios on the understanding that it may address in Enersource’s 2009 IRM rate application the appropriateness of continuing those revenue to cost ratios for years after the 2008 Test Year. All parties agree that AMPCO should be free to do so, and that all parties will be free to take such positions on revenue to cost ratios as they consider appropriate at that time, without regard to the terms of this Agreement.

Supporting parties: AMPCO, CCC, Energy Probe, SEC, VECC

Parties Taking No Position: PowerStream

Evidence References:

ExG/S5/T1, ExH/S2/T2

JA: p97; JE: p37 (+Att)

KA: p47 (+Att); KB: p10, p11

L: p18 (+Att), p23, p25 (+Att)

7.2 Is the proposed cost allocation methodology appropriate?

Status: Complete Settlement

Please refer to Issue 7.1.

Supporting parties: AMPCO, CCC, Energy Probe, SEC, VECC

Parties Taking No Position: PowerStream

Evidence References:

ExG/S5/T1, ExH/S2/T2

JD: p67

KC: p29

L: p18 (+Att), p23, p25 (+Att)

8. RATE DESIGN

8.1 Is the full schedule of rates as proposed in Exhibit H/Schedule3/Tab1-3 appropriate?

Status: Complete Settlement

In addition to the changes to revenue to cost ratios set forth under Issue 7.1 above, the ratio of class revenues for GS<50KW customers that is collected through the fixed charge will be increased, consistent with the *Cost Allocation Report*, to 50%. The parties agree that, subject to the assumptions set forth therein, and the further adjustments in revenue requirement to be made consistent with this Agreement, the rates and bill impacts set forth in Appendix C hereof are appropriate for the Test Year.

Supporting parties: AMPCO, CCC, Energy Probe, SEC, VECC

Parties Taking No Position: PowerStream

Evidence References:

ExH/S4/T1

JD: p15, p21, p68

L: p24

8.2 Is the derivation of the proposed base distribution rates appropriate?

Status: Complete Settlement

See Issue 8.1 above.

Supporting parties: AMPCO, CCC, Energy Probe, SEC, VECC

Parties Taking No Position: PowerStream

Evidence References:

ExG/S2/T1, ExG/S2/T2

JA: p100, p101-102; JD: p67; JE: p38

KA: p48

8.3 Is the derivation of the proposed rate riders appropriate?

Status: Complete Settlement

Enersource has amended Account 1590 – Recovery of Regulatory Assets to reflect the appropriate basis of allocation to customer classes consistent with the Board's Decision on Regulatory Assets (EB-2004-0055). With that exception, the rate riders are accepted as filed.

Supporting parties: AMPCO, CCC, Energy Probe, SEC, VECC

Parties Taking No Position: PowerStream

Evidence References:

ExG/S2/T3, ExG/S2/T4

JA: p65

L: p23

8.4 Is the proposal to make 2006 and 2007 interim standby rates final appropriate?

Status: Complete Settlement

For the purposes of achieving a settlement of all issues, the parties have accepted Enersource's August 23, 2007 filing, as set forth in more detail in the evidence cited below.

Supporting parties: AMPCO, CCC, Energy Probe, SEC, VECC

Parties Taking No Position: PowerStream

Evidence References:

ExH/S2/T6

8.5 Are the proposed standby rates for 2008 appropriate?

Status: Complete Settlement

For the purposes of achieving a settlement of all issues, the parties have accepted Enersource's August 23, 2007 filing, as set forth in more detail in the evidence cited below.

Supporting parties: AMPCO, CCC, Energy Probe, SEC, VECC

Parties Taking No Position: PowerStream

Evidence References:

ExH/S2/T6

9. OTHER ISSUES

9.1 Implementation of 2008 rates

Status: Complete Settlement

For the purposes of achieving a settlement of all issues, the parties have accepted Enersource's August 23, 2007 filing, as set forth in more detail in the evidence cited below.

Parties Position:

Supporting parties: AMPCO, CCC, Energy Probe, SEC, VECC

Parties taking no position: PowerStream

Evidence References:

ExA/S1/T1, ExH/S1/T1

9.2 What labour performance metrics are tracked by the utility and how they are used?

Status: Complete Settlement

For the purposes of achieving a settlement of all issues, the parties have accepted Enersource's August 23, 2007 filing, as set forth in more detail in the evidence cited below.

Parties Position:

Parties Taking No Position: AMPCO, CCC, Energy Probe, SEC, VECC, PowerStream

Evidence References:

L: p16

Other Evidence References

JA: p103 -104, p105-106; JD: p6 (+Att), p7 (+Att), p8, p17; JE: p1, p4, p5, p9, p39

KB: p1 (+Att), p8 (+Att)

L: p1 (+Att), p2 (+Att), p5 (+Att), p27 (+Att)