



October 3, 2008

Ms. Kirstin Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

**Re: Chatham-Kent Hydro Inc. / Middlesex Power Distribution Corporation
Recovery of Smart Meter Costs from May 1 to December 31, 2007
Board File Number EB-2008-0155**

Dear Ms. Walli:

Please find attached joint reply from Chatham-Kent Hydro Inc. ("CKH") and Middlesex Power Distribution Corp. ("MPDC") on the board staff submission on our rate application for Smart Meter Revenue Recovery relating to cost from May 1 2007 to December 31, 2007.

If you have any further concerns please do not hesitate to contact me at the phone number below.

Yours truly,

Cheryl Decaire
Co-ordinator of Regulatory and Rates
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Email: cheryldecaire@ckenergy.com

CC: Jim Hogan, Chief Financial and Regulatory Officer
Dave Kenney, President of Chatham-Kent Hydro Inc.

Chatham-Kent Hydro Inc. (“CKH”) and Middlesex Power Distribution Corp. (“MPDC”) joint submission was to recover cost for the minimum functionality smart meter installed from May 1, 2007 to December 31, 2007. The smart meter investment and costs requested in this submission is similar to the combined smart meter proceeding (EB-2007-0063) the cost gather were based on the same guidelines that was approved by the Ontario Energy Board (“OEB”).

Minimum Functionality

The cost being requested do not go beyond minimum functionality, it was indicated that there was some confusion on the cost that was submitted in the current application (EB-2008-0155). In the pervious proceeding the OEB approved all our costs as they were found to meet the minimal functionality. As the Board had stated “the Board has determined that there are fourteen cost categories in relation to smart meter minimum functionality” (EB-2007-0063, OEB decision, page 7). There were several instances that indicated the related cost in our current submission, as “CKH and MPDC are providing the costs for the minimum functionality in the same cost categories and format as provided for in the EB-2007-0063” (EB-2008-0155, Management summary, page 5) and also stated “CKH and MPDC have incurred O&M costs during the last year that reflect the costs of the smart meters installed and are only to meet the minimum functionality of the smart meter system” (EB-2008-0155, Management summary, page 8).

The submission for the recovery of cost between May 1, 2007 to December 31, 2007, only included the cost related to minimum functionality which excludes the interfacing cost to the CIS and GIS from the amount submitted for recovery in the current application due to the cost being beyond the minimum functionality. The indication that the cost are in the 1555 and 1556 deferral account is a correct assessment but are under a separate category in the same account and are not included in the current or past submission for recovery smart meter installed cost.

Permanent Rate

The setting of a permanent smart meter rate for the 2009 is the same process as approved in the 2007 proceeding (EB-2007-0063). The following comment “there is no true up of costs and revenue for permanent smart meter rate adders”, in the joint submission the cost that are being requested for recovery are the actual cost incurred for that time period. CKH and MPDC respectfully submit that there is no need to do any true up of costs because we are not requesting for an adder based on forecast figures.

Proposed Rate

Our current joint submission provided a smart meter calculation model which had a couple of miscalculations with the capital structure ratios. In another review of the model the ratios have been changed, also the board staff had commented on the cost of capital percentages, below is a Table A illustrating CKH original submission figures, the change

in the correct capital structure with the 9% rate of return and last column is the 8.57% rate of return and in Table B the same information had been provided for MPDC.

Table A: Chatham Kent Hydro

	Orginal	Corrected	Cost of Capital Change	Revenue Difference
2008 Revenue Requirement	521,720	521,720	521,720	0
Smart rider - Nov to April 2009 (permanent)	0.55	0.55	0.55	0.00
2008 Revenue Requirement	103,401	102,117	100,308	1,809
Smart adder - Nov to Apr 2009 (deferral acct)	0.54	0.53	0.52	0.01
2009 Revenue Requirement	297,227	294,997	290,907	4,090
Permanent Capital Rate	0.78	0.77	0.76	0.01

Table B: Middlesex Power Distribution

	Orginal	Corrected	Cost of Capital Change	Revenue Difference
2008 Revenue Requirement	113,168	113,168	113,168	0
Smart rider - Nov to April 2009 (permanent)	0.09	0.09	0.09	0.00
2008 Revenue Requirement	51,241	50,760	49,948	812
Smart adder - Nov to Apr 2009 (deferral acct)	1.26	1.25	1.23	0.02
2009 Revenue Requirement	62,299	64,453	64,222	231
Permanent Capital Rate	0.77	0.79	0.79	0.00

Therefore, in the above tables for CKH and MPDC has indicated that the return on rate base are immaterial amounts, therefore we are requesting that CHK and MPDC are proposing to continue in using the 9% rate of return instead of the 8.57% that the LDCs are using in their cost of service applications.
