



EB-2008-0171

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 or
fixing just and reasonable distribution rates and other
charges, to be effective May 1, 2009.

BEFORE: Paul Vlahos
Presiding Member

Ken Quesnelle
Member

DECISION AND ORDER

Introduction

Enersource Hydro Mississauga Inc. (“Enersource”) is a licensed distributor of electricity providing service to consumers within its licensed service area. Enersource filed an application with the Ontario Energy Board (the “Board”) for an order or orders approving or fixing just and reasonable rates for the distribution of electricity and other charges, to be effective May 1, 2009.

Enersource is one of about 80 electricity distributors in Ontario that are regulated by the Board. In 2008, the Board announced the establishment of a new multi-year electricity distribution rate-setting plan, the 3rd Generation Incentive Rate Mechanism (“IRM”) process, that will be used to adjust electricity distribution rates starting in 2009 for those distributors whose 2008 rates were rebased through a cost of service review. As part of the plan, Enersource is one of the electricity distributors to have its rates adjusted for 2009 on the basis of the IRM process, which provides for a mechanistic and formulaic adjustment to distribution rates and charges between cost of service applications.

To streamline the process for the approval of distribution rates and charges for distributors, the Board issued its *Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* on July 14, 2008, its *Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* on September 17, 2008, and its *Addendum to the Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* on January 28, 2009 (together the "Reports"). Among other things, the Reports contained the relevant guidelines for 2009 rate adjustments (the "Guidelines") for distributors applying for distribution rate adjustments pursuant to the IRM process.

In its letter of acknowledgment dated December 1, 2008, the Board informed Enersource that the Board would not hear, as part of this proceeding, its request for a new deferral account for the transition of utility accounting from Canadian Generally Accepted Accounting Principles to International Financial Reporting Standards, and its request for a new deferral account to record and track the incremental polychlorinated biphenyls environmental compliance program expenses.

Notice of Enersource's rate application was given through newspaper publication in Enersource's service area advising of the availability of the rate application and advising how interested parties may intervene in the proceeding or comment on the application. The Board received one letter of comment. The Vulnerable Energy Consumers Coalition ("VECC") and the School Energy Coalition ("SEC") applied and were granted intervenor status in this proceeding. VECC, SEC and Board staff posed interrogatories and made submissions. The Board proceeded by way of a written hearing.

While the Board has considered the entire record in this rate application, it has made reference only to such evidence as is necessary to provide context to its findings.

Price Cap Index Adjustment

Enersource's rate application was filed on the basis of the Guidelines. In fixing new distribution rates and charges for Enersource, the Board has applied the policies described in the Reports.

As outlined in the Reports, distribution rates under the 3rd Generation IRM are to be adjusted by a price escalator less a productivity factor (X-factor) of 0.72% and Enersource's utility specific stretch factor of 0.4%. Based on the final 2008 data published by Statistics Canada, the Board has established the price escalator to be 2.3%. The resulting price cap index adjustment is therefore 1.18%. The rate model

was adjusted to reflect the newly calculated price cap adjustment. This price cap index adjustment applies to distribution rates (fixed and variable charges) uniformly across all customer classes. A change in the federal income tax rate effective January 1, 2009 was incorporated into the rate model and reflected in distribution rates.

The Federal Budget enacted on February 3, 2009 included an increase in the small business income limit from \$400,000 to \$500,000 effective January 1, 2009, and a change in the capital cost allowance (CCA) applicable to certain computer equipment and related system software (CCA class 50) acquired between January 27, 2009 and February 2011. The Board has considered these fiscal changes and determined that the rate model will be adjusted to reflect the increase in the federal small business income limit for affected distributors. With regard to the change in the CCA, the Board notes that this change would be captured in the revenue requirement calculation as it relates to smart meters when a distributor applies for cost recovery for the applicable investment period. For other computer equipment and related system software in class 50, the Board concludes that this adjustment is not required since it does not appear to be material.

The price cap index adjustment does not apply to the following components of distribution rates:

- Rate Riders;
- Retail Transmission Service Rates;
- Wholesale Market Service Rate;
- Rural Rate Protection Charge;
- Standard Supply service – Administrative Charge;
- Transformation and Primary Metering Allowances;
- Retail Service Charges;
- Loss Factors; and
- Smart Meter Funding Adder.

Rural or Remote Electricity Rate Protection Adjustment

In accordance with Ontario Regulation 442/01, Rural or Remote Electricity Rate Protection (“RRRP”) (made under the *Ontario Energy Board Act, 1998*) the Board issued a Decision on December 17, 2008 setting out the amount to be charged by the Independent Electricity System Operator (“IESO”) with respect to the RRRP for each kilowatt-hour of electricity that is withdrawn from the IESO-controlled grid.

In a letter dated December 17, 2008 the Board directed distributors that had a rate application before the Board to file a request with the Board that the RRRP charge in their tariff sheet be revised to 0.13 cent per kilowatt-hour effective May 1, 2009.

Enersource complied with this directive. The rate model was adjusted to reflect the new RRRP charge.

Smart Meter Funding Adder

On October 22, 2008 the Board issued a Guideline for Smart Meter Funding and Cost Recovery ("Smart Meter Guideline") which sets out the Board's filing requirements in relation to the funding of, and the recovery of costs associated with, smart meter activities conducted by electricity distributors.

As set out in the Smart Meter Guideline, a distributor that plans to implement smart meters in the rate year must include, as part of the application, evidence that the distributor is authorized to conduct smart meter activities in accordance with applicable law.

Enersource is authorized to conduct smart meter activities because it is identified in paragraph 3 of section 1(1) of O. Reg. 427/06.

Enersource intends to install smart meters in the 2009 test year. Enersource requested to change its utility-specific smart meter funding adder from \$0.57 to \$1.41 per metered customer per month. The Board approves the funding adder as proposed by Enersource. This new funding adder is reflected in the Tariff of Rates and Charges that is appended to this Decision and Order. Enersource's variance accounts for smart meter program implementation costs, previously authorized by the Board, shall also be continued.

The Board notes that the smart meter funding adder of \$1.41 per metered customer per month is intended to provide funding for Enersource's smart metering activities in the 2009 rate year. The Board has not made any finding on the prudence of the proposed smart meter activities, including any costs for smart meters or advanced metering infrastructure whose functionality exceeds the minimum functionality adopted in O. Reg. 425/06, or costs associated with functions for which the Smart Meter Entity has the exclusive authority to carry out pursuant to O. Reg. 393/07. Such costs will be considered at the time that Enersource applies for the recovery of these costs.

Retail Transmission Service Rates

On October 22, 2008 the Board issued a Guideline for *Electricity Distribution Retail Transmission Service Rates* (“RTSR Guideline”) which provides electricity distributors with instructions on the evidence needed, and the process to be used, to adjust Retail Transmission Service Rates (“RTSRs”) to reflect changes in the Ontario Uniform Transmission Rates (“UTRs”).

On August 28, 2008, the Board issued its Decision and Rate Order in proceeding EB-2008-0113, setting new UTRs for Ontario transmitters, effective January 1, 2009. The Board approved an increase of 11.3% to the wholesale transmission network rate, an increase of 18.6% to the wholesale transmission line connection rate, and an increase of 0.6% to the wholesale transformation connection rate. The combined change in the wholesale transmission line and transformation connection rates is an increase of about 5%.

Electricity distributors are charged the UTRs at the wholesale level and subsequently pass these charges on to their distribution customers through the RTSRs. There are two RTSRs, whereas there are three UTRs. The two RTSRs are for network and connection. The wholesale line and transformation connection rates are combined into one retail connection service charge. Deferral accounts are also used to capture timing differences and differences in the rate that a distributor pays for wholesale transmission service compared to the retail rate that the distributor is authorized to charge when billing its customers (i.e., deferral accounts 1584 and 1586).

In the RTSR Guideline the Board directed all electricity distributors to propose an adjustment to their RTSRs to reflect the new UTRs for Ontario transmitters effective January 1, 2009. The objective of resetting the rates was to minimize the prospective balances in deferral accounts 1584 and 1586.

Enersource proposed to increase its RTSR – Network Service Rates by 11.3% and to increase its RTSR – Line and Transformation Connection Service Rates by 5.5%. Enersource indicated that these adjustments were appropriate as they reflect the expected increase in charges payable by Enersource resulting from the UTR changes. The Board finds that this approach is reasonable and approves these adjustments.

Interim Rates Request

Enersource requested that the rates to be approved in this application be declared final from May 1, 2009 to December 31, 2009, and be approved on an interim basis from January 1, 2010 to April 30, 2010. In its application, Enersource explained that its interim rate request was meant “to avoid any retroactive ratemaking issues” related to a future application it intends to make to “align the rate year with Enersource’s fiscal year.” VECC and SEC did not support the request, while Board staff questioned whether the Board had the power to make the interim rate order requested by Enersource.

In its reply submission, Enersource clarified that the separate application it intends to make “to align the rate year with Enersource’s fiscal year” is not to recover a revenue requirement deficiency, but motivated rather by its view that the “misalignment” creates reporting challenges for its parent company, Enersource Corporation, a reporting issuer. SEC noted that Hydro Ottawa Limited (“Hydro Ottawa”) also issues long-term debt to external markets and would likely have significant reporting obligations as a result. SEC argued that Hydro Ottawa made a similar request to have its rates made interim in its 2008 cost of service application. SEC noted that Hydro Ottawa’s request was denied by the Board (EB-2007-0713) and submitted that Enersource’s interim rate request should likewise be rejected.

Board staff noted that Section 21(7) of the *Ontario Energy Board Act, 1998* (the “Act”) provides that “The Board may make interim orders pending the final disposition of a matter before it.” Board staff noted that Enersource is asking the Board to declare rates interim after the final disposition of the matter. Board staff submitted that, once the Board issues its final rate order in this case, the proceeding is over and the current panel does not have the power to declare these same rates interim at a later date. In its reply submission, Enersource argued that setting interim rates pursuant to a final order would not be inconsistent with Section 21(7) of the Act.

The Board agrees with Board staff’s submission on the limitation of the power extended by Section 21(7) of the Act and denies Enersource’s interim rate request.

The Board is providing Enersource with a rate model (spreadsheet) and a draft Tariff of Rates and Charges (Appendix A) that reflects the elements of this Decision. The Board also reviewed the entries in the rate model to ensure that they were in accordance with the 2008 Board approved Tariff of Rates and Charges and the rate model was adjusted, where applicable, to correct any discrepancies.

The Board Orders That:

Enersource's new distribution rates will be effective May 1, 2009. The Board Orders that:

1. Enersource shall review the draft Tariff of Rates and Charges set out in Appendix A. Enersource shall file with the Board a written confirmation assessing the completeness and accuracy of the draft Tariff of Rates and Charges, or provide a detailed explanation of any inaccuracies or missing information, within seven (7) calendar days of the date of this Decision and Order.

If the Board does not receive a submission by Enersource to the effect that inaccuracies were found or information was missing pursuant to item 1 of this Decision and Order:

2. The draft Tariff of Rates and Charges set out in Appendix A of this Order will become final, effective May 1, 2009, and will apply to electricity consumed or estimated to have been consumed on and after May 1, 2009.
3. The Tariff of Rates and Charges set out in Appendix A of this Order shall supersede all previous distribution rate schedules approved by the Board for Enersource and is final in all respects.
4. Enersource shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.

If the Board receives a submission by Enersource to the effect that inaccuracies were found or information was missing pursuant to item 1 of this Decision and Order, the Board will consider the submission of Enersource and will issue a final Tariff of Rates and Charges.

A cost awards decision will be issued after the following steps are completed.

5. SEC and VECC shall file with the Board and forward to Enersource their respective cost claims within fourteen (14) calendar days of the date of this Decision.
6. Enersource may file with the Board and forward to SEC and VECC any objections to the claimed costs within twenty eight (28) calendar days from the date of this Decision.

7. SEC and VECC may file with the Board and forward to Enersource any responses to any objections for cost claims within thirty five (35) calendar days of the date of this Decision.

The Company shall pay the Board's costs of, and incidental to, this proceeding upon receipt of the Board's invoice.

DATED at Toronto, March 16, 2009

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

Appendix A

To Decision and Order

EB-2008-0171

March 16, 2009

Enersource Hydro Mississauga Inc.

TARIFF OF RATES AND CHARGES

Effective May 1, 2009

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2008-0171

APPLICATION

- The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Codes, Guidelines or Orders of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.
- No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code, Guideline or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.
- This schedule does not contain any rates and charges relating to the electricity commodity (e.g. the Regulated Price Plan).

EFFECTIVE DATES

DISTRIBUTION RATES – May 1, 2009 for all consumption or deemed consumption services used on or after that date.

SPECIFIC SERVICE CHARGES – May 1, 2009 for all charges incurred by customers on or after that date.

RETAIL SERVICE CHARGES – May 1, 2009 for all charges incurred by retailers or customers on or after that date.

LOSS FACTOR ADJUSTMENT – May 1, 2009 unless the distributor is not capable of prorating changed loss factors jointly with distribution rates. In that case, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

SERVICE CLASSIFICATIONS

Residential

This classification refers to all residential services including, without limitation, single family or single unit dwellings, multi-family dwellings, row-type dwellings and subdivision developments. Energy is supplied in single phase, 3-wire, or three phase, 4-wire, having a nominal voltage of 120/240 Volts. There shall be only one delivery point to a dwelling.

General Service Less Than 50 kW

This classification refers to a non-residential account whose monthly average peak demand is less than, or is forecast to be less than, 50 kW.

Small Commercial and Unmetered Scattered Load

This classification applies to an account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW and the consumption is either metered or unmetered. While this customer class includes existing metered customers, metered customers are no longer added to this customer class. The amount of electricity consumed by unmetered connections will be based on detailed information/documentation provided by the device's manufacturer and will be agreed to by Enersource Hydro Mississauga Inc. and the customer and may be subject to periodic monitoring of actual consumption. Eligible unmetered loads include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings.

General Service 50 to 499 kW

This classification refers to a non-residential account whose monthly average peak demand is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 500 kW.

General Service 500 to 4,999 kW

This classification refers to a non-residential account whose monthly average peak demand is equal to or greater than, or is forecast to be equal to or greater than, 500 kW but less than 5,000 kW.

Large Use

This classification refers to an account whose monthly average peak demand is equal to or greater than, or is forecast to be equal to or greater than, 5,000 kW.

Standby Distribution Service

This classification refers to an account that requires Enersource Hydro Mississauga to provide distribution service on a standby basis as a back-up supply to an on-site generator.

EnerSource Hydro Mississauga Inc.

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Street Lighting

This classification refers to an account for roadway lighting. Street Lighting is unmetered where energy consumption is estimated based on the connected wattage and calculated hours of use using methods established by the Ontario Energy Board.

MONTHLY RATES AND CHARGES

Residential

Service Charge	\$	13.14
Distribution Volumetric Rate	\$/kWh	0.0118
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0060
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0054
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

General Service Less Than 50 kW

Service Charge	\$	40.85
Distribution Volumetric Rate	\$/kWh	0.0115
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0055
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0050
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Small Commercial and Unmetered Scattered Load

Service Charge for metered account	\$	11.97
Service Charge for Unmetered Scattered Load account (per connection)	\$	10.56
Distribution Volumetric Rate	\$/kWh	0.0193
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0055
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0050
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

General Service 50 to 499 kW

Service Charge	\$	70.42
Distribution Volumetric Rate	\$/kW	4.1527
Distribution Volumetric Tax Change Rate Rider – effective until April 30, 2010	\$/kW	(0.0029)
Retail Transmission Rate – Network Service Rate	\$/kW	2.1454
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.9392
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.1454
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.9392
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Enersource Hydro Mississauga Inc.

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General Service 500 to 4,999 kW

Service Charge	\$	1,520.79
Distribution Volumetric Rate	\$/kW	2.0724
Distribution Volumetric Tax Change Rate Rider – effective until April 30, 2010	\$/kW	(0.0023)
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.0756
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.8975
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Large Use

Service Charge	\$	13,688.11
Distribution Volumetric Rate	\$/kW	2.8866
Distribution Volumetric Tax Change Rate Rider – effective until April 30, 2010	\$/kW	(0.0023)
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.2149
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	2.0266
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Standby Distribution Service

A Standby Service Charge will be applied for a month where standby power is not provided. The applicable rate is the approved Distribution Volumetric Rate of the applicable service class and is applied to gross metered demand or contracted amount, whichever is greater. A monthly administration charge of \$200, for simple metering arrangements, or \$500, for complex metering arrangements, will also be applied. Further servicing details are available in Enersource Hydro's Conditions of Service.

Street Lighting

Service Charge (per connection)	\$	1.33
Distribution Volumetric Rate	\$/kW	10.1327
Distribution Volumetric Tax Change Rate Rider – effective until April 30, 2010	\$/kW	(0.0105)
Retail Transmission Rate – Network Service Rate	\$/kW	1.4857
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.4022
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Specific Service Charges

Customer Administration		
Arrears Certificate	\$	15.00
Request for other billing information	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Credit reference/credit check (plus credit agency costs – General Service)	\$	25.00
Income tax letter	\$	15.00
Returned cheque (plus bank charges)	\$	12.50
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable – Residential)	\$	20.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	10.00
Special meter reads	\$	30.00
Interval meter request change	\$	40.00

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Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of account charge – no disconnection	\$	9.00
Disconnect/Reconnect at meter - during regular hours	\$	20.00
Disconnect/Reconnect at pole - during regular hours	\$	185.00
Disconnect/Reconnect at pole - after regular hours	\$	415.00
Temporary service install and remove – overhead – no transformer	\$	400.00
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35
Allowances		
Transformer Allowance for Ownership - per kW of billing demand/month	\$/kW	(0.40)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

Retail Service Charges (if applicable)

Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	\$	100.00
Monthly Fixed Charge, per retailer	\$	20.00
Monthly Variable Charge, per customer, per retailer	\$/cust.	0.50
Distributor-consolidated billing charge, per customer, per retailer	\$/cust.	0.30
Retailer-consolidated billing credit, per customer, per retailer	\$/cust.	(0.30)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	\$	0.25
Processing fee, per request, applied to the requesting party	\$	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year		no charge
More than twice a year, per request (plus incremental delivery costs)	\$	2.00

LOSS FACTORS

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0360
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0145
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0256
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0045