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VIA E-MAIL AND WEB POSTING

October 22, 2008

To: All Licensed Electricity Distributors
All Other Interested Parties

Re: **Guidelines for Retail Transmission Service Rate and Smart Meter Funding and Cost Recovery Applications**

Today, the Ontario Energy Board (the “Board”) issued two Guidelines that provide direction to electricity distributors in relation to applications for the following:

- adjustments to a distributor’s Retail Transmission Service Rates; and
- funding for, and the recovery of costs associated with, smart meter activities.

These Guidelines are in a new format and can be referred to using the numbering convention shown on the title page of each document.

Guideline – Retail Transmission Service Rates

This Guideline provides electricity distributors with instructions on the evidence required and the process to be used to adjust their Retail Transmission Service Rates (“RTSR”) to reflect the 9.2% increase in the Ontario uniform transmission rates. RTSRs are charges that a distributor applies to end-use customers to recover the costs associated with the payment by the distributor of wholesale transmission connection and network rates.

On August 28, 2008, the Ontario Energy Board issued its Decision and Rate Order in proceeding EB-2008-0113, setting new uniform transmission rates for Ontario transmitters, effective January 1, 2009. With the change in the uniform transmission rates, there is a need to review the rates charged by distributors for the corresponding retail transmission service.

In summary, the Guideline states that distributors should apply to change their RTSRs to reflect the change in the uniform transmission rates, but should not include clearance of their RTSR deferral accounts as part of the application.

Guideline – Smart Meter Funding and Cost Recovery

This Guideline sets out filing instructions in relation to the funding of, and the recovery of costs associated with, smart meter activities conducted by electricity distributors. It reflects amendments to a number of smart metering regulations that were enacted on June 25, 2008 as well as the direction provided by the Board in its combined proceeding on smart meter costs (proceeding EB-2007-0063). It also includes a synthesis of the practices that have emerged from recent decisions of the Board.

The Guideline identifies the evidence that needs to be filed in support of applications for the following:

- a smart meter funding adder to fund the implementation of smart meters;
- smart meter cost recovery as part of a cost of service application; and
- smart meter cost recovery as part of an incentive regulation application, including the associated smart meter disposition rider.

In addition to setting out filing instructions for, and expectations related to the timing of, each of the above types of applications, the Guideline also provides guidance regarding the accounting treatment of smart meter costs and revenues.

Questions related to either of the Guidelines should be addressed to:

Ontario Energy Board

Market Operations Hotline

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E-Mail: market.operations@oeb.gov.on.ca

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary