



EB-2007-0706

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

AND IN THE MATTER OF an application by Enersource Hydro Mississauga Inc. for an Order or Orders approving just and reasonable rates and other service charges for the distribution of electricity, effective May 1, 2008.

PROCEDURAL ORDER No. 4

Enersource Hydro Mississauga Inc. (the "Company") filed an application with the Ontario Energy Board, received on August 23, 2007 under section 78 of the Ontario Energy Board Act, 1998, seeking approval for changes to the distribution rates that Enersource Hydro Mississauga Inc. charges for electricity distribution, to be effective May 1, 2008. On October 19, 2007, the Board issued Procedural Order No. 1 which set out, among other things, the date for the procedural meeting. On November 20, 2007 the Board issued Procedural Order No. 2 which set the dates for a technical conference, a settlement conference and the filing and presentation of any settlement agreement. On December 7, 2007 the Board issued Procedural Order No. 3 extending the date for filing a settlement agreement from December 10, 2007 to December 17, 2007.

The settlement agreement was filed with the Board on December 24, 2007. The settlement agreement proposed a settlement of all issues on the Issues List. After hearing a presentation of the settlement agreement on January 4, 2008, the Board accepted the settlement agreement. Reference should be made to the transcript of the proceeding for the oral Decision. This Order also sets out the dates for the Draft Rate Order and cost awards process.

Rate Implementation

Cost of Capital Update

In mid-2006, the Board initiated a consultative process to examine the cost of capital applicable to the Ontario electricity distribution sector. This process was conducted in conjunction with the development of the 2nd Generation Incentive Regulation plan. The product of these consultations was the *Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors* (the "Board Report"), issued December 20, 2006. The Board Report considered the extensive consultation record and established, in part, guidelines for setting and updating the cost of capital parameters for distribution rate-setting from 2007 onwards, including the return on common equity ("ROE"), the deemed short-term debt rate, and, as appropriate, the deemed long-term debt rate.

The Board Report established that the approved ROE to be used for rate-setting purposes should be calculated by application of the formula in Appendix B of the Board Report. In setting the ROE for the establishment of 2008 rates, the Board has used the *Consensus Forecasts* and published Bank of Canada data for January 2008, in accordance with the Board's guidelines. Based on the final 2007 data published by Consensus Forecasts and the Bank of Canada, the Board has established the ROE to be 8.57%.

The Board Report also established that the short-term debt rate should be updated using the methodology in section 2.2.2 of the Board Report. The Board has set the short-term debt rate at 4.47% using data from Consensus Forecasts and the Bank of Canada for January 2008.

Draft Rate Order

The Board has accepted the cost and rate consequences flowing from the acceptance of the settlement proposal. The Board directs the Company to file with the Board and with all intervenors of record a Draft Rate Order with a proposed Tariff of Rates and Charges reflecting the settlement agreement. The Tariff of Rates and Charges shall have an effective date of May 1, 2008.

In filing its Draft Rate Order, it is the Board's expectation that the Company will not use a calculation of a revised revenue deficiency to reconcile the new distribution rates. Rather, the Board expects Enersource Hydro Mississauga Inc. to file detailed

supporting material, including all relevant calculations showing the impact of the settlement agreement on Enersource Hydro Mississauga Inc.'s proposed revenue requirement, the allocation of the approved revenue requirement to the classes and the determination of the final rates. The Draft Rate Order shall also include customer rate impacts.

A Rate Order and a separate cost awards decision will be issued after the processes set out below are completed.

THE BOARD THEREFORE ORDERS THAT:

1. Enersource Hydro Mississauga Inc. shall file with the Board, and shall also forward to all intervenors, a Draft Rate Order attaching a proposed Tariff of Rates and Charges reflecting the Board's findings in this Decision, **within 14 days of the date of this Order.**
2. Intervenors and Board staff may file with the Board and forward to Enersource Hydro Mississauga Inc. responses to the Company's Draft Rate Order **within 20 days of the date of this Order.**
3. Enersource Hydro Mississauga Inc. shall file with the Board and forward to intervenors responses to any comments on its Draft Rate Order **within 26 days of the date of this Order.**
4. Intervenors eligible for cost awards shall file with the Board and forward to Enersource Hydro Mississauga Inc. their respective cost claims **within 26 days from the date of this Order.**
5. Enersource Hydro Mississauga Inc. may file with the Board and forward to intervenors eligible for cost awards any objections to the claimed costs **within 42 days from the date of this Order.**
6. Intervenors, whose cost claims have been objected to, may file with the Board and forward to Enersource Hydro Mississauga Inc. any responses to any objections for cost claims **within 49 days of the date of this Order.**

All filings to the Board must quote file number EB-2007-0706, be made through the Board's web portal at www.errr.oeb.gov.on.ca, and consist of two paper copies and one

electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Please use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.oeb.gov.on.ca. If the web portal is not available you may email your document to the address below. Those who do not have internet access are required to submit all filings on a CD or diskette in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

Please be aware that this procedural order may be amended, and further procedural orders may be issued from time to time.

DATED at Toronto, March 14, 2008

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli,
Board Secretary