



3240 Mavis Road
Mississauga, Ontario
L5C 3K1

Tel: (905) 566-2727
Fax (905) 566-2737

Ontario Energy Board
P. O. Box 2319
2300 Yonge Street, Suite 2701
Toronto, ON M4P 1E4

July 16, 2008



Dear Ms. Walli

Re: Smart Meter Accounting Order in reference to EB-2007-0063

Please find enclosed Enersource Hydro Mississauga Inc.'s application and supporting documentation for an accounting order to draw-down its smart meter variance accounts in accordance with the Board's decision in EB-2007-0063.



Sincerely

Sonja Potocnik
Vice President Customer Care & Billing Operations

cc.
Norman Wolff
Executive Vice-President and Chief Financial Officer

IN THE MATTER OF the *Ontario Energy Board Act, 1998*
being Schedule B to the Energy Competition Act, 1998,
S.O. 1998, c.15;

AND IN THE MATTER OF an application by Enersource
Hydro Mississauga Inc. for an accounting order to draw-
down its December 31, 2007 balances of accounts 1555 and
1556.

APPLICATION

1. Enersource Hydro Mississauga Inc., (“Enersource”) distributes electricity to the inhabitants of the City of Mississauga, pursuant to a distribution license issued by the Ontario Energy Board (ED-2003-0017) and charges for Board authorized rates for the distribution service it provides (EB-2007-0706).
2. Enersource seeks an accounting order of the Board that will allow Enersource to draw-down its December 31, 2007 smart meter variance account 1555 and 1556 balances in accordance with the Board’s decision in EB-2007-0063 in which the Board stated:

Utilities that are not requesting rate increases may, however, wish to draw down funds previously collected through the smart metering rate adders. They are authorized to do so in order to meet costs approved in this Decision, and will file draft orders with the Board to that effect.

3. It is important to note that:
 - a. drawing-down these accounts will not result in any rate impacts to Enersource’s customers;
 - b. all expenses recorded in accounts 1555 and 1556 up to December 31, 2007 were at the same cost levels as those found prudent by the Board in EB-2007-0063; and
 - c. all smart meter costs recorded in accounts 1555 and 1556 relate to functionality that does not exceed the minimum functionality adopted in Ontario Regulation 425/06.
4. Enersource requests that the Board disposes of this matter without a hearing. Enersource is the only party that may potentially be negatively impacted by the application.

DATED July 16, 2008 at Mississauga Ontario

Sonja Potocnik
Vice President Customer Care & Billing Operations

cc.
Norman Wolff
Executive Vice-President and Chief Financial Officer

Background

Enersource is one of the named distributors that were authorized by Ontario Regulation 427/06 to implement the Government's objective of the installation of 800,000 smart meters by the end of 2007. The Ministry of Energy ("MOE") requires that all electricity customers have a Smart Meter by year-end 2010.

In support of achieving this requirement Enersource developed a Smart Meter Integration Plan ("SMIP") which was filed with the Board on December 15, 2006. As part of this SMIP, Enersource applied for and was authorized to charge a Smart Meter Rate Adder ("SMRA") in the 2006 Rate Year of \$0.31/metered-customer/month (the "2006 SMRA"), EB-2005-0529.

In February, 2007 Enersource filed its 2007 Smart Meter Rate Adder, EB-2007-0523, based on the Board's filing guidelines for smart meter funding to be included in 2007 electricity rates. On April 12, 2007 Enersource was authorized to charge a SMRA of \$1.28/metered-customer/month (the "2007 SMRA").

On May 2, 2007 the Board issued a Notice of a Combined Proceeding pursuant to sections 19, 21, and 78 of the Act to determine the prudence and recovery of costs associated with smart metering activities for thirteen licensed distributors. Enersource was one of the thirteen licensed distributors deemed to be applicants in the Combined Proceeding.

On June 1, 2007, the Board issued a Decision defining the issues in this case. Those issues included;

- cost recovery related to minimum functionality
- the prudence of costs incurred
- the mechanism for resetting rates to recover costs found to be prudent
- the regulatory treatment of stranded meter costs
- certain accounting procedures

The combined hearing commenced on June 15, 2007 and ended on July 12, 2007. A determination was made by the Board at the outset of that hearing that the hearing would be held *in camera*. Only parties that signed the Board's form of Declaration and Undertaking (the "parties") were permitted to participate in the hearing and access the evidence, transcripts and exhibits.

The Board issued its Decision in this matter on August 8, 2007, approving the costs claimed by Enersource with respect to smart metering activities. The Decision contained two appendices, one of which was confidential, and one of which was not confidential. The non-confidential appendix aggregated the costs, while the confidential appendix itemized all the costs.

On August 23, 2007 Enersource filed a Forward Test Year distribution rate rebasing application with the Board, EB-2007-0706. In this application Enersource proposed to recover a 2008 Smart Meter Rate Adder (“2008 SMRA”) of \$0.57/metered-customer/month which was developed to support the recovery of Enersource’s investment in Smart Meters for the 2008 Test Year and to return the over-recovery of revenue through the 2006 and 2007 SMRA. The Board accepted the Proposed Settlement Agreement (“PSA”) negotiated between Enersource and the Intervenor of record in the proceeding on January 4, 2008. After accepting the PSA, the Board panel turned its attention to Enersource’s position on its 2008 SMRA and indicated that it would be appropriate for Enersource to achieve consistency with that of other distributors by including in rate base the associated return for investments made in smart meters.

The Application

By this application Enersource seeks to be consistent with The Board’s decision EB-2007-0063 on August 8, 2007. This Board’s Decision allowed the 13 LDC applicants to recover the costs of installed Smart Meters by including the capital invested in rate base. The Board explicitly found that Enersource’s smart meter procurement activities were prudent and that the amounts recorded in the variance accounts as at April 30, 2007 were eligible to be disposed of through rates. Consistent with this Decision, Enersource proposes to calculate the revenue requirement for Smart Meters for calendar years 2006 and 2007 and recognize the associated revenue requirement (and associated return) by clearing the smart meter variance accounts 1555 & 1556. Details supporting this application are included in the attached schedules as follows:

- Schedule 1: Assumptions & Data
- Schedule 2: Smart Meter Revenue Requirement Calculation
- Schedule 3: PILs Calculation
- Schedule 4: Smart Meter Average Net Fixed Assets & UCC
- Schedule 5: Accounting Treatment
- Schedule 6: Capital and OM&A Details

Schedule 1 identifies the relevant assumptions and data relied on. Schedule 2 details the calculation of the smart meter revenue requirement for 2006 and 2007 of \$1,007,248. Schedule 3 (PILs Calculation) and schedule 4 (Average Net Fixed Assets & UCC) assist to support this revenue requirement calculation. Schedule 5 details the accounting entries to clear the smart meter variance accounts with reference to specific Uniform System of Accounts (“USoA”). Schedule 6 identifies specific OM&A and capital costs for the period.



This application excludes the regulatory treatment of all costs associated with the stranded conventional meters which remain in rate base as directed by the Board.

Orders Sought

Enersource seeks an accounting order of the Board that will permit Enersource to draw-down the smart meter variance accounts 1555 & 1556 and recognize as revenue the recoveries of smart meter funding as of December 31, 2007 pursuant to schedule 5. This includes actual smart meter investments all of which are an extension to and remain consistent with those expenses determined in the Boards Smart Meter Hearing EB-2007-0063.