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September 18, 2009

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St., Suite 2700
Toronto, ON, M4P 1E4

Dear Ms. Walli:

RE: **Working Capital Requirement**
Board File No.: EB-2007-0706

The Ontario Energy Board's approval of Enersource Hydro Mississauga's (Enersource's) 2008 cost of service rate application in EB-2007-0706 included acceptance of a negotiated settlement agreement (the Settlement Agreement) which included the requirement for Enersource to carry out a formal lead/lag study no later than the summer of 2009.

The Settlement Agreement also states: "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."

Please find attached the resulting confidential lead/lag study, or as Enersource has titled it, "Working Capital Requirement".

Pursuant to the Board's *Practice Direction on Confidential Filings*, Enersource is filing this confidential version of the Working Capital Requirement in addition to a redacted, non-confidential version under separate cover. Enersource claims the need for confidentiality due to the potential harm to Enersource's future competitive position in negotiations it might undertake with third party providers of services such as meter reading, customer service, customer information systems, billing, collections, payroll, benefits, consulting, credit cards, debt, credit, etc.

Please contact the undersigned if there are any questions.

Sincerely,

Original signed by

Gia M. DeJulio
Director, Regulatory Affairs
gdejulio@enersource.com
905-283-4098

c.c.: Dan Pastoric, Enersource
Norman Wolff, Enersource

Attach.

CONFIDENTIAL

WORKING CAPITAL REQUIREMENT

Introduction

The Ontario Energy Board's (the OEB's) approval of Enersource Hydro Mississauga's (Enersource's) 2008 cost of service (COS) rate application in EB-2007-0706 included acceptance of a negotiated settlement agreement (the Settlement Agreement) among Enersource and the Intervenors of record (the Intervenors) to carry out a formal lead/lag study no later than the summer of 2009. The originally proposed working capital allowance for the 2008 Test Year was based on the OEB's default of 15%; however, the Settlement Agreement resulted in a negotiated approved working capital requirement of 13.3% for the 2008 Test Year. The purpose of this report is to provide the results of the lead/lag study and determine the working capital requirements for Enersource which are to be implemented in the next COS application. This report is based on 2007 historical data and adjusted for anticipated changes to determine the appropriate working capital requirement for the 2010 Test Year.

Lead/Lag Study

Working capital is the amount of funds required to finance the day-to-day operations of a regulated utility which is determined by a lead/lag study. Cash working capital requirements are strongly associated with the timing of cash inflows versus cash outflows. Cash inflows from revenues earned are generally delayed in the process of providing the service, billing the customer and collecting payment. This is what is known as the "Revenue Lag". The payment of expenses incurred, are also generally delayed mainly due to favorable supplier credit terms creating what is called an "Expense Lead". Alternatively, prepaid revenues would create a "Revenue Lead" and prepaid expenses would create an "Expense Lag". The net effect of these four

possibilities creates what is termed the net lead/lag, which is measured in days. It is the net lead/lag which is used in determining the cash working capital requirement as seen in the formula below.

$$\text{Working Capital Requirement} = \text{2010 Budgeted Costs*} \times \frac{\text{Net (Lead)/Lag}}{365}$$

*Budgeted Costs include: Cost of Power, OM&A, Interest Expense, Income Tax and Debt Retirement Charge

Revenue Lag

Revenue Lag, the number of days between when the service is provided and when cash is collected from customers consists of the following four components:

- Service Lag - The time between when the service is provided and meters are read;
- Billing Lag - The time between when the meters are read and invoices are sent;
- Collections Lag - The time between when the invoices are sent out and payment is received; and
- Payment Processing Lag - The time between when the payment is received and processed.

Service Lag: Meters for residential and selected small commercial classes are read bi-monthly while all remaining customer classes are read monthly. Based on the average number of customers in 2007 in these classes, the following calculation yields an average service lag of 28.70 days.

Table 1: Service Lag in 2007

Customer Class	# of Customers 2007Average	Frequency of Meter Read	Mid-Point of Service Period	Customer Weight	Service Lag
Residential & Small Commercial	162,270	Bi-Monthly	30.42	88.71	26.98
General Service & Large User	20,662	Monthly	15.21	11.29	1.72
Total	182,931				
AVERAGE SERVICE LAG :					**28.70**

Source: Enersource Hydro Mississauga

The mix of residential customers is projected to significantly increase on a year over year basis as compared to General Service and Large User customers due to the smart meter initiative in new and retrofit condominiums. Based on forecasted customers for 2010, the service lag is anticipated to increase from 28.70 days to 28.75 days.

Table 2: Service Lag for 2010

Customer Class	# of Customers 2010 Forecast	Frequency of Meter Read	Mid-Point of Service Period	Customer Weight	Service Lag
Residential	172,540	Bi-Monthly	30.42	89.04	27.08
General Service / Large User	21,235	Monthly	15.21	10.96	1.67
Total	193,775				28.75
AVERAGE SERVICE LAG :					**28.75**

Source: Enersource Hydro Mississauga

Billing Lag: The time between when the meters are read and the bills are delivered is dependant on the availability of the pricing information provided by the Retailers and by the Independent Electricity System Operator (the IESO). Customers paying the fixed price are invoiced within five days once the meters are read as no pricing information is required. Invoices to those paying a retailer price generally take twelve days to deliver, and General Service and Large Users paying the spot price take approximately nineteen days before the invoice is distributed. Based on revenues generated from each class of rate payers in 2007, the following calculation yields a weighted-average billing lag of 11.91 days.

Table 3: Billing Lag in 2007

2007	Revenue ($)	Weight	# Days to Mail Bill	Weighted Lag
Residential (Fixed)	138,780,106.83	0.2024	5.00	1.012
Residential (Retailer)	22,460,226.14	0.0328	12.00	0.393
GS<50 (Fixed)	57,321,412.82	0.0836	5.00	0.418
GS<50 (Retailer)	11,780,561.84	0.0172	12.00	0.206
GS 50-500 (Fixed)	47,040,436.01	0.0686	5.00	0.343
GS 50-500 (Retailer)	55,350,418.40	0.0807	12.00	0.969
GS 50-500 (Spot)	97,493,900.51	0.1422	19.00	2.701
GS 500-5000 (Fixed)	26,929,380.21	0.0393	5.00	0.196
GS 500-5000 (Retailer)	46,730,395.07	0.0681	12.00	0.818
GS 500-5000 (Spot)	108,509,561.43	0.1582	19.00	3.007
LU (Fixed)	15,689,560.02	0.0229	12.00	0.275
LU (Spot)	54,913,460.09	0.0801	19.00	1.522
Streetlight(Retailer)	2,723,428.54	0.0040	12.00	0.048
Total	**685,722,847.91**	**1.0000**		
AVERAGE BILLING LAG :				**11.91**

Source: Enersource Hydro Mississauga

Enersource is currently in the process of implementing a new Customer Information System (CIS), which will increase the time it takes to upload the meter reads by one day. In addition, effective November 1, 2009 the MUSH sector customers (municipalities, universities, schools, and hospitals) who are currently protected under Regulated Price Plan (RPP) prices, will be re-classified to either retailer or spot pricing. Taking these two adjustments into consideration, the billing lag will be adjusted from 11.91 days to 13.03 days. It is also important to note that Enersource has not factored into this calculation any changes related to Time-of-Use (TOU) billing which will create additional burdens in generating customer bills.

Table 4: Billing Lag for 2010

2010	Revenue ($)	Weight	# Days to Mail Bill	Weighted Lag
Residential (Fixed)	138,780,107	0.2024	6.00	1.214
Residential (Retailer)	22,460,226	0.0328	13.00	0.426
GS<50 (Fixed)	56,313,730	0.0821	6.00	0.493
GS<50 (Retailer)	12,788,245	0.0186	13.00	0.242
GS 50-500 (Fixed)	46,220,943	0.0674	6.00	0.404
GS 50-500 (Retailer)	50,404,000	0.0735	13.00	0.956
GS 50-500 (Spot)	103,259,812	0.1506	20.00	3.012
GS 500-5000 (Fixed)	25,622,354	0.0374	6.00	0.224
GS 500-5000 (Retailer)	42,770,192	0.0624	13.00	0.811
GS 500-5000 (Spot)	113,776,791	0.1659	20.00	3.318
LU (Fixed)	14,774,669	0.0215	13.00	0.280
LU (Spot)	55,828,351	0.0814	20.00	1.628
Streetlight(Retailer)	2,723,429	0.0040	6.00	0.024
Total	**685,722,848**	**1.0000**		
AVERAGE BILLING LAG :				**13.03**

Source: Enersource Hydro Mississauga

Collections Lag: The average collections lag was derived from accounts receivable aging summaries in 2007. The summary shows aging of accounts receivable outstanding by aging day interval. Over-due accounts greater than 365 days are considered write-off accounts. The table below indicates that the average collections lag is 28.12 days.

Table 5: Collection Lag in 2007

2007	Mid Point	Average A/R	Weight	Weighted Average
Current 1-16	12	42,836,185	80.8%	9.69
Overdue 17-46	35	4,664,313	8.8%	3.08
Overdue 47-76	73	2,147,712	4.0%	2.96
Overdue 77-106	126	1,040,486	2.0%	2.47
Overdue 107-136	194	1,942,166	3.7%	7.10
Overdue > 137	365	410,277	0.8%	2.82
Total		53,041,138		
AVERAGE COLLECTIONS LAG :				**28.12**

Source: Enersource Hydro Mississauga

Enersource currently delivers bills which are dated on the day of creation; however, the Ontario Energy Board (the OEB) has mandated that date of bills should reflect the date

of distribution[1]. This adjustment of one additional day results in an adjustment of the collections lag from 28.12 to 29.12 days. It is also important to note that since the second half of 2008 the collections period has significantly increased due to the economic downturn in the economy. Furthermore, the OEB is currently contemplating an increase to the collection period to support low income electricity customers as part of the Low-income Energy Assistance Program (LEAP)[2]. These impacts would significantly increase the collections lag from the current 29.12 days; however, they have not been factored into the calculation.

Payment Processing Lag: This is the lag associated with processing customer payments in the form of pre-authorized payments, cheques, payments via telephone, payments directly to financial institutions, electronic payments and credit card payments. Taking into consideration all of these forms of payment, a payment processing lag of 1.50 days was determined as appropriate.

Total Revenue Lag: The sum of service lag, billing lag, collections lag and payment processing lag gives a total of 72.40 days or total revenue lag.

Table 6: Total Revenue Lag for Test Year 2010

REVENUE LAG:	ENERSOURCE
AVERAGE SERVICE LAG	28.75
AVERAGE BILLING LAG	13.03
AVERAGE COLLECTIONS LAG	29.12
PAYMENT PROCESSING LAG	1.50
TOTAL REVENUE LAG TIME	**72.40**

Source: Enersource Hydro Mississauga

[1] Electricity Distribution Rate Handbook(2000), Section 9.3.2 & Electricity Distribution Rate Handbook(2006), Section 11.3.1
[2] The OEB's Attachment A to Notice of Proposal to Amend Codes, dated March 10, 2009, EB-2007-0722

Expense Lead

Expense Lead is the number of days allowed to pay for goods or services provided by suppliers. The major categories of expenses considered are:

- Cost of Power;
- Operations, Maintenance & Administrative (OM&A);
- Interest on Long Term Debt;
- PILS; and
- Debt Retirement Charge.

Cost of Power:

The IESO provides the supply of power to Enersource on a month to month basis with payment due in the third week of the following month. Also included are retail transmission services for network and connection from Hydro One Networks. Based on actual invoices and payment dates in 2007, the average expense lead time for the cost of power from the IESO and Hydro One Networks is 32.74 and 29.22 days, respectively. By weighting the amounts paid to both providers together, a weighted average expense lead time of 32.65 is calculated.

Table 7: Expense Lead Time for the Cost of Power in 2007 (IESO)

2007	Service Start Date	Service End Date	Payment Date	Amount ($)	Service Lead Time	Pmt Lead Time	Total Lead Time	Weight Factor	Exp Time Lead
January	01/01/2007	31/01/2007	16/02/2007	50,180,113	15.50	16.00	31.50	8.51%	2.68
February	01/02/2007	28/02/2007	16/03/2007	49,741,566	14.00	16.00	30.00	8.44%	2.53
March	01/03/2007	31/03/2007	19/04/2007	50,658,808	15.50	19.00	34.50	8.60%	2.97
April	01/04/2007	30/04/2007	16/05/2007	42,532,363	15.00	16.00	31.00	7.22%	2.24
May	01/05/2007	31/05/2007	18/06/2007	40,613,790	15.50	18.00	33.50	6.89%	2.31
June	01/06/2007	30/06/2007	18/07/2007	58,622,318	15.00	18.00	33.00	9.95%	3.28
July	01/07/2007	31/07/2007	17/08/2007	49,828,595	15.50	17.00	32.50	8.46%	2.75
August	01/08/2007	31/08/2007	19/09/2007	59,028,137	15.50	19.00	34.50	10.02%	3.46
September	01/09/2007	30/09/2007	17/10/2007	48,620,799	15.00	17.00	32.00	8.25%	2.64
October	01/10/2007	31/10/2007	19/11/2007	45,253,568	15.50	19.00	34.50	7.68%	2.65
November	01/11/2007	30/11/2007	18/12/2007	45,471,547	15.00	18.00	33.00	7.72%	2.55
December	01/12/2007	31/12/2007	17/01/2008	48,767,725	15.50	17.00	32.50	8.28%	2.69
AVERAGE WEIGHTED EXPENSE LEAD TIME:									**32.74**

Source: Enersource Hydro Mississauga

Table 8: Expense Lead Time for the Cost of Power in 2007 (Hydro One Networks)

2007	Service Start Date	Service End Date	Payment Date	Amount ($)	Service Lead Time	Pmt Lead Time	Total Lead Time	Weight Factor	Exp Time Lead
January	28/12/2006	26/01/2007	01/02/2007	1,293,926	15.00	6.00	21.00	8.55%	1.80
February	26/01/2007	26/02/2007	12/04/2007	913,459	16.00	45.00	61.00	6.04%	3.68
March	26/02/2007	27/03/2007	17/04/2007	725,166	15.00	21.00	36.00	4.79%	1.73
April	27/03/2007	27/04/2007	11/05/2007	2,057,922	16.00	14.00	30.00	13.60%	4.08
May	27/04/2007	29/05/2007	07/06/2007	1,316,713	16.50	9.00	25.50	8.70%	2.22
June	29/05/2007	27/06/2007	05/07/2007	1,210,843	15.00	8.00	23.00	8.00%	1.84
July	27/06/2007	26/07/2007	07/08/2007	1,248,984	15.00	12.00	27.00	8.26%	2.23
August	26/07/2007	28/08/2007	06/09/2007	1,250,093	17.00	9.00	26.00	8.26%	2.15
September	28/08/2007	27/09/2007	05/10/2007	1,307,228	15.50	8.00	23.50	8.64%	2.03
October	27/09/2007	29/10/2007	08/11/2007	1,360,083	16.50	10.00	26.50	8.99%	2.38
November	29/10/2007	27/11/2007	11/12/2007	1,249,759	15.00	14.00	29.00	8.26%	2.40
December	27/11/2007	28/12/2007	15/01/2008	1,193,937	16.00	18.00	34.00	7.89%	2.68
AVERAGE WEIGTHED EXPENSE LEAD TIME:									**29.22**

Source: Enersource Hydro Mississauga

Table 9: Total Expense Lead Time for the Cost of Power in 2007

	IESO	Hydro One	Total
TOTAL COST OF POWER	589,319,328	15,128,112	604,447,440
WEIGHT	97.50%	2.50%	100.00%
LEAD TIME	32.74	29.22	60.95
AVERAGE WEIGHTED EXPENSE LEAD TIME:	**31.92**	**0.73**	**32.65**

Source: Enersource Hydro Mississauga

Operations, Maintenance & Administration (OM&A):

For the purpose of this study, OM&A includes payroll and benefits, consulting and contract staff, property taxes, purchases made on corporate credit cards, and other OM&A.

A. Payroll & Benefits:

Payroll: All Employees are paid for their services weekly, every Thursday. Payment is withheld for the first week of service creating a service lead time of 3.5 days (service period = 7/2 = 3.5) for union employees, and an additional 6 days the following week as payment is made on the 6th day (Thursday). This is a total lead time of 9.5 days. Non-union employees are paid on the 6th day in the first week of service provided which results in a service lead time of 3.5 days but a lag time of 1 day (prepaid), for a total lead time of 2.5 days. Payroll withholdings (including CPP, EI, Federal Tax, OMERS Pension and Employer Health Tax) are all withdrawn from the bank account by ADP, Enersource's payroll service provider on pay day. Based on union and non-union salaries and withholdings paid out in 2007, an expense lead time of 7.15 days was calculated.

Benefits: In 2007, Manulife Financial was the provider of Extended Health Coverage (EHC), dental (DEN) and long term disability (LTD) and The MEARIE Group was the provider of accidental death and dismemberment (AD&D), and life insurance (LI). Payments are made to Manulife and MEARIE generally at the beginning of the month of the coverage period. Based on actual payment dates in 2007, an expense lag time of 5.02 days was calculated.

WSIB: Premiums to the Workplace Safety Insurance Board (WSIB) for disability benefits are paid in the month following the coverage period which results in an expense lead time of 34.33 days.

For the total of payroll, withholdings, benefits and WSIB, an average lead time of 6.71 days was determined for 2007.

Table 10: Expense Lead Time for Payroll, Benefits & WSIB in 2007

2007	Amount ($)	Exp Lead Time	Weight	Weighted Exp Lead Time
Payroll & Withholdings	32,849,580.05	7.15	0.95	6.76
Benefits	1,708,435.09	-5.02	0.05	(0.25)
WSIB	197,718.99	34.33	0.01	0.20
AVERAGE EXPENSE LEAD TIME:	34,755,734.13			**6.71**

Source: Enersource Hydro Mississauga

B. Consulting and contract staff

Based on invoices from vendors providing consulting and contract services, and their payment terms, an expense lead time of 3.93 was determined. The payment terms have been adjusted to reflect the service period in which the service was provided prior to being invoiced. For example, if a vendor with payment terms of 15 days invoices after one week of services (7 days), then the mid-point of that service period, 3.50 days, will be added to the 15-day payment term for a total of 18.50 days. Vendors with immediate payment terms have been categorized under 5 days, the approximate time it takes to process the invoice and produce the cheque.

Table 11: Expense Lead Time for Contract & Consulting Staff in 2007

2007	Pmt Terms	Amount ($)	Weight	Weighted Lead Time
	5.00	26,965.03	0.01	0.04
	15.00	36,000.00	0.01	0.16
	18.50	193,157.80	0.06	1.07
	20.21	36,933.81	0.01	0.22
	30.00	905,840.30	0.27	8.13
	33.50	447,311.65	0.13	4.48
	45.21	1,288,324.33	0.39	17.42
	-152.50	281,240.03	0.08	(12.83)
	-182.50	57,082.64	0.02	(3.12)
	-547.50	71,119.08	0.02	(11.64)
AVERAGE WEIGHTED LEAD TIME:		**3,343,974.67**		**3.93**

Source: Enersource Hydro Mississauga

C. Property Taxes

The majority of property taxes paid by Enersource are to the City of Mississauga based on six installments per annum. Property taxes are also paid semi-annually to the city of Brampton and Ontario Electricity Financial Corporation. The service lead time is the mid-point of year and the payment lag time is the difference between payment date and the end of the year. The weighted expense lag for 2007 is 26.44 days.

Table 12: Expense Lag Time for Property Taxes in 2007

Amount ($)	Pmt Date	Description	Service Lead Time	Pmt Lead Time	Exp Lead/(Lag)	Weight	Weighted Exp Lead/(Lag)
2,653.00	28/02/2007	City of Mississauga Interim Billing (Argentia)	182.50	(306.00)	(123.50)	0.003	(0.39)
2,742.25	21/06/2007	City of Mississauga Final Billing (Argentia)	182.50	(193.00)	(10.50)	0.003	(0.03)
125,576.00	01/03/2007	City of Mississauga Interim Billing	182.50	(305.00)	(122.50)	0.149	(18.31)
125,501.00	05/04/2007	City of Mississauga Interim Billing	182.50	(270.00)	(87.50)	0.149	(13.07)
125,501.00	03/05/2007	City of Mississauga Interim Billing	182.50	(242.00)	(59.50)	0.149	(8.89)
383,812.10	02/08/2007	City of Mississauga Final Billing	182.50	(151.00)	31.50	0.457	14.39
4,722.00	30/01/2007	City of Brampton Interim Billing	182.50	(335.00)	(152.50)	0.006	(0.86)
4,949.43	19/07/2007	City of Brampton Final Billing	182.50	(165.00)	17.50	0.006	0.10
31,774.30	30/03/2007	Ontario Electricity Financial Interim Billing	182.50	(276.00)	(93.50)	0.038	(3.54)
32,814.03	16/10/2007	Ontario Electricity Financial Final Billing	182.50	(76.00)	106.50	0.039	4.16
AVERAGE WEIGHTED EXPENSE LAG TIME:							**(26.44)**

Source: Enersource Hydro Mississauga

D. Corporate Credit Card

The corporate credit card billing cycle begins on the 21st of the month to the 21st of the following month, if the 21st falls on a business day; otherwise, the billing cycle will fall on the following business day. Payments are withdrawn from the bank in the first week of the month following the end of the billing cycle. Based on this information, an expense lead time of 29.76 was calculated for amounts paid in 2007.

Table 13: Expense Lead Time for Corporate Credit Card in 2007

2007	Amount ($)	Cycle Start Date	Cycle End Date	Pmt Date	Service Lead Time	Pmt Lead Time	Total Lead Time	Weight Factor	Exp Time Lead
January	78,657.21	21/12/2006	22/01/2007	06/02/2007	16.50	15.00	31.50	7%	2.17
February	101,540.91	23/01/2007	20/02/2007	07/03/2007	14.50	15.00	29.50	9%	2.62
March	101,883.99	21/02/2007	20/03/2007	03/04/2007	14.00	14.00	28.00	9%	2.50
April	111,520.49	21/03/2007	20/04/2007	04/05/2007	15.50	14.00	29.50	10%	2.88
May	111,391.86	21/04/2007	22/05/2007	05/06/2007	16.00	14.00	30.00	10%	2.93
June	96,757.48	23/05/2007	21/06/2007	04/07/2007	15.00	13.00	28.00	8%	2.37
July	78,674.18	22/06/2007	20/07/2007	06/08/2007	14.50	17.00	31.50	7%	2.17
August	61,203.67	21/07/2007	20/08/2007	04/09/2007	15.50	15.00	30.50	5%	1.63
September	79,865.19	21/08/2007	20/09/2007	04/10/2007	15.50	14.00	29.50	7%	2.06
October	133,932.62	21/09/2007	22/10/2007	06/11/2007	16.00	15.00	31.00	12%	3.64
November	78,326.18	23/10/2007	21/11/2007	05/12/2007	15.00	14.00	29.00	7%	1.99
December	108,437.96	22/11/2007	20/12/2007	04/01/2008	14.50	15.00	29.50	9%	2.80
AVERAGE WEIGHTED EXPENSE LEAD TIME:									**29.76**

Source: Enersource Hydro Mississauga

E. Other OM&A

A sample of invoices from regular vendors was taken and used to determine a proxy expense lead time of 38.73 days.

F. Total OM&A

Total OM&A including payroll and benefits, consulting and contract staff, property taxes, corporate credit card and miscellaneous OM&A lead to an overall 9.73 days of expense lead time for data pertaining to 2007.

Table 14: Total Expense Lead Time for all OM & A in 2007

OM&A Category	Amount ($)	Weight	Expense Lead/(Lag)	Weighted Exp Lead/(Lag)
Payroll	32,849,580.05	0.7362	7.15	5.27
Benefits	1,708,435.09	0.0383	-5.02	-0.19
WSIB	197,718.99	0.0044	34.33	0.15
Consulting & Contract Staff	3,343,974.67	0.0749	3.93	0.29
Property Taxes	840,045.11	0.0188	-26.44	-0.50
Credit Card	1,142,191.74	0.0256	29.76	0.76
Miscellaneous O&M	4,540,883.69	0.1018	38.73	3.94
TOTAL	**44,622,829.34**			**9.73**

Source: Enersource Hydro Mississauga

Interest on Long Term Debt:

Enersource currently has bonds outstanding of $290 million, secured by a credit agreement with Borealis Infrastructure Trust. Interest on these bonds outstanding is paid semi-annually at a rate of 6.29%. Based on semi-annual payments made in 2007, an expense lead time of 32.00 days was determined.

Table 15: Expense Lead Time for Interest on Long Term Debt in 2007

Amounts	Payment Dates	Mid-Point of Year	Payment Lead (Lag)	Weighting Factor	Weighted Lead Time
$ 9,120,500	01/05/2009	30/06/2009	(60.00)	0.50	(30.00)
$ 9,120,500	01/11/2009	30/06/2009	124.00	0.50	62.00
AVERAGE WEIGHTED EXPENSE LEAD TIME:					**32.00**

Source: Enersource Hydro Mississauga

The current bonds outstanding mature May 2011 at which point the long term debt is expected to be re-financed. Given the current economic conditions of the debt markets Enersource anticipates that the corporate bond market will require interest payments to be made on a quarterly basis. This adjustment will decrease the expense lead time from 32.00 days to an expense lag time of 14.88 days.

Table 16: Expense Lag Time for Interest on Long Term Debt for 2010

Payment Amounts	Quarter Begin	Quarter End	Mid-Point of Quarter	Payment Date	Payment Lead Based on Mid Point Method	Weight	Weighted Expense Lead Time
$ 4,560,250	01/01/2010	31/03/2010	15/02/2010	01/02/2010	(14.00)	0.25	(3.50)
$ 4,560,250	01/04/2010	30/06/2010	16/05/2010	01/05/2010	(15.50)	0.25	(3.88)
$ 4,560,250	01/07/2010	30/09/2010	16/08/2010	01/08/2010	(15.00)	0.25	(3.75)
$ 4,560,250	01/10/2010	31/12/2010	16/11/2010	01/11/2010	(15.00)	0.25	(3.75)
AVERAGE WEIGHTED EXPENSE LAG TIME:							**(14.88)**

Source: Enersource Hydro Mississauga

Payment in Lieu of Taxes (PILS):

Enersource makes payments in lieu of taxes to the Ontario Electricity Financial Corporation (OEFC). Tax installments are made on a monthly basis and a true-up payment is generally made in February of the following year. Based on actual

payments made in 2007, a weighted average expense lead time of 15.05 days was computed.

Table 17: Expense Lead Time for PILS in 2007

Month	Installment ($)	Pay Pd. (Start)	Pay Pd. (End)	Pmt Date	Pd. Lead Time	Pmt Lead Time	Total Lead Time	Weight	Weighted Lead Time
Jan	834,246	01/01/2007	31/01/2007	31/01/2007	15.5	0	15.5	0.062	0.96
Feb	2,710,306	01/02/2007	28/02/2007	28/02/2007	14	0	14	0.200	2.80
Mar	978,481	01/03/2007	31/03/2007	30/03/2007	15.5	0	15.5	0.072	1.12
Apr	978,481	01/04/2007	30/04/2007	30/04/2007	15	0	15	0.072	1.08
May	978,481	01/05/2007	31/05/2007	31/05/2007	15.5	0	15.5	0.072	1.12
June	982,450	01/06/2007	30/06/2007	29/06/2007	15	0	15	0.073	1.09
July	978,481	01/07/2007	31/07/2007	31/07/2007	15.5	0	15.5	0.072	1.12
Aug	1,019,756	01/08/2007	31/08/2007	31/08/2007	15.5	0	15.5	0.075	1.17
Sept	1,019,756	01/09/2007	30/09/2007	28/09/2007	15	0	15	0.075	1.13
Oct	1,019,756	01/10/2007	31/10/2007	31/10/2007	15.5	0	15.5	0.075	1.17
Nov	1,019,756	01/11/2007	30/11/2007	30/11/2007	15	0	15	0.075	1.13
Dec	1,019,756	01/12/2007	31/12/2007	31/12/2007	15.5	0	15.5	0.075	1.17
AVERAGE WEIGHTED EXPENSE LEAD TIME:									**15.05**

Source: Enersource Hydro Mississauga

Debt Retirement Charge:

Enersource collects a debt retirement charge from its customers and passes this revenue to the OEFC in monthly installments. These payments are consistently made on the 18th day of the month following the collection period. Based on actual payments made in 2007, a weighted expense lead time of 32.61 days was determined.

Table 18: Expense Lead Time for Debt Retirement Charge in 2007

Amount ($)	Pay Period (Start)	Pay Period (End)	Payment Date	Pay pd. Lead Time	Pmt Lead Time	Total Lead Time	Weight	Weighted Exp Lead
3,959,908.63	01/12/2006	31/12/2006	18/02/2007	15.5	18	33.5	0.072	2.40
4,960,146.64	01/01/2007	31/01/2007	16/02/2007	15.5	16	31.5	0.090	2.82
4,587,101.21	01/02/2007	28/02/2007	16/03/2007	14	16	30	0.083	2.49
4,667,834.21	01/03/2007	31/03/2007	18/04/2007	15.5	18	33.5	0.084	2.82
4,288,716.23	01/04/2007	30/04/2007	18/05/2007	15	18	33	0.077	2.56
4,548,727.74	01/05/2007	31/05/2007	18/06/2007	15.5	18	33.5	0.082	2.75
4,436,588.90	01/06/2007	30/06/2007	18/07/2007	15	18	33	0.080	2.64
4,820,804.45	01/07/2007	31/07/2007	17/08/2007	15.5	17	32.5	0.087	2.83
4,966,250.81	01/08/2007	31/08/2007	18/09/2007	15.5	18	33.5	0.090	3.00
4,800,853.67	01/09/2007	30/09/2007	18/10/2007	15	18	33	0.087	2.86
4,689,111.11	01/10/2007	31/10/2007	16/11/2007	15.5	16	31.5	0.085	2.67
4,650,329.58	01/11/2007	30/11/2007	18/12/2007	15	18	33	0.084	2.77
AVERAGE WEIGHTED EXPENSE LEAD TIME:								**32.61**

Source: Enersource Hydro Mississauga

Summary of Net Working Capital Requirements

Taking into consideration the revenue lag and expense leads determined by 2007 data, and applying this to Enersource's 2010 Test Year data, a working cash requirement of 13.5% was calculated as determined below.

Table 19: Calculation of Net Working Capital for 2010

2010	Revenue Lag Days	Expense Lead Days	Net Lead Days	Test Year 2010	Amounts Required ($)
EXPENSES					
Revenues					
Cost of Power	72.40	32.65	39.75	598,063,000	65,126,584
OM&A Expenses:	72.40	9.73	62.67	44,357,000	7,615,870
Interest on LT Debt	72.40	-14.88	87.27	18,241,000	4,361,411
Debt Retirement Charge	72.40	32.61	39.79	55,200,000	6,016,928
Income Tax	72.40	15.05	57.34	9,811,000	1,541,382
Total				725,672,000	84,662,173
GST				3,514,150	1,902,022
				729,186,150	86,564,195
Cash Working Capital as a % of OM&A					**13.5%**

Source: Enersource Hydro Mississauga