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February 22, 2012

VIA RESS and Overnight Courier

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

Dear Ms. Walli:

**Re: Enersource Hydro Mississauga Inc. Application for Distribution
Rates Effective May 1, 2012
Board File No. EB-2011-0100**

Please find enclosed the final submission of Enersource Hydro Mississauga Inc. ("Enersource") for the above-referenced proceeding.

Two original versions of the updated evidence will be sent to the Ontario Energy Board in addition to filing via RESS.

If you have any questions please do not hesitate to contact me.

Yours truly,

Original Signed By

Gia M. DeJulio
Director, Regulatory Affairs

c. Dan Pastoric, Executive Vice-President and Chief Operating Officer
George Vegh, Counsel, McCarthy Tetrault
All Intervenors of Record EB-2011-0100

Final Submission
Enersource Hydro Mississauga Inc.
EB-2011-0100

1. This is the final submission of Enersource Hydro Mississauga Inc. (“Enersource”)¹ in reply to the submissions filed by Board staff and the Vulnerable Energy Consumers Coalition (“VECC”).
2. Enersource makes submissions on the following matters:
 - i. **Lost Revenue Adjustment Mechanism;**
 - ii. **Payments in Lieu of Taxes (“PILs”); and**
 - iii. **Smart Meter Funding Adder.**

LOST REVENUE ADJUSTMENT MECHANISM (“LRAM”)

Enersource’s Proposal

3. Enersource proposes to recover lost revenue of \$856,957 (\$840,297 plus \$16,660 in carrying charges) through one-year rate riders effective May 1, 2012, as a result of the implementation of CDM programs.

Positions of Intervenor

Persistence for CDM Programs from 2005-2008

4. Board staff does not support the recovery of the persisting CDM savings from 2005, 2006, 2007, and 2008 CDM programs in 2010, based on the CDM Guidelines and the Board’s decision in the Hydro One Brampton 2012 decision.²

¹ Board staff made an error in the name of Enersource, on the very first line of its submission. The correct name is “Enersource Hydro Mississauga Inc.” not “Enersource Hydro Distribution Inc.” This distinction is important to make to ensure the Board’s final order uses the correct name.

5. VECC agrees with Board staff on this issue.³

Assumptions

6. VECC submits that the input assumption used of 101 kWh for the OPA's 2006-2010 Final CDM results, for the 2009 Final Every Kilowatt Counts Power Savings Event is outdated, and that 46.3 kWh should be used to calculate the 2009 net annual energy savings, but that the impact on lost revenue in 2009 is immaterial.⁴
7. VECC also submits that the energy savings eligible for LRAM recovery are based on lifetime savings which are based on a certain number of hours used. Enersource has two prior claims for CFLs (13-15 W) with energy savings based on different input assumptions including useful life⁵.
8. VECC submits that it is not appropriate to change the input assumptions midstream without taking into account the lifetime savings already used up. In this case, it is not appropriate to adjust the useful life of 13-15 W CFLs to eight years beginning in 2007-2008 and calculate energy savings without recognizing the prior hours already consumed⁶.
9. VECC submits that the LRAM claim related to Third Tranche-installed 13-15 W CFLs should be prorated to recognize prior claims⁷.

² Board Staff Submission, dated February 10, 2012, pp 5-6.

³ VECC Submission, dated February 10, 2012, page 6.

⁴ *Ibid*, page 4.

⁵ *Ibid*, page 5.

⁶ *Ibid*.

⁷ *Ibid*.

Enersource's Response

Persistence for CDM Programs from 2005-2008

10. Enersource submits that recovery of an LRAM amount that includes persistent impacts from 2005, 2006, 2007, and 2008 CDM programs in 2010 is both consistent with the CDM Guidelines and previous OEB decisions.

11. The CDM Guidelines state⁸:

Lost revenues are only accruable until new rates (based on a new revenue requirement and load forecast) are set by the Board, as the savings would be assumed to be incorporated in the load forecast at that time.

12. Thus, according to the CDM Guidelines, the incorporation of CDM savings in the load forecast that underpins a new revenue requirement (and hence new rates) is only an assumption. Where, such as here, CDM savings are not incorporated into the load forecast that underpins a new revenue requirement, that assumption does not hold and there is no reason why persistent CDM savings should not be included.

13. Board staff agrees that where CDM savings are clearly not incorporated into the load forecast and that an LRAM application is expected, then such an application is appropriate. Specifically, Board staff said, "[i]n cases in which it was clear in the application or settlement agreement that an adjustment for CDM was not being incorporated into the load forecast specifically because of an expectation that an LRAM application would address the issue, and if this approach was accepted by the Board, then Board staff would agree that an LRAM application is appropriate."⁹

⁸ *Guidelines for Electricity Distributor Conservation and Demand Management EB-2008-0037*, dated March 28, 2008 (the "CDM Guidelines"), Section 5.2 Calculation of LRAM. (Emphasis added).

⁹ Board Staff Submission, p 5.

14. In Enersource's most recent rebasing, that is, its 2008 rates application (EB-2007-0706), it expressly did not include CDM savings. In that case, the Board approved a load forecast that was addressed in a settlement agreement. That settlement agreement provided¹⁰:

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.

15. As a result, the settlement agreement upon which the Board set Enersource's revenue requirement specifically stated that it did not incorporate CDM savings and that this matter would be addressed in a future application. In other words, the assumption in the CDM Guidelines that CDM savings would be incorporated in a rebased load forecast is not applicable here.
16. Contrary to Board staff's submissions, Enersource's proposed approach is not inconsistent with other OEB decisions. In EB-2011-0206, Whitby Hydro filed an LRAM claim pursuant to 3rd GIRM for 2012 rates, after it had rebased in its 2011 rate year. The Board did not approve Whitby Hydro's LRAM applicable to the rebasing year and stated the following¹¹:

¹⁰ EB-2007-0706 Settlement Agreement dated December 21, 2007, page 12. (Emphasis added). Note that VECC was a supporting party to the Settlement Agreement and to this issue in particular.

¹¹ EB-2011-0206 OEB decision dated December 22, 2011, page 14. (Emphasis added).

None of the arguments or justifications presented by Whitby, VECC and Board staff were tested by the Board in Whitby's last cost of service application since the load forecast and all matters relating to it, including the CDM adjustment or lack thereof, were settled. As such, the Board is of the view that it is not appropriate to vary from the stated policy which states that lost revenues are only accruable until new rates are set by the Board, as the CDM savings would be assumed to be incorporated in the load forecast at that time.

17. In *Whitby*, the settlement agreement did not address this point and it is therefore unclear whether the rebasing load forecast included a CDM adjustment. Therefore, the Board followed the CDM Guidelines in assuming that CDM savings were incorporated in the load forecast, resulting in a rejection of the LRAM claim for the rebasing year. In contrast, it is clear that CDM savings were not incorporated in Enersource's rebasing load forecast, so the Board need not make any assumptions.
18. In EB-2011-0174, Hydro One Brampton ("HOBNI") applied for an LRAM claim due to revenues lost in the period 2009 to 2011 inclusive, through participation in 2009 and 2010 OPA programs. HOBNI rebased based on the load forecast effective January 1, 2011, and CDM volume savings were incorporated in the load forecast. Accordingly, the LRAM claim for the rebasing year, 2011, was rejected¹², similar to Whitby Hydro. Parties opposed the inclusion of the 2011 LRAM claim but accepted the CDM claim for prior years. This claim for persistent program results (prior to a rebasing year) is consistent with Enersource's LRAM claim in this Application. However, Enersource's LRAM claim can be distinguished from HOBNI's situation, whereby CDM volume savings were explicitly removed from Enersource's last load forecast in its rebasing rate year, which was approved by the OEB in EB-2007-0706.

¹² EB-2011-0174 OEB decision dated December 22, 2011, page 13.

19. Further, Board staff's position that Enersource should not be entitled to recover persistent CDM savings is inconsistent with the Board's past practice. Specifically, the Board did approve the persistence of savings resulting from CDM programs from 2005, 2006, 2007 and 2008 CDM in both 2008 and 2009, subsequent to Enersource's rebasing in 2008, in which CDM savings were explicitly removed from the load forecast.
20. Enersource received OEB approval by decision dated February 26, 2010 of all LRAM amounts requested in EB-2009-0400, due to revenues lost in the period May 1, 2007 to December 31, 2008. Enersource sought and received approval and recovery of an LRAM claim in the total amount of \$742,910, the sum of Enersource's LRAM claim of \$704,377 plus related carrying charges of \$38,533 as calculated to December 31, 2009. The LRAM claim was related to Third Tranche CDM programs implemented in 2005, 2006, and 2007, Ontario Power Authority ("OPA") CDM programs implemented in 2007 and 2008, and CDM programs funded through incremental funding approved in rates and implemented in 2006 and 2007.
21. On March 17, 2011 the OEB issued its decision in EB-2010-0078, approving all of Enersource's LRAM amounts requested, due to revenues lost in the period January 1 to December 31, 2009. Enersource sought and received approval and recovery of an LRAM claim in the total amount of \$699,236, including carrying charges of \$13,291, calculated to the end of the first quarter 2011. The LRAM amount requested for recovery was related to distribution volumes lost as a result of CDM Programs funded by the OPA and implemented in 2007, 2008 and 2009, CDM Programs funded under Third Tranche and implemented in 2005, 2006 and 2007, and CDM Programs funded through incremental funding approved in rates and implemented in 2006 and 2007.

22. Enersource's successful OEB approvals are in direct contradiction to the point that Board staff has made in its submission. That is, Board staff does not support the recovery of the persisting lost revenues from 2005, 2006, 2007, and 2008 CDM programs in 2010 as these amounts should have been built into Enersource's last approved load forecast¹³. However, the Board did indeed approve the persistence of lost revenues from 2005, 2006, 2007 and 2008 CDM programs in both 2008 and 2009, subsequent to Enersource's rebasing in 2008, in which CDM savings were explicitly removed from the load forecast.

Assumptions

23. In accordance with the Board's CDM Guidelines, Enersource calculated the volumes lost from CDM programs using the latest input assumptions at the time of the third party assessment.¹⁴ These are described in both the Application¹⁵ and in response to Board staff IR# 7 (A).

24. Enersource used the latest OPA Measures and Assumptions list to calculate lost volumes for third-tranche and incremental funding CDM program measures where such information was available, specifically the latest Measures and Assumptions list published by the OPA dated April 6, 2011.

25. In addition, Enersource confirms that for savings resulting from 2010 OPA-funded programs, Enersource adopted the OPA's "2010 Final CDM Results: Summary", received September 16, 2011 which was provided as Attachment G to the Application. For 2006 to 2009 OPA-funded programs, Enersource adopted the OPA's "2006-2009 Final OPA Conservation Program Results – Enersource Hydro Mississauga Inc." dated December 2, 2010 (Attachment F to the Application), which

¹³ Board Staff Submission, page 6

¹⁴ CDM Guidelines, section 7.3 Implementation of Updated Input Assumptions.

¹⁵ Application filed November 10, 2011, at Tab 3, page 5.

provided detailed program savings for OPA-funded programs from 2006 to 2009 and were the most accurate program results at the time of the submission of the Application.

26. On November 15, 2011, subsequent to the submission of the Application, Enersource received a detailed “Final 2010 CDM Detailed Results –Enersource Hydro Mississauga Inc.”, which was acknowledged in Enersource’s response to Board staff IR# 7 (B).
27. Enersource’s application for LRAM recovery is consistent with the Board’s decision in Horizon’s application (EB-2009-0158/EB-2009-0192) for LRAM recovery, to the extent that the Board noted that “utilities should always use the most current input assumptions which have been adopted by the Board when preparing their applications because these assumptions represent the best estimate of the impact of the programs”.¹⁶
28. VECC’s selection and preference of certain input assumptions is akin to “cherry-picking” and is inappropriate. As Enersource has stated repeatedly, the latest input assumptions provided and verified by the OPA have been used to calculate its claim as of the date of the submission of the Application. This is consistent with the Board’s Guidelines and prior LRAM claims made by Enersource, which have been approved by the Board.
29. Regarding VECC’s assertion that Enersource’s claim should be prorated to recognize prior claims, Enersource submits that the evidence is quite clear that Enersource has not included in this Application, any LRAM amounts previously claimed.¹⁷

¹⁶ EB-2009-0158/EB-2009-0192 OEB Decision, dated October 8, 2009, page 5.

¹⁷ Enersource response to Board staff IR#7 (D), dated January 27, 2012.

30. Enersource is amenable to revising its LRAM claim to incorporate adjustments arising from responses to interrogatory requests, including the utilization of the most recent OPA assumptions, dated November 15, 2011, as follows:

Original LRAM Claim	\$856,957	
Updated to reflect OPA Nov 15 info	+5,680	(per response to Staff IR 7 (B))
Updated to reflect LED adjustment	<u>-2,298</u>	(per response to VECC IR 2 [sic] b)
Revised LRAM Claim	\$860,339	

Payments in Lieu of Taxes (“PILs”)

Enersource’s Proposal

31. In pre-filed evidence Enersource applied to refund to customers a credit balance of \$1,184,236 consisting of a principal credit amount of \$1,515,868 and related offsetting debit carrying charges of \$331,632. In response to interrogatories related to PILs recoveries, Enersource updated its evidence and now requests to refund to customers \$1,093,604.

Positions of Intervenorors

Tax Amortization of Debt Issue Costs

32. Board staff submits that the components of interest expense to be included in the interest claw-back penalty calculations should include the tax amortization of debt issue costs.¹⁸

¹⁸ Board Staff Submission, page 12.

Bad Debts

33. Board staff submits that the bad debts expense should be moved to sheet TAXREC3 in the 2001 SIMPIL model so that the costs do not true up to the ratepayers.¹⁹

Enersource's Response

Background and Summary

34. Actual interest expense, as reflected in a distributor's financial statements and tax returns, that exceeds the maximum deemed interest amount, is subject to a "claw-back penalty" or "true-up". This has been a feature of the Board's methodology and was settled in the combined proceeding²⁰ (the "Combined Proceeding") under Issue #13.

35. This methodology was agreed to in a settlement agreement in the Combined Proceeding. In accepting the settlement agreement, the Board stated:²¹

"While the Settlement Agreement is not binding on any party but the parties to the Settlement Agreement, in accepting any of the elements of the Settlement Agreement the Board does accept the general principles that arise from those elements with respect to the issues within the scope of this proceeding. The Board intends, where appropriate, to apply such principles when considering applications from the remaining distributors; that is, those that were not parties to this proceeding."

36. Enersource's Application was prepared on the basis of the settlement agreement. Specifically, Enersource's proposal in this Application uses the methodology that was used by Barrie Hydro and EnWin in the Combined Proceeding. That methodology should therefore be applied in this Application as well.

¹⁹ *Ibid*, page 17.

²⁰ EB-2008-0381, OEB decision, dated June 24, 2011.

²¹ EB-2008-0381, Procedural Order Number 9, dated December 23, 2010, p. 2. (Emphasis added).

37. Further, to depart from this Board-approved methodology in the manner proposed by staff in this proceeding would result in a double counting of the “claw-back penalty” or “true-up” against Enersource.

Tax Amortization of Debt Issue Costs

38. In the Combined Proceeding, Barrie Hydro incorporated its true up of the tax amortization of debt issue costs in TAXREC2. Enersource has applied the same methodology here, such that the proposed refund includes the benefit of this true-up for ratepayers. Enersource has also used the same methodology as Barrie Hydro and EnWin to calculate the interest claw-back as approved by the Board in TAXCALC of their respective SIMPIL models.

39. Enersource appreciates that this is a complex issue to address in writing. For that reason, Enersource is prepared to appear before the Board panel to answer any questions the panel may have, in order to enhance the explanation and to ensure that the Board has complete information to inform its decision. Alternatively, the Board may provide for a Technical Conference in the presence of the Panel in order to give parties an opportunity to understand the corrections that Enersource is making in this Final Submission.

40. Shown below in Table 1 is an excerpt from TAXCALC of the SIMPIL model used by Barrie Hydro and EnWin, and approved by the Board, to calculate the interest claw-back. The highlighted line shows a link to a different section of TAXCALC, which is then linked to a line in TAXREC, shown in Table 2 below, labelled “Less: Interest expense for accounting purposes”. As a result, the amount of “interest expense for accounting purposes” is already incorporated in the interest claw-back calculation in the Board-approved models of Barrie Hydro and EnWin. Enersource has used this

same methodology. Board staff has submitted that this aspect of the approved model be changed.

Table 1: Excerpt from TAXCALC of Board Approved SIMPIL Model

V) INTEREST PORTION OF TRUE-UP	
<u>Variance Caused By Phase-in of Deemed Debt</u>	
Total deemed interest (REGINFO)	=REGINFO!D62
Interest phased-in (Cell C38)	=C38
Variance due to phase-in of debt component of MARR in rates according to the Board's decision	=I194-I195
<u>Other Interest Variances (i.e. Borrowing Levels Above Deemed Debt per Rate Handbook)</u>	
Interest deducted on MoF filing (Cell K38+K43)	=K38+K43
Total deemed interest (REGINFO CELL D62)	=REGINFO!D62
Variance caused by excess debt	=IF((I202-I203)>0,I202-I203,0)
Interest Adjustment for Tax Purposes (carry forward to Cell I113)	=IF((I202-I203)>0,I202-I203,0)
Total Interest Variance	=+I197-I205

Table 2: Excerpt from TAXREC of Board Approved SIMPIL Model

Net Income Before Interest & Income Taxes	EBIT	=	
Less: Interest expense for accounting purposes	-	-	
Provision for payments in lieu of income taxes	-	-	
Net Income (loss)		=	

41. Board staff's proposal, if followed, would duplicate the ratepayer benefit relating to the tax amortization of debt issue costs, including it in both TAXREC2 and in the interest claw-back calculation.
42. TAXREC2 captures reconciling items between accounting income and taxable income, and are included in the true-up variance calculation if a materiality threshold

is exceeded. TAXREC3 also captures reconciling items between accounting income and taxable income, but all TAXREC3 amounts are excluded from the true-up variance calculation. Reconciling items listed in both TAXREC2 and TAXREC3 agree to Enersource's tax returns.

43. The following Table 3 summarizes the impacts of the tax amortization of debt issue costs on the SIMPIL true-up entry when it is:

- i. included in TAXREC3 and not trued-up;
- ii. included in TAXREC2 and therefore included in the true-up; and
- iii. included in TAXREC2 and in the the interest claw-back.

Table 3: Summary of the Impacts of the Tax Amortization of Debt Issue Costs

	2001	2002	2003	2004	2005	Total
Total SIMPIL true-up entry when tax amortization included in TAXREC3	547,267	-320,759	-847,994	-1,012,194	-258,611	-1,892,291
(i)						
Inclusion of tax amortization in TAXREC2	-	-268,389	-246,599	-241,361	-240,940	-997,289
(ii)	547,267	-589,148	-1,094,593	-1,253,555	-499,551	-2,889,580
Inclusion of tax amortization in interest claw-back	-	-309,217	-239,541	-234,183	-233,762	-1,016,703
Total SIMPIL true-up entry when tax amortization included in TAXREC2 and interest claw- back	547,267	-898,365	-1,334,134	-1,487,738	-733,313	-3,906,283
(iii)						

44. If the tax amortization is included in both TAXREC2 and the interest claw-back calculation, it is clear based on the above table, that the amount is trued-up twice.
45. Enersource followed the Board's instructions to utilize the models from the Combined Proceeding, without adjustment, as opposed to what is being recommended by Board staff. In the filed SIMPIL models, the tax amortization of debt issue costs is included as a material adjustment in TAXREC2, thereby flowing to the benefit of the ratepayer. Enersource agrees that the benefit of the tax amortization should be returned to ratepayers, but it does not agree that the ratepayers should receive the benefit twice. This recommendation by Board staff is an error.
46. As such, Enersource proposes to maintain the tax amortization of the debt issue costs in TAXREC2, as a benefit to ratepayers, but exclude it from the deemed interest claw-back calculation.
47. Appendix 1, Table 1 shows the calculation of the impact of the inclusion of the accounting and tax amortization in TAXREC2 and the total deferral account entry as filed by Enersource in its SIMPIL models.
48. Appendix 1, Table 2 shows the calculation of the deemed interest claw-back based on Board staff's recommendation that the tax amortization of the debt issue costs be included in the calculation.
49. Board staff is proposing that the sum of the deferral account entry from Appendix 1, Table 1 and the deemed interest claw-back adjustment from Appendix 1, Table 2 should be refunded to ratepayers. However, when comparing the two calculations it is evident that the ratepayers would be erroneously benefitting twice from the debt issue costs in both TAXREC2 and the deemed interest claw-back calculation.

50. Appendix 2 calculates the total amount of the true-up entry based on the inclusion of the tax amortization in TAXREC2 and its exclusion from the interest claw-back calculation.

51. If the Board determines that the tax amortization of the debt issue costs be included in the deemed interest claw-back calculation, Enersource proposes to remove the corresponding accounting and tax amounts from TAXREC2 and include the amounts in TAXREC3, where the true-up does not apply. By doing so, the erroneous duplication of the benefit to ratepayers will also be avoided. Refer to Appendix 3.

52. It should be noted that interest expense relating to Customer Deposits has been removed from "Other Interest Expense" in the appendices. The other interest expense applicable to Board staff's calculations would only include interest from the bank overdraft. See Table 4 below.

Table 4: Interest Expense

	2001	2002	2003	2004	2005
Other interest expense per Board staff's submission	-	990,000	1,079,000	927,000	895,000
Comprised of:					
Interest expense on customer deposits	-	477,390	644,770	493,434	461,709
Accounting amortization of debt issue costs	-	433,584	433,584	433,584	433,584
Bank Overdraft Interest	-	78,989	484	-	-
Rounding		37	162	(18)	(293)
	-	990,000	1,079,000	927,000	895,000

53. When comparing the total deferral entries in Appendices 2 and 3, the amounts are not materially different. Based on Appendix 2, the total SIMPIL true-up adjustment for 2001 to 2005 would be \$2,889,580. The corresponding amount based on Appendix 3 would be \$2,908,995. Enersource's proposal to refund \$1,093,604 to customers includes the total SIMPIL adjustment of \$2,889,580.

Bad Debts

54. Enersource agrees with Board staff that the bad debts expense should be moved to sheet TAXREC3 in the 2001 SIMPIL model so that the costs do not true up to the ratepayers.

SMART METER FUNDING ADDER

Enersource's Proposal

55. Enersource proposes to implement a smart meter funding adder ("SMFA") of \$0.77 per metered-customer per month to replace the current Board-approved SMFA of \$2.12 per metered-customer per month, which will assist in minimizing the distribution rate fluctuation between the expiry of the 2011 SMFA of \$2.12 and the inclusion of smart meter costs in ratebase and revenue requirement in 2013.

Positions of Intervenors

56. Board staff submits that the Board may wish to consider continuance of the SMFA with a specific termination date²². Board staff notes that Enersource has requested that the SMFA be extended to April 30, 2013, that Enersource is expected to rebase its rates through a cost of service application for the 2013 rate year, and that Enersource plans to file a smart meter prudence review as part of its 2013 cost of service rebasing application²³. Board staff said “Given that Enersource has not yet completed the deployment of its smart meters and consequently still has remaining deployment costs to incur, Board staff submits that Enersource’s request is reasonable”²⁴.
57. Board staff is also of the view that establishing a termination date of April 30, 2013 for the SMFA should give Enersource enough time to complete its smart meter program, including TOU implementation. Further, Board staff believes that this will allow sufficient time for Enersource to prepare and file an application in accordance with the guideline and model²⁵.
58. Board staff expresses a preference for a termination date for the SMFA of December 31, 2012; however, Board staff suggests that, in its reply submission, Enersource may wish to indicate to the Board whether it intends to seek a January 1 effective date for its 2013 rates²⁶. If Enersource is planning to request a January 1 effective date for 2013 rates, Board staff agrees that it was appropriate for Enersource not to assume that this would be approved by the Board, but that the Board may wish to consider this factor in its Decision.

²² Board Staff Submission, page 3.

²³ *Ibid.*

²⁴ *Ibid.*

²⁵ *Ibid*, page 4.

²⁶ *Ibid.*

59. Board staff notes that Enersource was granted an extension by the Board until May 31, 2012 from the requirement to apply Time-of-Use pricing²⁷.

Enersource's Response

60. Enersource is indeed intending to seek a January 1 effective date for its 2013 rates. Enersource is in agreement with Board staff's suggestion to implement a termination date for the SMFA of December 31, 2012, and will incorporate the final amounts in its smart meter prudence review as part of its 2013 cost of service rebasing application.

²⁷ *Ibid.*

Enersource Hydro Mississauga Inc.

Appendix 1

Inclusion of debt issuance costs in both TAXREC2 and Deemed Interest

Table 1

Total Deferral Account Entry excluding true-up of debt issuance cost on TAXREC2

Accounting amortization of debt issue costs

Tax amortization of debt issue costs

Difference before tax effect

Income Tax Rate

Difference before tax gross-up

Difference grossed-up

Impact of debt issue costs on total deferral account entry (see Note 1)

Total Deferral Account Entry based on SIMPL model as filed per TAXCALC tab

2001	2002	2003	2004	2005	
547,267	(320,759)	(847,994)	(1,012,194)	(258,611)	Total (1,892,291)
111,694	433,585	433,585	433,584	433,584	
(215,000)	(867,928)	(867,928)	(867,928)	(867,169)	
(103,306)	(434,343)	(434,343)	(434,344)	(433,585)	
40.62%	38.62%	36.62%	36.12%	36.12%	
(41,963)	(167,743)	(159,056)	(156,885)	(156,611)	
(69,360)	(268,389)	(246,599)	(241,361)	(240,940)	
-	(268,389)	(246,599)	(241,361)	(240,940)	
547,267	(589,148)	(1,094,593)	(1,253,555)	(499,551)	Total (2,889,580)

Table 2

Interest on long-term debt

Other interest expense (see Note 2)

Tax amortization of debt costs

Deemed interest

Difference (cannot be positive)

Income Tax Rate

Deemed interest true-up before gross-up

Deemed Interest true-up grossed-up (increase in 1562 liability)

2001	2002	2003	2004	2005	
4,454,000	18,241,000	18,241,000	18,241,000	18,241,000	
-	78,989	484	-	-	
215,000	867,928	867,928	867,928	867,169	
4,669,000	19,187,917	19,109,412	19,108,928	19,108,169	
18,687,501	18,687,501	18,687,501	18,687,501	18,687,501	
-	(500,416)	(421,911)	(421,427)	(420,668)	
40.62%	38.62%	36.62%	36.12%	36.12%	
-	(193,261)	(154,504)	(152,219)	(151,945)	
-	(309,217)	(239,541)	(234,184)	(233,762)	
547,267	(898,365)	(1,334,134)	(1,487,738)	(733,313)	Total (3,906,283)

Total SIMPL True-up Adjustment

Note 1: 2001 adjustments are below materiality threshold and therefore does not impact the total true-up amount.

Note 2: Interest expense on customer deposits has been excluded.

Enersource Hydro Mississauga Inc.
Appendix 2
Inclusion of debt issuance costs in TAXREC2 only

Table 1

Total Deferral Account Entry excluding true-up of debt issuance cost on TAXREC2

Accounting amortization of debt issue costs

Tax amortization of debt issue costs

Difference before tax effect

Income Tax Rate

Difference before tax gross-up

Difference grossed-up

Impact of debt issue costs on total deferral account entry (see Note 1)

Total Deferral Account Entry based on SIMPL model as filed per TAXCALC tab

	2001	2002	2003	2004	2005	
	547,267	(320,759)	(847,994)	(1,012,194)	(258,611)	Total (1,892,291)
	111,694	433,585	433,585	433,584	433,584	
	(215,000)	(867,928)	(867,928)	(867,928)	(867,169)	
	(103,306)	(434,343)	(434,343)	(434,344)	(433,585)	
	40.62%	38.62%	36.62%	36.12%	36.12%	
	(41,963)	(167,743)	(159,056)	(156,885)	(156,611)	
	(69,360)	(268,389)	(246,599)	(241,361)	(240,940)	
	-	(268,389)	(246,599)	(241,361)	(240,940)	
	547,267	(589,148)	(1,094,593)	(1,253,555)	(499,551)	Total (2,889,580)

Table 2

Interest on long-term debt

Other interest expense (see Note 2)

Tax amortization of debt costs

Deemed interest

Difference (cannot be positive)

Income Tax Rate

Deemed interest true-up before gross-up

Deemed Interest true-up grossed-up (increase in 1562 liability)

	2001	2002	2003	2004	2005	
	4,454,000	18,241,000	18,241,000	18,241,000	18,241,000	
	-	78,989	484	-	-	
	-	-	-	-	-	
	4,454,000	18,319,989	18,241,484	18,241,000	18,241,000	
	18,687,501	18,687,501	18,687,501	18,687,501	18,687,501	
	-	-	-	-	-	
	40.62%	38.62%	36.62%	36.12%	36.12%	
	-	-	-	-	-	
	-	-	-	-	-	
	-	-	-	-	-	
	547,267	(589,148)	(1,094,593)	(1,253,555)	(499,551)	Total (2,889,580)

Note 1: 2001 adjustments are below materiality threshold and therefore does not impact the total true-up amount.

Note 2: Interest expense on customer deposits has been excluded.

Enersource Hydro Mississauga Inc.
Appendix 3
Inclusion of debt issuance costs in Deemed Interest only

Table 1

	2001	2002	2003	2004	2005	
Total Deferral Account Entry excluding true-up of debt issuance cost on TAXREC2	547,267	(320,759)	(847,994)	(1,012,194)	(258,611)	Total <u>(1,892,291)</u>
Accounting amortization of debt issue costs	-	-	-	-	-	
Tax amortization of debt issue costs	-	-	-	-	-	
Difference before tax effect	-	-	-	-	-	
Income Tax Rate	40.62%	38.62%	36.62%	36.12%	36.12%	
Difference before tax gross-up	-	-	-	-	-	
Difference grossed-up	-	-	-	-	-	
Impact of debt issue costs on total deferral account entry (see Note 1)	-	-	-	-	-	
Total Deferral Account Entry based on SIMPL model as filed per TAXCALC tab	<u>547,267</u>	<u>(320,759)</u>	<u>(847,994)</u>	<u>(1,012,194)</u>	<u>(258,611)</u>	Total <u>(1,892,291)</u>

Table 2

	2001	2002	2003	2004	2005	
Interest on long-term debt	4,454,000	18,241,000	18,241,000	18,241,000	18,241,000	
Other interest expense (see Note 2)	-	78,989	484	-	-	
Tax amortization of debt costs	215,000	867,928	867,928	867,928	867,169	
Deemed interest	4,669,000	19,187,917	19,109,412	19,108,928	19,108,169	
Difference (cannot be positive)	18,687,501	18,687,501	18,687,501	18,687,501	18,687,501	
Income Tax Rate	-	(500,416)	(421,911)	(421,427)	(420,668)	
Deemed interest true-up before gross-up	40.62%	38.62%	36.62%	36.12%	36.12%	
Deemed Interest true-up grossed-up (increase in 1562 liability)	-	(193,261)	(154,504)	(152,219)	(151,945)	
	-	(309,217)	(239,541)	(234,184)	(233,762)	
Total SIMPL True-up Adjustment	<u>547,267</u>	<u>(629,976)</u>	<u>(1,087,535)</u>	<u>(1,246,378)</u>	<u>(492,373)</u>	Total <u>(2,908,995)</u>

Note 1: 2001 adjustments are below materiality threshold and therefore does not impact the total true-up amount.

Note 2: Interest expense on customer deposits has been excluded.