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March 14, 2007

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

RE: EB-2007-0523

Dear Ms. Walli,

Please find enclosed Enersource Hydro Mississauga Inc.'s responses to Board staff's request for further clarification in the above named proceeding.

Sincerely,

A handwritten signature in cursive script, appearing to read 'K. Litt'.

K. Litt
Manager, Rates and Regulatory

cc. R. Herman, COO Enersource Hydro Mississauga Inc.

Re: Response to Clarifying Question 3

Question

Board staff requests that Enersource Hydro Mississauga Inc. clarify its response to question 3, specifically to describe the requested Small Commercial and Unmetered Scattered Load customer class service charges.

Response

Enersource clarifies that it seeks approval of the following Service Charges (the "Charges") for its Small Commercial and Unmetered Scattered Load customer class (the "Class"):

Service Charge for metered account	\$16.64/month
Service Charge for Unmetered Scattered Load account (per connection)	\$14.04/month

The difference in the Service Charges (i.e., \$2.60/month) is proposed to maintain consistency with the OEB's Rate Order EB-2006-0109 of October 27, 2006 (the "Order") where in the Board authorized two Charges applicable to the Class that:

- (i) support the recovery of Smart Meter related costs from metered customers; and
- (ii) prohibit the recovery of Smart Meter related costs from unmetered customers.

If Enersource included the Charges for the Class in its 2007 EDR Model then the Model would not estimate bill impacts for either the Large User customer class or the Street Lighting customer class.

Re: Response to Clarifying Question 6

Question

Board staff has requested that Enersource clarify whether it is departing from the Board's direction for the 2007 EDR and if so why.

Response

Enersource clarifies that it adhered to the data directions provided in the Smart Meter Rate Adder Model at Worksheet 3 cell b23 except for the Small Commercial and Unmetered Scattered Load customer class. The data for this customer class is consistent with the charge parameter of the currently authorized distribution rates – metered customers.

From a rate making perspective the recovery of the revenue requirement attributable to Smart Meters ("SM") requires that the SM Rate Adder be applied to the charge parameter that supported the estimation of the Smart Meter Rate Adder.

The chronology of this issue is discussed below.

2006 EDR

The OEB's Report of the Board RP-2004-0188 (dated May 11, 2005) and its 2006 Electricity Distribution Rate ("EDR") Handbook (dated May 11, 2005) are silent on the recovery of the revenue requirement attributable to SM. The OEB's 2006 EDR Model required that distributors provide data on "Number of Customers (Connections)" at Worksheet 6-2 DEMAND RATES (Input). This data was used to estimate the revenues recovered through fixed distribution charges. Enersource filed its 2006 EDR application, supported by a completed 2006 EDR Model, on August 2, 2005.

The OEB held an oral hearing on four generic issues raised through the 2006 EDR applications, one of which was the treatment of SM costs and their recovery through rates. The Board's Decision with Reasons, RP-2005-0020/EB-2005-0529 (dated March 21, 2006) does not address the relevant charge parameter for the recovery of SM costs.

The Board's Decision and Order on Enersource's 2006 EDR application (dated April 12, 2006) (the "2006 EDR Order") found that:

"... smart meter revenue will be allocated to all metered customers and recovered through the monthly service charge."

Among other things, the 2006 EDR Order authorized the following:

Small Commercial and Unmetered Scattered Load	
Service Charge for metered account	\$14.14/month
Service Charge for Unmetered Scattered Load account	
(per connection)	\$13.83/month

The difference between these service charges, being \$0.31/month/metered-customer, is the 2006 SM Rate Adder.

The above described treatment of the SM Rate Adder was continued by the Board's Rate Order issued in EB-2006-0109 (dated October 27, 2006). It authorized:

Small Commercial and Unmetered Scattered Load	
Service Charge for metered account	\$14.29/month
Service Charge for Unmetered Scattered Load account (per connection)	\$13.98/month

SM Implementation Plan

On October 26, 2006 the Board requested that distributors file SM Implementation Plans on December 15, 2006. The OEB's filing guidelines referred to the Board's findings on the generic SM issue in the 2006 EDR proceedings – that SM revenue will be allocated to all metered customers.

Enersource's 2007 EDR Application

The OEB released its Report of the Board on Cost of Capital and Second Generation Incentive Rates Mechanism (the "Report") on December 20, 2006. The Report does not address the charge parameter to be used when estimating the SM Rate Adder. The 2007 EDR Model allowed distributor's to input their proposed SM Rate Adder. The OEB subsequently released Frequently Asked Questions ("FAQs") on the 2007 rates filings on January 26, 2007. The FAQs did not address the charge parameter.

Enersource expected that the Board would continue to authorize the application of the SM Rate Adder to metered customers only and so relied on the number of metered customers.

Smart Meter Rate Adder Model

The OEB released a Smart Meter Rate Adder Model ("SMRAM") and associated filing guidelines on January 29, 2007. The SMRAM characterizes the data required at Worksheet 3 – LDC Assumptions and Data cell c22 as "Number of Metered Customers". The SMRAM directs distributors to use the data filed in their respective 2006 EDR application at Worksheet 6-2 DEMAND RATES (Input). As described previously, this data is Number of Customers (Connections). Enersource filed its SMRAM on February 9, 2007, per the Board's direction.