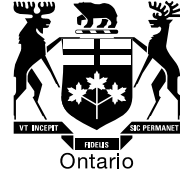


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BY E-MAIL ONLY

October 13, 2006

To: Electricity Distribution Companies

Re: Filing of Smart Meter Investment Plans for the 2006 Rate Year

This letter follows a previous Board letter of May 16, 2006 regarding the filing of smart meter investment plans as a result of the Board's decision to approve funding for smart metering as part of the 2006 distribution rate applications.

One of the issues addressed in the Board's Decision on Generic Issues (EB-2005-0529) related to the smart meter initiative. That Decision, dated March 21, 2006, stated:

"In addition, as a condition of granting the rate applications, all utilities will be required to file with the Board within 90 days of this Decision their plan for smart meter investment in the 2006 rate year."

The Board's May 16th letter stated:

"The Board is aware that a number of utilities are working closely with the Ministry of Energy to begin smart meter acquisitions. However, government regulations clarifying smart meter technical specifications and naming the Smart Meter Entity are pending. Utilities will be advised of their smart meter filing requirements 30 days after the issuance of an expected smart meter regulation. Distribution utilities should continue to implement approved rates during the interim."

The subject Regulations¹ were issued on September 16, 2006. Accordingly, the Board will require distributors to file their plans for smart meter investment in the 2006 rate year (May 1, 2006 to April 30, 2007) within 90 days of the issuance of the Regulations i.e. by December 15, 2006.

The Board is also aware that some distributors are concerned that the amount approved in rates to provide funding for the smart meter program may not be sufficient to support their new or revised implementation plan. The current level of funding varies by distributor depending on whether or not it filed a smart meter plan as part of its 2006 EDR rate application. The EB-2005-0529 Generic Decision contained findings relevant to funding

¹ O. Reg. 425/06 – Criteria and Requirements for Meters and Metering Equipment, Systems and Technology; O. Reg. 426/06 – Smart Meters: Cost Recovery; O. Reg. 427/06 – Smart Meters: Discretionary Metering Activity and Procurement Principles; and, O. Reg. 428/06 – Priority Installations

for smart meters for electricity distributors. If the applicant filed a specific smart meter plan in the revenue requirement, the Generic Decision provided that an amount determined as \$3.50 per meter per month installed during the rate year be reflected in the applicant's revenue requirement, instead of the smart meter-related costs proposed by the applicant. Consequently, the amounts that the applicant had proposed in its 2006 rate application were removed and replaced with the amount determined in accordance with the Generic Decision. If an applicant did not file a specific smart meter investment plan or request approval of any associated amount in its revenue requirement, the Generic Decision provided that \$0.30 per residential customer per month be reflected in the applicant's revenue requirement. As there have been variance accounts established and for simplicity, the Board did not make any distinction for purposes of setting rates between the meter costs for residential and non-residential customers. Furthermore, the Generic Decision stated that this smart meter revenue will be allocated to all metered customers and recovered through the monthly service charges.

In the Board's code development processes for setting 2007 distribution rates, Board staff has proposed an increase to the allowance in rates for smart meter implementation. The details of this proposal are found at section 4.3.1 of Board staff's July 25, 2006 Discussion Paper². Parties have been asked to comment on this proposal.

Some utilities have advanced their smart meter implementation program. The Board will therefore consider urgent applications for rate relief to support their smart meter program. Such an application must detail both the level and timing for relief and how it addresses the utility's revised smart meter plan. These utilities should file their updated smart meter implementation plan as part of their application for rate relief. Interim rate relief may be sought if the request is urgent. The application should also explain why the smart meter program cannot be funded through normal asset financing arrangements of the utility. Utilities are also reminded that the Board is required to publish adequate notice of a utility's proposal to increase rates.

Shortly, the Board will issue guidelines to assist distributors in filing their smart meter investment plans.

Questions regarding the smart meter plan filing requirement should be directed to the Board's Market Operations Hotline at 416-440-7604 or by e-mail at Market.Operations@oeb.gov.on.ca.

Yours truly,

Original Signed By

Peter H. O'Dell
Assistant Board Secretary

² Staff Discussion Paper on the Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors, dated July 25, 2006, and available on the Board's web site www.oeb.gov.on.ca