

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 **PowerStream Inc.** for an order approving just and reasonable rates and other charges for electricity distribution to be effective May 1, 2009.

**DOCUMENT BRIEF OF THE
SMART SUB-METERING WORKING GROUP (“SSMWG”)**

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I N D E X

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TAB 1

Smart Sub-Metering Working Group Interrogatory #1

Rate Base (Exhibit B)

- 2.1 Are the amounts proposed for Rate Base appropriate?
- 2.2 Are the amounts proposed for 2009 Capital Expenditures appropriate?

References: Exhibit B1/T4/S2/p. 2
Exhibit B1/T4/S2/p. 19
Exhibit B1/T6/S1
Exhibit B1/T7/S1

Question:

1. **PowerStream proposes the continuation of a multi-unit residential smart suite metering program (the “Suite Metering Program”) and budgets expenditures of \$5.7 million for the years 2008 to 2012 (Exhibit B1/T6/S1). The PowerStream capital investment process indicates that a business case is completed for all projects in excess of \$250,000 (Exhibit B1/T2/S1, p. 19).**

Please provide a copy of all business cases, plans, presentations to the PowerStream Executive Management Team, internal communications and calculations that relate to the Suite Metering Program from its inception.

Response

PowerStream, as a licensed electricity distributor, has a service territory distribution monopoly and, generally, it is not engaged in competitive businesses. The most notable exception is smart suite metering; this is a very competitive business segment with numerous market participants. In addition to PowerStream, a number of intervenors are also engaged or are attempting to get a foothold in this market segment. These intervenors – Carma Industries Inc., Enbridge Electric Connections Inc., Hydro Connection Inc., Intellimeter Canada Inc., Stratacon Inc. and Wyse Meter Solutions (collectively, the “Smart Sub-Metering Working Group”) – filed a late intervenor request with the Board dated February 17, 2009 in which the competitive nature of this business segment was openly acknowledged.

PowerStream is concerned that SSMWG has intervened in this proceeding to gain access to certain information from PowerStream for the purpose of securing an unfair competitive advantage *vis-à-vis* PowerStream. This particular interrogatory is a blanket request for any and all internal documents pertaining to PowerStream's suite metering program without any attempt to link the information requested to the matters at issue in this proceeding. Bluntly speaking, it

amounts to nothing more than a "fishing expedition." Nevertheless, in order to avoid procedural wrangling, PowerStream is prepared to provide a copy of PowerStream's suite metering business plan as well as an excerpt from the minutes of the meeting of its Board of Directors documenting its decision to provide suite metering service to condominiums. Accordingly, the following documents are attached hereto:

- (i) **Schedule SSMWG 1-1:** a document entitled "Sub-Metering Competitive Strategy," presented to PowerStream's Board of Directors (October 24, 2007); and
- (ii) **Schedule SSMWG 1-2:** an excerpt from the minutes of a meeting of PowerStream's Board of Directors (October 24, 2007).

The two schedules referenced above are provided in unredacted form with the exception of four references in Schedule SSMWG 1-1 to specific third-party service providers. As a courtesy to the parties involved, these references have been redacted in the copy of Schedule SSMWG 1-1 that is being provided to intervenors in this proceeding. An unredacted version of Schedule SSMWG 1-1 is being filed with the Board.

It is important to note that the phrase "sub-metering" is used throughout the schedules. At the time these documents were prepared, this terminology was accurate. This subsequently changed and now the correct terminology is "individual suite metering." The use of the term "sub-metering" should not be interpreted to mean that PowerStream is engaged in the sub-metering business. PowerStream is not now, nor has it ever been, engaged in the sub-metering business in condominiums or otherwise.

POWERSTREAM INC. BOARD OF DIRECTORS MEETING – OCTOBER 24, 2007

SUB-METERING COMPETITIVE STRATEGY

Recommendation

The President & CEO and the Vice President Corporate Performance recommend that the Board of Directors authorize Management to take appropriate action to formally pursue Sub-Metering business opportunities as a competitive business within PowerStream's service territory. This course of action was recommended by the Audit & Finance Committee at its meeting of October 23, 2007. These actions include the formal engagement of a marketing and technology partner to assist PowerStream in the execution of this business strategy.

Issue Summary

1.0 Current Environment

██████████ is offering Condominium Builder/Developers a \$ 300/unit incentive payment to contract with ██████████ for the installation, operation and maintenance of Sub-Metering system in their new condominium development projects. This poses a serious competitive threat to PowerStream's Sub-Metering business opportunities.

2.0 Background

PowerStream is a rate regulated and licensed electricity Distributor in Ontario. Our distribution rates are established through a public and transparent process fully regulated by the Ontario Energy Board (OEB). When we connect a sub-metering customer they are charged our approved residential distribution rates, which are designed to eliminate any rate class cross-subsidisation.

██████████ and ██████████, both of whom are active in our service territory, are unlicensed sub-metering entities whose rates are unregulated. Their rates are consequently not subject to the review of any regulatory agency for fairness or cross-subsidisation issues and the OEB at present has no plans to undertake such regulation.

For new condominium construction the decision to install a Sub-Metering system in a development and chose a service provider is decided by the Developer/Builder and not the successor Condominium Corporation. The service agreement and related costs are subsequently assumed by the condominium unit owners as part of their purchase agreement.

Ministry of Energy (MOE) and OEB staff are of the understanding that under Section 112 of the Condominium Act a Condominium Corporation can terminate a Sub-Metering service agreement at its discretion given it effectively consumer choice. Based on a legal opinion obtained by PowerStream from Gowlings Lafleur Henderson, the Condominium Corporation does not have this authority effectively making the Corporation and its unit owners the captive clients of the service agreement it assumes from the Developer/Builder.

2.1 Advocacy Efforts

Advocacy efforts by various LDC's and the EDA to influence the MOE to eliminate electricity distribution competition (embedded distribution) on private property were unsuccessful. The MOE subsequently introduced regulations to formalise the requirements for sub-metering and the OEB is now in the process of developing Distribution System Code requirements in support of these regulations.

PowerStream representatives met with staff of the OEB Compliance Section on October 1st to advise them of the evolving competitive pressures in the sub-metering business environment and urged them to make competitors in the Sub-Metering business subject to the same rate regulation provisions as Local Distribution Companies. Board staff

Item # 3 for Approval
SSMWG 1-1

advised that, in their opinion, the OEB lacks the jurisdiction to rate regulate these entities and has no current plans to do so.

3.0 Strategic Importance to PowerStream

- Customer growth potential in the multi-unit metering classification is substantial. Based on current building plans PowerStream could increase its customer base by up to 2,000 – 3,500 (1.0 -1.5%) per year by offering individual unit metering. It is an important organic growth opportunity within our service territory. Moreover, this opportunity will only increase as urban growth density intensifies.
- New customer connections are a key component of the OEB's performance based metrics approach to the 3rd phase of Incentive Based Regulation. The extent to which PowerStream can increase its customer base will result directly in more favourable performance results for PowerStream and reduce Regulatory risk.
- Providing individual unit connections for condominium customers provides PowerStream with the ability to engage these customers directly in CDM initiatives. Without sub-metering these customers cannot be engaged in achieving the Government's conservation objectives. As approximately 10% of PowerStream's customers are currently behind the bulk meter, this is a considerable foregone CDM opportunity.
- Finally, adding new plant assets through the sub-metering of condominium developments increases PowerStream's asset base and is supportive of our merger and acquisition activity.

4.0 Key Issues

- The extent to which PowerStream's competitors can recover their "incentive" costs directly from their end customers as their rates are unregulated and not subject to review.
- The extent to which [REDACTED] incentive payments may be cross-subsidised by other segments of their Corporate parent's businesses or [REDACTED] Shareholders given that their rates are unregulated and not subject to review.
- If PowerStream elects to match the incentive payments it will likely establish a precedent that will cause other Developer/Builders to seek the same incentives from PowerStream. Based on the current forecast of condominium developments in our service territory the incentive payments could total \$ 1M. per year.
- It is possible, given the OEB requirements for cost allocation equity, that PowerStream's Shareholders may have to fund the incentive payments from dividends because to recover these costs through distribution rates may result in cross-subsidisation by PowerStream's non-condominium customers.
- If PowerStream elects to make incentive payments the break-even point for cost recovery is 8 years at a maximum incentive of \$ 125/unit.

5.0 Alternatives

5.1 Do Nothing

Not Recommended. Reduced organic and rate base growth and loss of customer numbers for OEB 3rd Phase Incentive Based Regulation.

5.2 Compete for the Business from New Unregulated Subsidiary

Not Recommended. Expensive (> \$ 0.5M) to establish, onerous Affiliate Relationship Code provisions to satisfy, complicated Governance and questionable profitability without other business objects.

5.3 Compete for the Business within the Regulated Distribution Business

Recommended. Provides the opportunity for organic and rate base growth and enhances PowerStream's competitive position with respect to 3rd Phase Incentive Based Regulation.

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SSMWG 1-1

6.0 Recommendations

- That the Board of Directors authorize Management to take appropriate action to formally pursue Sub-Metering business opportunities as a competitive business within PowerStream's service territory.
- That PowerStream continue our advocacy efforts. While initial attempts to engage MOE and OEB staff have been disappointing, focusing on the lack of customer mobility may provide leverage.

MINUTES OF A MEETING OF THE BOARD OF DIRECTORS

POWERSTREAM INC.

POWERSTREAM VAUGHAN BOARDROOM

2800 Rutherford Road

Vaughan, Ontario

WEDNESDAY, OCTOBER 24, 2007

Directors Present: Peter Meffe, Chair
Tony Carella, Director
Linda Jackson, Director, via teleconference
Tony Wong, Director
Dan Horchik, Director
Mario Ferri, Director
Bernie DiVona, Director
David Allison, Director
Joyce Frustaglio, Director, via teleconference

Officers Present: Brian Bentz, President & CEO
John Glicksman, EVP & CFO
Dennis Nolan, EVP Corporate Services & Secretary
Jack Dinsdale, EVP Asset Management
Milan Bolkovic, EVP & COO
Mike Matthew, Director, Asset Management

Other Attendees: Ed Chatten, VP Corporate Performance
Eric Fagen, Manager, Corporate Communications

Regrets: Frank Scarpitti, Vice-Chair

Mr. Meffe acted as Chair and Mr. Dennis Nolan, acted as Secretary.

Mr. Meffe called the meeting to Order.

CONFIRMATION OF AGENDA

ON MOTION DULY MADE, SECONDED, AND CARRIED, the following resolution was passed:

RESOLVED that the agenda be confirmed. There being no disclosure of interest, the meeting proceeded to consider new business.

3. **SUB METERING COMPETITIVE STRATEGY**

Report by the President & CEO and the VP Corporate Performance

Mr. Chatten, Vice- President Corporate Performance and Metering reviewed the Report with the Board. Mr. Chatten explained Management's recommendations to take appropriate actions to pursue sub-metering business opportunities within PowerStream's service territory.

After discussion, it was:

RESOLVED THAT the Strategy be approved, amended to remove the payment of incentives or customer acquisition fees.

Smart Sub-Metering Working Group Interrogatory #1

Rate Base (Exhibit B)

2.1 Are the amounts proposed for Rate Base appropriate?

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References: Exhibit B1/T4/S2/p. 2
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Question:

- 1. PowerStream proposes the continuation of a multi-unit residential smart suite metering program (the “Suite Metering Program”) and budgets expenditures of \$5.7 million for the years 2008 to 2012 (Exhibit B1/T6/S1). The PowerStream capital investment process indicates that a business case is completed for all projects in excess of \$250,000 (Exhibit B1/T2/S1, p. 19).**

Please provide a copy of all business cases, plans, presentations to the PowerStream Executive Management Team, internal communications and calculations that relate to the Suite Metering Program from its inception.

Response

PowerStream as a licensed electricity distributor has a service territory distribution monopoly and, generally, it is not engaged in competitive businesses. The most notable exception is smart suite metering – this is a very competitive business segment with numerous market participants. In addition to PowerStream, a number of intervenors are also engaged or are attempting to get a foothold in this market segment. These intervenors – Carma Industries Inc., Enbridge Electric Connections Inc., Hydro Connection Inc., Intellimeter Canda Inc., Stratacon Inc. and Wyse Meter Solutions (collectively, the “Smart Sub-Metering Working Group”) – filed a late intervenor request with the Board dated February 17, 2009 in which the competitive nature of this business segment was openly acknowledged.

PowerStream is concerned that these entities have intervened in this proceeding to gain access to certain information from PowerStream (IRs #1, 7, 12 & 13) that, if produced, would give them an unfair competitive advantage vis-à-vis PowerStream. The requested information consists of proprietary, commercially sensitive pricing intelligence. PowerStream is naturally concerned that disclosure of this information would cause irreparable harm to PowerStream, its shareholders, employees and other stakeholders, including private sector contract service providers. PowerStream does not object to the Board or Board staff receiving this information,

but it is not prepared to share it with the Intervenors. Therefore, PowerStream intends to avail itself of the protections of Rule 10 and the Confidential Filing Practice Direction.

TAB 2

Smart Sub-Metering Working Group Interrogatory #2

Question:

Please explain how the Suite Metering Program operates, including:

- (a) To whom is it available – multi-unit condominiums, multi-unit residential complexes, commercial developments, etc.?**
- (b) Is the Suite Metering Program available to both new and existing (either bulk metered or conventionally metered) buildings?**

Response

- (a) The program is available to all condominiums as defined in the *Condominium Act, 1998*.
- (b) See above.

TAB 3

Smart Sub-Metering Working Group Interrogatory #3

Question:

Please produce a copy of all written information or brochures provided to developers, building owners or condominium corporations that promote and/or explain how the Suite Metering Program operates and its benefits and attributes.

Response

Please see Schedule SSMWG-3.

TAB 4

Smart Sub-Metering Working Group Interrogatory #4

Question:

Please confirm that the Suite Metering Program first operated in 2007. If the Suite Metering Program began in an earlier year, or if any expenses associated with its development and roll out were incurred in prior years, please provide a breakdown of the year and the amount.

Response

The Program began in 2007.

TAB 5

Smart Sub-Metering Working Group Interrogatory #5

Question:

Please provide a breakdown of the amounts actually spent on the Suite Metering Program in 2008 and to date in 2009. Please provide for each of 2007, 2008 and 2009 the number of buildings in which Suite Metering Program expenditures were made and the number of units in each of these years that were individually metered as part of the program.

Response

2008 Program costs were \$1.5M for 2,200 units. 2009 Program costs are forecasted at \$1.1M for 1,600 units. In 2007, the number of buildings was 10; in 2008 the number of buildings was 17. The number of units in 2007 was 2500. PowerStream does not have a forecast of building numbers for 2009.

Table SSMWG 5-1: Suite Metering Program Expenditures

	2007	2008	2009
\$ spent	\$1.7	\$1.5M	\$1.1E
Buildings	10	17	n/a
Units	2,500	2,200	1,600E

As of March 31, 2009 270 units at a total cost of approximately \$185,000 have been commissioned.

TAB 6

Smart Sub-Metering Working Group Interrogatory #6

Question:

How has PowerStream developed its budget/forecast expenditures for 2009 through 2012? Please advise as to the number of buildings and units that PowerStream forecasts to meter under the Suite Metering Program for each of the years 2009 through 2012. Please provide a breakdown, if applicable, between new versus existing (retrofit) projects for each of these years. Please provide PowerStream's estimate of the percentage of the new and existing multi-unit condominium market that it believes its Suite Metering Program will address in each of the years 2009 through 2012.

Response

The forecast is developed based on prevailing economic conditions, past program success and anticipated development plans. PowerStream's forecast is approximately 1,600 units per year. PowerStream does not forecast the number of buildings. PowerStream does not develop a detailed forecast of new versus retrofit installations.

TAB 7

Smart Sub-Metering Working Group Interrogatory #7

Question:

The PowerStream Website indicates that the Suite Metering Program utilizes Quadlogic Smart Meters. What is PowerStream's forecast cost per suite to purchase and install Quadlogic Smart Meters, and what portion of this amount is included in the Suite Metering Program?

Response

PowerStream's response to SSMWG-5 provides: (i) the actual fully-allocated cost of its suite metering program in 2007 and 2008 and its forecast of such costs for 2009; and (ii) the number of buildings and units involved in the suite metering program. The fully allocated *per* unit cost of PowerStream's suite metering program in each year can be derived from this information.

Amounts paid by PowerStream to Quadlogic and Trilliant in respect of hardware, procurement, installation, data acquisition and project management services are embedded in the fully allocated cost data provided in response to SSMWG-5. These vendors were chosen on the basis of a competitive tender and, accordingly, the prices of their service comprise market prices. Pricing information that is specific to each of these vendors is proprietary to these vendors and PowerStream is unable to unilaterally provide this information to any third parties. Moreover, PowerStream is of the view that SSMWG does not require this specific proprietary information for any purpose that is relevant to a rate application proceeding. The cost information provided in other responses to SSMWG interrogatories is more than sufficient to formulate positions on the issues that are relevant in this proceeding.

Smart Sub-Metering Working Group Interrogatory #7

Question:

The PowerStream Website indicates that the Suite Metering Program utilizes Quadlogic Smart Meters. What is PowerStream's forecast cost per suite to purchase and install Quadlogic Smart Meters, and what portion of this amount is included in the Suite Metering Program?

Response

All of the Quadlogic costs are included in the Smart Suite Metering Program.

For the reasons given in response to SSMWG-1, PowerStream is not in a position to provide the requested information.

TAB 8

Smart Sub-Metering Working Group Interrogatory #8

Question:

What is PowerStream's policy for charging each of the following owners/developers for all or a portion of the cost to purchase and install the Quadlogic Smart Meters (or any other smart meters PowerStream contemplates utilizing as part of the Suite Metering Program):

- (a) Existing condominium corporations and/or unit owners;**
- (b) A condominium, at any stage of construction;**
- (c) Existing residential complexes as this term is defined under the *Residential Tenancies Act*;**
- (d) Planned or residential complexes at any stage of construction.**

Response

a) to d) If an existing condominium as defined in the *Condominium Act, 1998* requests a connection PowerStream will connect the customer in accordance with sections 3.1.4 and 3.1.5 of the Distribution System Code. For residential condominiums, existing condominium corporations and/or unit owners are not charged a connection charge. All costs related to serving those customers are recovered through PowerStream's regulated residential distribution rates. For non-residential condominiums, existing condominium corporations and/or unit owners are charged a connection charge to recover the costs that are not collected through PowerStream's regulated general service distribution rates. The policy does not discriminate based on whether the existing condominium is to be individually suite-metered by PowerStream, bulk-metered or bulk-metered and subsequently sub-metered by a smart sub-metering service provider.

If PowerStream must construct new facilities to its main distribution system or increase the capacity of existing distribution system facilities in order to be able to connect a condominium as defined in the *Condominium Act, 1998*, PowerStream runs the economic evaluation model of the expansion project in accordance with Appendix B of the Distribution system Code to determine if the future revenue from the customers will pay for the capital cost and on-going maintenance costs. The model is run whether the condominium is to be individually suite-metered by PowerStream, bulk-metered or bulk-metered and subsequently sub-metered by a smart sub-metering service provider.

PowerStream does not install or operate smart suite metering in new or existing residential complexes as defined in the *Residential Tenancies Act*.

TAB 9

Smart Sub-Metering Working Group Interrogatory #9

Question:

If a project requires PowerStream to undertake an economic evaluation under the *Distribution System Code*, is such a project eligible to participate in the Suite Metering Program? If so, how does this affect the economic evaluation?

Response

Please refer to answer SSMWG-8.

TAB 10

Smart Sub-metering Working Group Interrogatory #10

Question:

Does the Suite Metering Program ever have an impact on the fixed or variable connection charges that PowerStream would otherwise charge project developers/owners, and if so, how does this work?

Response

No.

TAB 11

Smart Sub-metering Working Group Interrogatory #11

Question:

If the Suite Metering Program was discontinued, please provide PowerStream's estimate of the increase in either or both of variable connection fees and capital contributions recovered from a project developer/owners for each of the years 2009 to 2012. Please explain the basis for your answer.

Response

Yes. There would not be any of the increases referred to in this IR. The reasons are as follows. Connection fees and capital contributions recovered from project developer/owners are independent of the Suite Metering Program. PowerStream runs the economic evaluation model in accordance with Appendix B of the Distribution system Code of the expansion project to determine if the future revenue from the customers will pay for the capital cost and on-going maintenance costs of the expansion project.

Ontario Regulation 442/07 obligates a licensed distributor to install smart meters where a class of property as defined in the Regulation requests it to do so. If the Suite Metering Program was discontinued, PowerStream would still retain this obligation – the fact that the Company has called it a Suite Metering Program does not relieve the Company of its obligation. PowerStream has identified its program separately because it utilizes technology that is appropriate for condominiums as opposed to single family dwellings or other non-residential customers. If project developers/owners determined that they did not want individual suite metering, as is sometimes the case, any charges assessed would be based on a bulk meter.

TAB 12

Smart Sub-metering Working Group Interrogatory #12

Cost of Service (Exhibit D)

I4.1 Are the overall levels of the 2009 Operation, Maintenance and Administration Budgets appropriate?

Reference: Exhibit D1/T1/Schedules 1, 2, 3, 4 and 9 Question:

Does PowerStream include in its proposed 2009 OM&A Budget any amounts for the operation and promotion of the Suite Metering Program (salaries, overhead, etc.)? Please provide the amounts attributable to the Suite Metering Program on a fully allocated basis.

Response

Yes. The 2009 OM&A amounts set out in PowerStream's Application include \$127,000 which comprises PowerStream's forecast of the fully allocated (including burdens) OM&A cost of PowerStream's 2009 suite metering program.

Smart Sub-metering Working Group Interrogatory #12

Cost of Service (Exhibit D)

I4.1 Are the overall levels of the 2009 Operation, Maintenance and Administration Budgets appropriate?

Reference: Exhibit D1/T1/Schedules 1, 2, 3, 4 and 9

Question:

Does PowerStream include in its proposed 2009 OM&A Budget any amounts for the operation and promotion of the Suite Metering Program (salaries, overhead, etc.)? Please provide the amounts attributable to the Suite Metering Program on a fully allocated basis.

Response

Yes.

For the reasons given in response to SSMWG-1, PowerStream is not in a position to provide the requested information.

TAB 13

Smart Sub-metering Working Group Interrogatory #13

Question:

The PowerStream Website indicates that it partners with Trilliant Networks to deliver the Suite Metering Program. Please advise of Trilliant's role and whether the 2009 OM&A Budget includes any forecast amounts payable to Trilliant, and if so, the forecast amount.

Response

Trilliant provides procurement, installation, data acquisition and project management services in connection with PowerStream's suite metering program. The 2009 OM&A Budget does include forecast amounts payable to Trilliant. Please see revised responses to SSMWG-7 and SSMG-12 for further information on this matter.

Smart Sub-metering Working Group Interrogatory #13

Question:

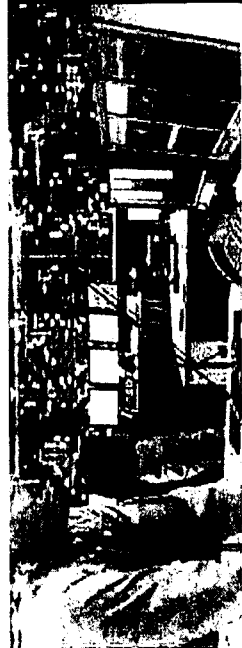
The PowerStream Website indicates that it partners with Trilliant Networks to deliver the Suite Metering Program. Please advise of Trilliant's role and whether the 2009 OM&A Budget includes any forecast amounts payable to Trilliant, and if so, the forecast amount.

Response

Trilliant provides procurement, installation and data acquisition and project management services. The OM&A budget does include amounts payable to Trilliant.

For the reasons given in response to SSMWG-1, PowerStream is not in a position to provide the requested information.

Further, this information is also proprietary and confidential to Trilliant, which does not consent to it being furnished to third parties.



SMART METER TECHNOLOGY

The Ontario Energy Board has established residential time-of-use rates, or electricity prices charged per kilowatt-hour (kWh) that change throughout the day. The different pricing periods of "On-Peak", "Mid-Peak" and "Off-Peak" were set based on how the cost to produce electricity in Ontario varies by the time of day, day of the week and the season. In accordance with these rates, Smart Suite Metering systems, equipment and technology must be capable of measuring electricity consumption or use in each unit and, at a minimum, should be capable of measuring electricity consumption or use in hourly intervals. PowerStream and its technology partners deliver completely integrated metering and communication systems that utilize advanced smart meters, two-way communications networks and automated data collection. With many years of experience in solving meter communications, our delivery team is focused on commercial high-rise Smart Suite Metering solutions for electric data collection and management.

ABOUT POWERSTREAM

PowerStream is the third largest local electricity distribution company in Ontario, delivering power to more than 240,000 residential and business customers in the municipalities of Aurora, Markham, Richmond Hill and Vaughan.

The company, jointly owned by the City of Vaughan and the Town of Markham, is committed to providing its customers with safe, reliable and efficient service. PowerStream achieves this goal by focusing on operational efficiencies and procedures in order to minimize overhead costs and maximize the use of company assets.

OUR MISSION

To deliver reliable power and related services safely and efficiently to support our customers' quality of life and to provide value to our shareholders.

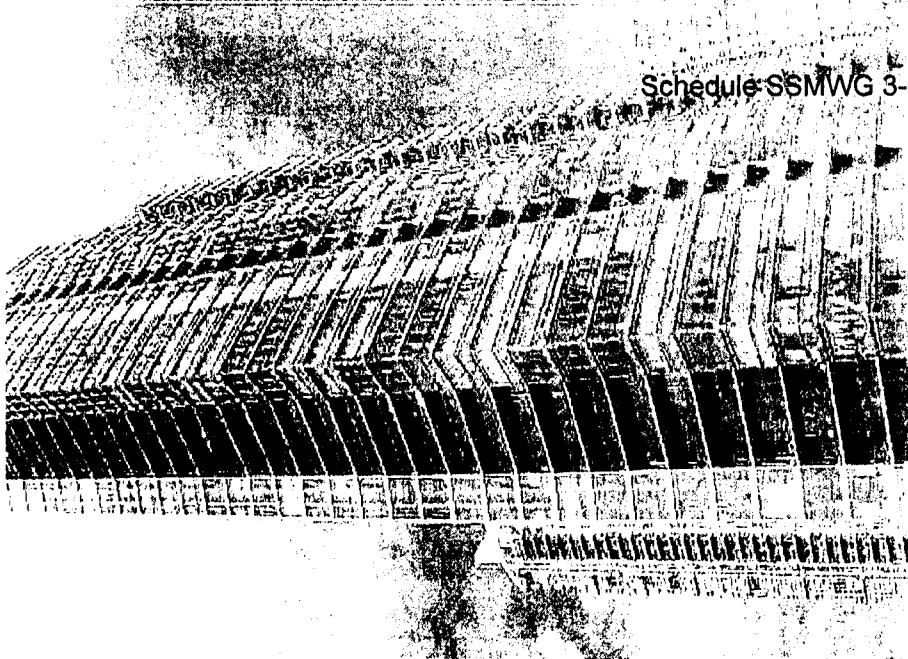
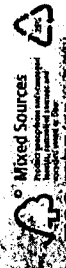


CALL 905.326.2297
TO ARRANGE
FOR A FREE
CONSULTATION

161 Cityview Boulevard, Vaughan, Ontario, L4H 0A9

www.powerstream.ca

info@powerstream.ca



Schedule 66MWG 3-1

Smart Suite Metering for Retrofit/Bulk Metered Properties

Real-time in suite utility management

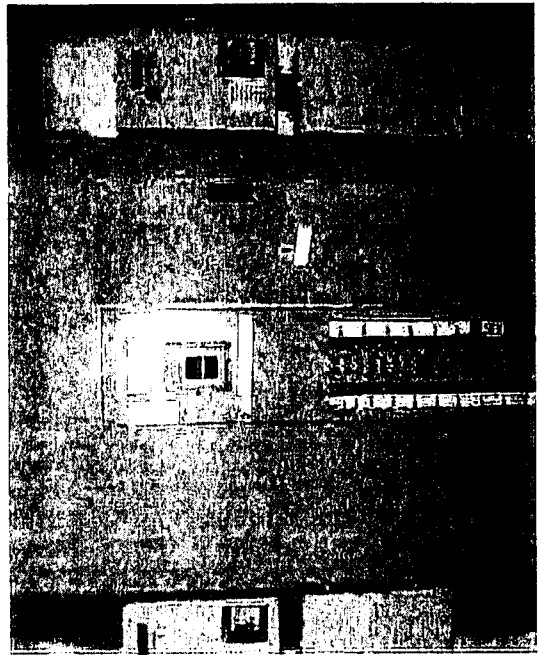


Your current connection...

CONDO UNIT METERING

With the introduction of Bill 21 by the Ontario Government, existing condominiums in Ontario have the option to install separate "smart" electricity meters for each individual unit. A number of studies and pilot projects have proven that this new legislation for Smart Suite Metering will address the growing need to better manage electricity consumption and will eliminate the financial risk for property owners to manage ever increasing electricity costs over time.

As experts in energy technology, PowerStream offers turnkey Smart Suite Metering solutions that offer benefits to all stakeholders - from condo developers, corporations, owners, managers and directly to residential suite owners.



SMART SUITE METERING CONTROL

Unlike offerings from independent contractors, PowerStream has the technology backbone and the implementation team to design, deploy, commission and project manage a Measurement Canada approved solution. As your local electric utility, you can be assured that we and the implementation partners we choose, will be here indefinitely to stand behind the quality of our products and service.

STAKEHOLDER BENEFITS

As an energy conservation measure, electrical Smart Suite Metering will lower electrical consumption only to the extent that individual residents are incented to reduce usage. The financial savings flowing from reduced consumption directly benefits those who conserve.

Condominium Corporations

- PowerStream will supply and install the individual suite meters at no cost to the condominium corporation;
- The meters meet the same Measurement Canada requirements for accuracy and durability as those installed elsewhere;
- As you know, the quality of the work is critical;
- Designed by a company with a proven track record;
- Turnkey Smart Suite Metering solutions.

RESIDENTIAL OWNERS

Residential Unit Owners

- Homeowners pay for their own energy use and can implement their personal conservation strategy;
- As their local utility, PowerStream provides one bill to homeowners;
- Part of an established network of more than 240,000 customers;
- Technically sound billing system;
- Proven customer care metrics;
- Equitable rates, including customer suite owner charges;
- Rates regulated by Ontario Energy Board (OEB) through a public hearings process.

Schedule SSM-VG 3-1

PowerStream
Smart Suite Metering



CALL
905.326.2297
TO ARRANGE
FOR A FREE
CONSULTATION



Smart-Suite Metering Proposal

For

Schedule SSMWG 3-1

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED



Schedule SSMWG 3-1

Distributing electricity in Aurora,
Markham, Richmond Hill
and Vaughan

the Wires

The Ontario Energy Board (OEB) announced an increase in electricity prices for all residential and low-volume consumers in the province currently on the OEB's Regulated Price Plan (RPP) effective November 1, 2008. Consumers who have a contract with an energy retailer may or may not be affected by this change and should check with their respective retailer about this.

The OEB raised the RPP prices to 5.6 cents per kilowatt hour (kWh) for electricity usage of up to 1,000 kWh each month and 6.5 cents per kWh for consumption above that threshold. As in previous years, the consumption threshold changed on November 1 from the summer threshold of 600 kWh per month to the winter level of 1,000 kWh per month. Non-residential consumers eligible for the RPP prices continue to use 750 kWh each month as their consumption threshold.

The new prices announced by the OEB, which are reflected on the "Electricity" line of consumers' bills, will result in an increase of \$2.75 (2.54%) per month for a typical PowerStream residential customer who consumes 1,000 kWh of electricity per month. A typical commercial customer on RPP pricing that consumes 2,000 kWh of

electricity in a month will see an increase of \$13.06 (12.01%) per month.

There is no change in the amounts charged by PowerStream which are part of the "Delivery" line on the bill.

The increase in electricity prices is due to a number of factors including new renewable and natural gas generation projects coming into service, the expected cost of the Ontario Power Authority's conservation initiatives and an allowance to reflect an application from Ontario Power Generation (OPG) for increased payments for electricity generated by nuclear and large hydro plants.

The new electricity prices are outlined on the reverse side of this newsletter. More detailed information is also available on our website at www.powerstream.ca.

PROMOTING GREEN CHOICES

Think
with PowerStream

Green is now another colour for PowerStream customers to keep in mind when they think about their electric utility.

In an effort to promote environmental awareness within its service territory, PowerStream, recently announced the adoption of a new brand attribute – "Think Green with PowerStream"

"The phrase embodies the way we would like our customers to approach business and lifestyle practices," PowerStream President and CEO Brian Bentz said when the initiative was launched early in November. "The green choices we make can have a profound impact on the environment and the world we live in."

The initiative is consistent with the company's delivery of a number of Conservation and Demand Management (CDM) programs over the past four years including **peaksaver**, The Great Refrigerator Roundup and the Watt Reader Loan Program for residential customers and the Electricity Retrofit Incentive Program (ERIP) and Power Savings Blitz for business customers.

"Think Green with PowerStream" is also consistent with PowerStream's recent construction of a LEED® gold certified, energy-efficient and environmentally-friendly head office facility in Vaughan.

Look for the 'Think Green with PowerStream' logo over the next few months as it begins to appear on company vehicles, advertisements, brochures, displays, websites, letterhead, business cards and other promotional materials.

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CUSTOMERS TO BENEFIT FROM MERGER

A pending merger of PowerStream and Barrie Hydro is expected to benefit customers of both utilities.

The merger, which should be completed early in 2009, will help to reduce the upward pressure on electricity distribution rates, which account for approximately 20 percent of the charges on customer bills.

"After an initial transition period we expect the merger will help us achieve annual cost savings in excess of \$5 million," Brian Bentz, PowerStream President and CEO explained. "The majority of these savings will be passed on to our customers as we did previously following our 2004 merger of the utilities in Markham, Vaughan and Richmond Hill as well as our subsequent acquisition of Aurora Hydro in 2005."

PowerStream's merger with Barrie Hydro will create the second largest local electricity distribution company in the province, serving more than 310,000 customers in the municipalities of Aurora, Barrie, Bradford West Gwillimbury, Essa (Thornton), Markham, New Tecumseth, Penetanguishene, Richmond Hill and Vaughan.

The merged utility will be jointly owned by the City of Barrie, the City of Vaughan and the Town of Markham.

PowerStream
YOUR CURRENT CONNECTION

BarrieHydro
Distribution Inc.

PowerStream will begin Time-of-Use (TOU) pricing for some customers with Smart Meters by as early as May or June of 2009.

TOU pricing for residential and business customers in PowerStream's service territory will be phased in over a two-year period, with 10,000 customers being switched to the new pricing structure each month.

Customers being switched to TOU pricing will be notified one month in advance of the

continued on reverse

Paying your bill PRE-AUTHORIZED PAYMENT PLANS

As a PowerStream customer you never have to miss paying your hydro bill if you sign up to use one of two pre-authorized payment plans.

Plan 1: The amount of your current bill is drawn from your bank account on the due date indicated on your bill, or;

Plan 2: Your estimated annual charges are split into 12 payments that will be automatically withdrawn from your designated bank account on the 1st or the 15th of each month. In order to adjust for any changes in the province's Regulated Price Plan (RPP), or any changes in electricity usage, your equal payment amount may be adjusted every May and November.

Applications for these automated payment methods are available online at www.powerstream.ca.

If you use your central air conditioner during the summer months you can lessen your impact on the environment by becoming a **peaksaver®** participant.

This is a conservation initiative which will help to build a greener tomorrow by easing the demand on Ontario's power grid on those hot days of the summer when central air conditioning units are usually running full tilt.

It's really easy to sign up and doing so will provide you with a FREE programmable thermostat, \$25 and an online tool to help you manage your heating and cooling energy consumption. On the days of greatest electricity demand, **peaksaver®** may be activated to reduce strain on the provincial grid by cycling the compressors of participating customers' central air conditioning units slower, for up to 4 hours, typically on weekday afternoons and only a few times a year.

For more information on **peaksaver®**, or if you are interested in signing up for the program, please call 1-866-323-0206 or visit our website at www.powerstream.ca/peaksaver.

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COMMUNITY EVENTS CALENDAR

Richmond Hill Winter Carnival
February 6-8/2009

Vaughan Wintertfest
February 8/2009

Markham Spring Home Show
March 6-8/2009

Earth Hour
March 28/2009

Aurora Home Show
April 17-19/2009



HEAD OFFICE:
161 Cityview Boulevard
Vaughan, ON L4H 0A9

IN PERSON:
Markham Cashier:
Markham Civic Centre
101 Town Centre Boulevard
Markham

Vaughan Cashier:
Vaughan Civic Centre
2141 Major Mackenzie Drive
Vaughan

BY PHONE:
Vaughan and vicinity:
905-417-6900

All other areas:
1-877-963-6900

Outage Line: 1-877-777-3810
(Report & Hear Outage Information)

BY POST:
Account Payments:
P.O. Box 3700
Concord, ON L4K 5N2

General Correspondence:
161 Cityview Boulevard
Vaughan, ON L4H 0A9

BY EMAIL:
customerservice@powerstream.ca



Schedule SSMWG-3-1 ELECTRICITY PRICES AND CHARGES

NOVEMBER 1, 2008 – APRIL 30, 2009

Effective November 1, 2008, there are changes to the Electricity lines of your bill. There are no changes to the Delivery, Regulatory and Debt Retirement Charge lines.

The following prices and charges apply to customers within the four municipalities served by PowerStream. Per month charges are pro-rated to the number of days for each bill period.

RESIDENTIAL CUSTOMERS

ELECTRICITY

First 1,000 kilowatt hours (kWh) per month	\$ 0.056	per kWh
Balance over 1,000 kWh	\$ 0.065	per kWh

DELIVERY

Monthly Fixed Charge	\$ 13.23	per month
Distribution Charge	\$ 0.0131	per kWh
Transmission: Network	\$ 0.0049	per kWh
Transmission: Connection	\$ 0.0023	per kWh

REGULATORY

Standard Supply Service Charge	\$ 0.25	per month
Market Service	\$ 0.0062	per kWh

DEBT RETIREMENT CHARGE

LOSS FACTOR ADJUSTMENT	\$ 0.007	per kWh
------------------------	----------	---------

1.0368

BUSINESS CUSTOMERS

Less than 50 kW Demand and Less than 250,000 kWh per year

ELECTRICITY

First 750 kilowatt hours (kWh) per month	\$ 0.056	per kWh
Balance over 750 kWh	\$ 0.065	per kWh

DELIVERY

Monthly Fixed Charge	\$ 29.91	per month
Distribution Charge	\$ 0.0114	per kWh
Transmission: Network	\$ 0.0044	per kWh
Transmission: Connection	\$ 0.0021	per kWh

REGULATORY

Standard Supply Service Charge	\$ 0.25	per month
Market Service	\$ 0.0062	per kWh

DEBT RETIREMENT CHARGE

LOSS FACTOR ADJUSTMENT	\$ 0.007	per kWh
------------------------	----------	---------

1.0368

ELECTRICITY

Spot market

DELIVERY

Monthly Fixed Charge	\$ 302.94	per month
Distribution Charge	\$ 2.3627	per kW
Transmission: Network	\$ 1.8009	per kW
Transmission: Connection	\$ 0.8391	per kW

REGULATORY

Standard Supply Service Charge	\$ 0.25	per month
Market Service	\$ 0.0062	per kWh

DEBT RETIREMENT CHARGE

LOSS FACTOR ADJUSTMENT	\$ 0.007	per kWh
------------------------	----------	---------

1.0368

Prices and charges for Large User class customers are available on the PowerStream website, www.powerstream.ca.

continued from front

change and will be provided with information on how to take advantage of the new way in which they are being charged for their electricity consumption.

TOU pricing is a pricing rate structure for customers with Smart Meters in which prices vary based on the time of day and day of the week customers use electricity. It allows customers to make informed choices to help

manage their consumption and control how much they pay for electricity. The Ontario Government has mandated that all residential and small business customers in the province will have a Smart Meter by the end of December 2010.

For more information on Smart Meters and TOU pricing, please visit our website at www.powerstream.ca/smartmeters.



CONDITIONS OF SERVICE

(excerpts)

PowerStream Inc.

161 Cityview Boulevard
Vaughan, Ontario, Canada
L4H 0A9

Version 2.0

September 27, 2007

The Distribution System Code (DSC) requires that every Distributor produce its own Conditions of Service (COS) document. The purpose of this document is to provide a means for communicating the types and level of service available to the Customers within the PowerStream Inc. service area. The DSC requires that the COS be readily available for review by the general public. In addition, the most recent version of the document must be provided to the Ontario Energy Board (OEB), which in turn will retain it on file for the purpose of facilitating dispute resolutions in the event that a dispute cannot be resolved between the Customer and its local distributor.

This document follows the form and general content of the COS template appended to the DSC and included in this COS as Appendix A. The template outlines the minimum requirements. However, as suggested by the DSC, PowerStream Inc. has expanded on the contents to encompass local characteristics and other specific requirements.

The Distribution Activities (General) section contains references to services and requirements that are common to all Customer classes. This section covers items such as Rates, Billing, Deposits, Hours of Work, Emergency Response, Power Quality, Available Voltages and Metering.

The Customer Class Specific section contains references to services and requirements specific to the respective Customer class. This section covers items such as Service Entrance Requirements, Delineation of Ownership, Special Contracts, etc.

Other sections include the Glossary of Terms and Appendices and References. Subsequent changes will be incorporated with each submission to the OEB.



2.3.7 Metering

2.3.7.1 General

PowerStream will normally meter the Customer's load at the utilization voltage. Except for secondary supply from the street, secondary metering equipment will be located as close as is practically possible to the supply transformer regardless of ownership of the supply transformer. Consult with PowerStream's New Services Department before secondary metering location is determined. Approved meter bases, enclosures and characteristics for the various types of metering installations can be found in the PowerStream's Metering Standards.

For settlement and billing purposes, PowerStream will supply, arrange installation, own, and maintain all meters, instrument transformers, ancillary devices, and secondary wiring required for revenue metering. Metered Market Participants in IESO administered wholesale market must meet or exceed all IESO metering requirements. The Customer agrees to provide PowerStream with remote access to the metering point, at the Customer's cost, for the purpose of maintenance and data collection.

Each Customer will normally be restricted to one metering point per suite/service.

Metering and Service Standards are available on the PowerStream website.

2.3.7.2 Location of Metering

The mutually agreed upon location for PowerStream metering shall provide direct access for PowerStream staff and shall be subject to satisfactory environmental conditions. "Meter installations" shall conform to PowerStream's Metering Standards.

Where PowerStream deems its meters to be in a hazardous location, a meter cabinet or protective housing will be required. Where sprinkler equipment is in the vicinity of meter equipment, drip shields will be installed over all meters and related equipment.

Clear unobstructed access must be maintained to and in front of the meter location.

Any compartments, cabinets, boxes, sockets, or other workspace provided for the installation of PowerStream's metering equipment shall be for the exclusive use of PowerStream.

2.3.7.3 Types of Metering

Unless otherwise noted in Section 3 – Customer Class Specific, below are the standard metering requirements.



2.3.7.3.5 Multi-Unit Residential Suite Buildings

PowerStream does not offer bulk metering of multi unit buildings. All units within a multiunit building will be individually metered. The building owner shall provide a secure meter room or suitable enclosure within the building for the installation of a sub metering system. This room or enclosure will have adequate lighting, a 120 volt outlet.

2.3.7.3.7 Smart Meters

PowerStream will install Multi Unit Metering Systems (or Sub Metering Systems) as per the Ministry of Energy directives to the OEB.

2.3.7.3.8 Service Markings

The Customer shall permanently and legibly identify each metered service with respect to its specific address, including unit or apartment number. The identification shall be applied to all service switches, circuit breakers, meter cabinets, and meter mounting devices as well as those that are not immediately adjacent to the switch or breaker.

All new services in a multiple unit building are required to have unit numbers clearly identified on the tenant entry doors matched directly to each service supply switch or breaker.

2.3.7.6 Meter Reading, Inspection and Access to Meter Equipment

The Customer must provide or arrange free, safe and unobstructed access during regular business hours to any authorized representative of PowerStream for the purpose of meter reading, meter changing, or meter inspection. Where premises are closed during PowerStream's normal business hours, the Customer must, on reasonable notice, arrange such access at a mutually convenient time.

2.3.7.7 Final Meter Reading

When a service is no longer required, the Customer shall provide notice within three (3) business days of the date the service is to be discontinued so that PowerStream can obtain a final meter reading as close as possible to the "final reading date". The Customer shall provide access to PowerStream or its agents for this purpose. If a final meter reading is not obtained, the Customer shall pay a sum based on an estimated demand and/or energy for electricity used since the last meter reading.



2.3.7.8 Faulty Registration of Meters

Metering electricity usage for the purpose of billing is governed by the federal *Electricity and Gas Inspection Act* and associated Regulations, under the jurisdiction of Measurement Canada. PowerStream's revenue meters are required to comply with all specifications established by the Regulations under the above Act.

In the event of incorrect electricity usage registration, PowerStream will determine the correction factors based on the specific cause of the metering error and the Customer's electricity usage history. The Customer shall pay for all the energy supplied based on the reading of any meter formerly or subsequently installed on the premises by PowerStream, with due regard being given to any change in the characteristics of the installation and/or the demand.

2.3.7.9 Meter Dispute Testing

Metering inaccuracy is an extremely rare occurrence. Most billing inquiries can be resolved between the Customer and PowerStream without resorting to the meter dispute test.

Either PowerStream or the Customer may request the service of Measurement Canada to resolve a dispute.

If the Customer initiates the dispute, and the meter is found to be accurate and Measurement Canada rules in favour of PowerStream, PowerStream shall charge the Customer an OEB-approved meter dispute fee.

If the incorrect measurement is due to reasons other than the accuracy of the meter, such as incorrect meter connection, incorrect connection of auxiliary metering equipment, or incorrect meter multiplier used in the bill calculation, the billing correction will apply for the duration of the error. PowerStream will correct the bills for that period in accordance with the Regulations under the *Electricity and Gas Inspection Act*.

2.4 Tariffs and Charges

Tariffs and charges under this section pertain to OEB approved rates and charges. These tariffs relate to the supply of energy and related distribution services to Customers in the service territory.



2.4.1 Service Connection

Charges for distribution services are determined as set out in the Schedule of Rates available from PowerStream. Notice of rate revisions shall be published in local newspapers, billing inserts, newsletters and/or the PowerStream website.

These are OEB approved charges and are subdivided into Customer Administration, Non- Payment of Account, and Special Charges for Access to Power Poles and Special Allowances.

2.4.1.1 Customers Switching to Retailers

There are no physical service connection differences or service connection requirements between Standard Service Supply (SSS) Customers and third party Retailers' Customers. For both Customer groups, energy supplies are delivered through the local Distributor with the same distribution requirements.

2.4.2 Energy Supply

2.4.2.1 Standard Service Supply (SSS)

All existing PowerStream Customers are SSS Customers until PowerStream is informed of their switch to a competitive electricity supplier. The Service Transfer Request (STR) must be made by the Customer or the Customer's authorized Retailer as per the RSC.

2.4.2.2 Retailer Supply

Customers transferring from SSS to a Retailer shall comply with the STR requirements as outlined in sections 10.5 through 10.5.6 of the RSC. All requests shall be submitted as electronic files and transmitted through the Electronic Business Transaction (EBT) system. STR's shall contain information as set out in section 10.3 of the RSC. If the information is incomplete PowerStream shall reject the STR and notify the requesting party that the request cannot be processed as per the RSC, Section 10.4.

2.4.3 Deposits

See Appendix A.

2.4.4 Billing

PowerStream has established a billing method and billing cycles to provide Customers with services through SSS or through a third party Retailer, as per the rules and regulations set out in the RSC.



2.4.4.1 Billing Cycle

PowerStream may, at its option, render bills to its Customers on either a monthly, bimonthly, quarterly or annual basis.

Bills for the use of electrical energy and services may be based on either a metered rate or a flat rate, as determined by PowerStream. Customers are divided into billing cycles and each cycle is read and billed at approximately the same time each billing period based on a previously determined schedule.

PowerStream reserves the right to adjust billing cycles and frequencies as required.

2.4.4.3 Disputes

The Customer may dispute charges shown on the Customer's bill, or other matters, by contacting and advising PowerStream of the reason for the dispute. PowerStream shall promptly investigate all disputes and advise the Customer of the results. For formal disputes, the dispute process outlined in Section 1.8 of this COS shall be followed.

2.4.5 Payments

2.4.5.1 Payments and Overdue Account Interest Charges

PowerStream has established payment methods for the Customer regarding distribution services, other non-competitive charges, and energy supply through SSS, or through a third party Retailer as per the rules and regulations set out in the RSC.

2.4.5.2 Payment Options

Customers may pay their bill by using any of the following methods: cheque, certified cheque or money order mailed to the address indicated on the bill; cash, cheque, debit card, certified cheque or money order at PowerStream's cashier locations; or by bill payment services as offered through most Canadian financial institutions. All payments are to be in Canadian dollars.

Payments associated with the reconnection of a service due to non-payment of an account shall be by cash, money order or certified cheque at one of our cashier locations only. Payments associated with a diversion of power shall only be by certified cheque or money order.

PowerStream also offers two pre-authorized payment plans. The Pre-Authorized Payment Plan (PAP) allows Customers to pay the amount due on the due date indicated on the bill. The Equal Payment Plan (EPP) allows Customers to pay an equal amount on a predetermined date each month over two seasonal six month periods, adjusted by



consumption changes, if necessary and any leftover balances to roll forward into the next period. All EPP accounts will be reviewed periodically to ensure the monthly payment amount accurately reflects billed amounts. PowerStream reserves the right to adjust the monthly EPP amount upon written notification.

2.4.5.3 Late Payment Charges

Bills are due when rendered for services provided to the Customer. Bills are payable in full by the due date, which shall be a minimum of sixteen (16) calendar days from the date of billing. A Customer can pay without the application of a late payment charge up to the due date. Late payment interest charges shall apply at an OEB approved rate of 1.5% per month, compounded to 19.56% per annum, on past due balances. Where a partial payment has been made by the Customer on or before the due date, the interest charge shall apply only to any outstanding balance at the due date.

Outstanding bills are subject to the collection process and may ultimately lead to the service being disconnected or a load limiter being installed thereby restricting the supply of electrical power. Service shall not be restored until satisfactory payment has been made. Services that have been restricted with a load limiter shall only be restored during normal working hours. Discontinuance of service does not relieve the Customer of the liability for arrears.

Management may exercise judgment with respect to risk of non-payment and individual Customer circumstances.



PRE-AUTHORIZED CHEQUING APPLICATION

Account Number:

 - - -

Customer Name: _____

Service At: _____

Address: ☐ same as above or: _____

City / Town: _____

Telephone: Home: _____

Postal Code: _____

Business: _____

✓ Check One Plan Only

☐ **PLAN 1**

Pre-authorized Chequing for Residential and Commercial Customers

The ACCOUNT BALANCE will be automatically withdrawn from your designated bank account on the date indicated on each billing statement.

☐ **PLAN 2**

Equal Payment Through Pre-authorized Chequing for Residential Customers Only

Your estimated annual charges are split into 12 equal payments that will be automatically withdrawn from your designated bank account on the date you select below. Due to the Provincial Regulated Price Plan, your Equal Payment amount will be adjusted every May and November to reflect the winter and summer consumption thresholds of the two-tiered electricity pricing structure as governed by the Ontario Energy Board.

Please check payment withdrawal date: 1st ☐ or 15th ☐ day of the month.

To help us with the estimated payment, please specify the square footage of your residence: _____

Yes ☐ I have attached a "voided" cheque and hereby authorize my financial institution to debit my account in the name of PowerStream Inc.

Signature: _____ Date: _____

Fax the completed application and voided cheque to 905-532-4555 or mail with your next PowerStream payment.

TERMS AND CONDITIONS

- Your account must be at a zero balance before commencing with either Plan.
- You will be notified by letter confirming your enrolment in the Plan. Continue to pay your bill(s) until you receive this notification.
- Once on the Plan, you will continue to receive your PowerStream bill as usual.
- This agreement can be terminated, upon written notification (allow 14 days) at any time by either the customer or PowerStream.
- Upon termination, ANY AMOUNT DUE shall be paid directly to PowerStream. Cancellation of pre-authorized payment does not constitute cancellation of service by PowerStream Inc. and the customer shall be liable for any past, present or future amounts owing.

Customer Service

Vaughan & Vicinity 905-417-6900 ~ All Other Areas 1-877-963-6900 ~ 8 00 a.m. – 4 30 p.m. Monday to Friday

PowerStream Inc. Policy and Procedures

Billing and Collection Procedures

- Bill mailed bi-monthly due in 16 days
- Late payment fee of 1.5% applied on the 3rd day after due date
- Reminder Notice mailed 10 days after due date of bill
- Automated reminder phone call 5 days after due date of reminder notice
- Hand delivered Final Collection Notice after due date of reminder notice (\$30.00 fee)
- Disconnection of hydro service 10 days after delivery of Final Collection Notice
- Upon payment of arrears service to be reconnected within 2 hours
- Current reconnection fee of \$65.00 during business hours (8:00 am – 4:30 pm)
\$185.00 after business hours

Security Deposits

- No security deposit is required unless customer has had a poor payment history within the PowerStream service territory

Payment Locations

- Town of Markham
101 Town Centre Blvd
Markham, On L3R 9W3
Methods of payments accepted: Cash, cheque, debit or after hours drop box.
- Vaughan Civic Centre
2141 Major MacKenzie Dr.
Vaughan, On L6A 1T1
Methods of payments accepted: Cash, cheque, debit or after hours drop box.
- PowerStream Inc.
161 Cityview Blvd.,
Vaughan, On L6A 1T1
Methods of payments accepted: Cash, cheque, debit or after hours drop box.
Phone Number: 1-877-963-6900

Other payment options are:

- Pre-authorized from a chequing account, credit card payments by phone or online, telephone or online banking, by mail or Western Union



APPENDIX “A”

- **Powerstream is prepared to make the following Offer to**

_____.

1. **Powerstream will install a New Quad-Logic Smart Suite Metering System and all associated Equipment at no cost to**
_____.
2. **Powerstream will waive all New Account activation fee's.**
3. **Upon completion of an agreement to do so; Powerstream will own the Relationship with the Suite owners. This relationship is limited to the Suite- Metering and all it's encumbrances. The Condominium Corporation/ PropertyManagement will provide the following to Powerstream.**

**** A spreadsheet listing all Suite Owners**

Suite #'s

Billing Address

Phone #'s

***** Powerstream and the Condominium Corporation will establish a mutually satisfactory Date to transfer ownership.**



TERMS OF REFERENCE LETTER

Suite Meter Installation and Service Provider

_____ (the Condo Corp.) engages PowerStream Inc. (PowerStream) for the purpose of the installation and administration of separate electricity meters for individual condominium units in _____

PowerStream provides the following to the Condo Corp., all at no cost, in return for the Condo Corp.'s agreement that PowerStream will be their exclusive smart suite meter installation and service provider:

- The installation of smart suite meters;
- Data acquisition; data storage; data management; data transfer to PowerStream for billing purposes; operations, maintenance, troubleshooting and repair work to maintain the metering system; and all account management activities, including scheduled meter readings, billing, revenue collection and service disconnect/reconnect as required;
- Meters will meet the same Measurement Canada requirements for accuracy and durability as all other customer meters installed throughout the PowerStream service territory;
- PowerStream fully warrants the quality of our products and services as your local distribution electric utility;
- Individual unit condominium owners will receive a bill for their electricity service directly from PowerStream; and
- The Ontario Energy Board licenses PowerStream to provide distribution services and regulates our fees and practices through a public hearings process;

The meter Installation will comply with PowerStream's Conditions of Service section 2.3.7, and end-use customer tariffs and charges will comply with PowerStream's Conditions of Service section 2.4, see attached.

This Terms of Reference Letter binds the Condo Corp. to contract with PowerStream as their exclusive meter installation and service provider.

The parties agree to the content of this document by their authorized signatures below.

Condo Corp

PowerStream Inc.

Signature: _____

Signature: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

TAB 14

CAPITAL INVESTMENT PROCESS

INTRODUCTION

PowerStream has a strategic plan that sets out specific, measurable, actionable goals with clear expectation of outcomes. This plan is reviewed regularly and, in particular, it is subject to a formal review and revision annually – in February – by PowerStream's Board of Directors and its Executive Management Team ("EMT").

All current and planned corporate goals and initiatives, including the capital investment process, are aligned with the strategic plan. A critical component of PowerStream's strategic planning process is its Five Year Capital Plan; a copy of the current version, 2008-2012, is provided in Exhibit B1, Tab 6, Schedule 1.

The next section of this Exhibit describes the capital investment planning cycle; namely, a rolling five-year period. The current cycle covers the 2008-2012 period; work began in 2007. Capital expenditures were budgeted in detail for 2008 (the bridge year) and 2009 (the test year). These budgets were further refined in 2008 for the purposes of this 2009 EDR Application.

The third section of this Exhibit describes PowerStream's distribution system planning process. This is a seven-step process that includes an asset condition assessment program for asset management purposes. The outcome is an annual Distribution System Planning Report.

The final section of this Exhibit describes the capital investment budget process. Capital expenditure envelopes are developed annually for a five-year period and base capital expenses are segregated from extraordinary capital expenses.






24 **CAPITAL INVESTMENT PLANNING CYCLE**

25 PowerStream's capital investment planning cycle is a rolling five-year period. The
26 process starts each year with a review and revision – as required – of PowerStream's
27 strategic plan by the Board of Directors and the EMT, in early February, and culminates
28 with the approval of the capital investment budgets by the Board of Directors in
29 December.


30 The current cycle covers the period 2008-2012 for which planning began in 2007. The
31 outcome included detailed budgets for 2008 (the bridge year) and 2009 (the test year),
32 that were approved in December 2007. These budgets were further refined in 2008 for
33 the purposes of this 2009 EDR Application.


34 Figure 1 on the next page depicts the capital investment five year planning cycle. The
35 budget for the first year of this cycle is detailed and contains the most accurate
36 information: alternatives have been considered, preferred options have been chosen,
37 and cost estimates completed. In the second year of this cycle, specific activities are
38 identified although alternatives and cost estimates have not been as rigorously
39 developed as in the first year of the cycle. In years three through five, major projects are
40 identified but there is significantly less detail, alternatives may not have been identified,
41 designs are not be final, and cost estimates are based on historical per unit costing with
42 a significant contingency factor.

Figure 1: PowerStream's Perpetual Planning Cycle

	Year One	Year Two	Year Three	Year Four	Year Five
Strategic Plan		(revised each year)			
Corporate Goals		(revised each year)			
Financial Forecast					
System Planning					
Capital Budgeting					

 detailed and specific. Goals & costs set for the calendar year.

 slightly less specific than the current year. Initiatives and goals identified and costed with less certainty than current year.

 significantly less detail supporting information. Best estimate based on current information available.

43

44 • **Key Milestones**

45 The key milestones and dates applicable to the capital investment planning cycle for
46 2008-2012 were the following:

47 • The Board of Directors and the EMT reviewed the strategic plan, identified the
48 corporate goals and initiatives, and approved both – February 2007

49 • The Finance Department developed the 2008-2012 financial forecast and the
50 2008 and 2009 capital budget envelopes – April 2007.

51 • The 2008/2009 Capital Investment Budgets were prepared as follows:

52 – The EMT approved the Budget Guidelines – June 2007

53 – The Budget Guidelines were communicated to all staff – June 2007

54 – Staff prepared the two-year budgets (2008/2009) – September 2007

55 • The 2008/2009 Capital Investment Budgets were approved as follows:

56 – The EMT approved the budgets for presentation to the Audit and Finance
57 Committee of the Board of Directors – September 2007.

58 – The Audit and Finance Committee approved the budgets for presentation
59 to the Board of Directors – September 2007

60 – The Board of Directors approved the budgets - December 2007.

61 • **Strategic Plan and Corporate Goals**

62 PowerStream's Board of Directors and EMT review and revise, as required, the strategic
63 plan. They then identify corporate goals and initiatives that are aligned with the plan.
64 They also revisit and affirm or adjust PowerStream's vision and mission statement.

65 PowerStream's vision is:

- 66 • "We will be an innovative and socially responsible leader in power distribution
67 and related services in Ontario."

68 PowerStream's mission statement is:

- 69 • "To deliver reliable power and related services safely and efficiently to support
70 our customers' quality of life and to provide value to our shareholders."

71 For 2007 and 2008, PowerStream's corporate goals and initiatives pertain to the
72 following topics (Although the 2009 goals and initiatives have not yet been developed,
73 they are expected to be in categories very similar to 2008):

- 74 1. Corporate Governance
75 2. Successful Integration Plans
76 3. Advocacy
77 4. Corporate Culture
78 5. Mergers and Acquisitions Strategy
79 6. New Business Opportunities
80 7. Performance Improvement Measures

81 8. Optimizing System Reliability, Performance and Profitability

82 9. Green (position PowerStream as a "green" enterprise).

83 **FIVE YEAR FINANCIAL FORECAST**

84 The corporate goals and initiatives are used in PowerStream's business planning
85 process during the second and third quarter of each year. The key deliverables of the
86 business planning process are:

- 87 • a Five Year Financial Forecast
- 88 • an updated Distribution System Planning Report (which includes an Asset
89 Condition Assessment and Plans for New Transformer Station Capacity).
- 90 • a Five Year Capital Plan
- 91 • the OM&A and Capital Budgets

92 The EMT determines the timeline for the OM&A and Capital Budgets. The schedule
93 allows staff adequate time to prepare budgets, the EMT appropriate time to review
94 the outcomes and Finance staff time to "package" information for the Audit & Finance
95 Committee and the Board of Directors. The Corporate Finance department prepares
96 Budget Guidelines that provide personnel with their responsibilities and detailed
97 methodology, set out the assumptions for budgeting purposes, and highlight the risks
98 and the corresponding mitigation measures. Corporate Finance also sets the
99 "budget envelope;" that is, the range within which the budgets can be developed in
100 order to meet PowerStream's deemed return on equity or "ROE."

101 The EMT reviews and approves or modifies the Budget Guidelines in June after
102 which the budget process begins in earnest. Corporate Finance analyzes past (i.e.
103 actual) financial results in detail and assists departments to develop their budgets as
104 required. Each department develops a detailed OM&A budget of its own for the first
105 two years of the planning cycle.

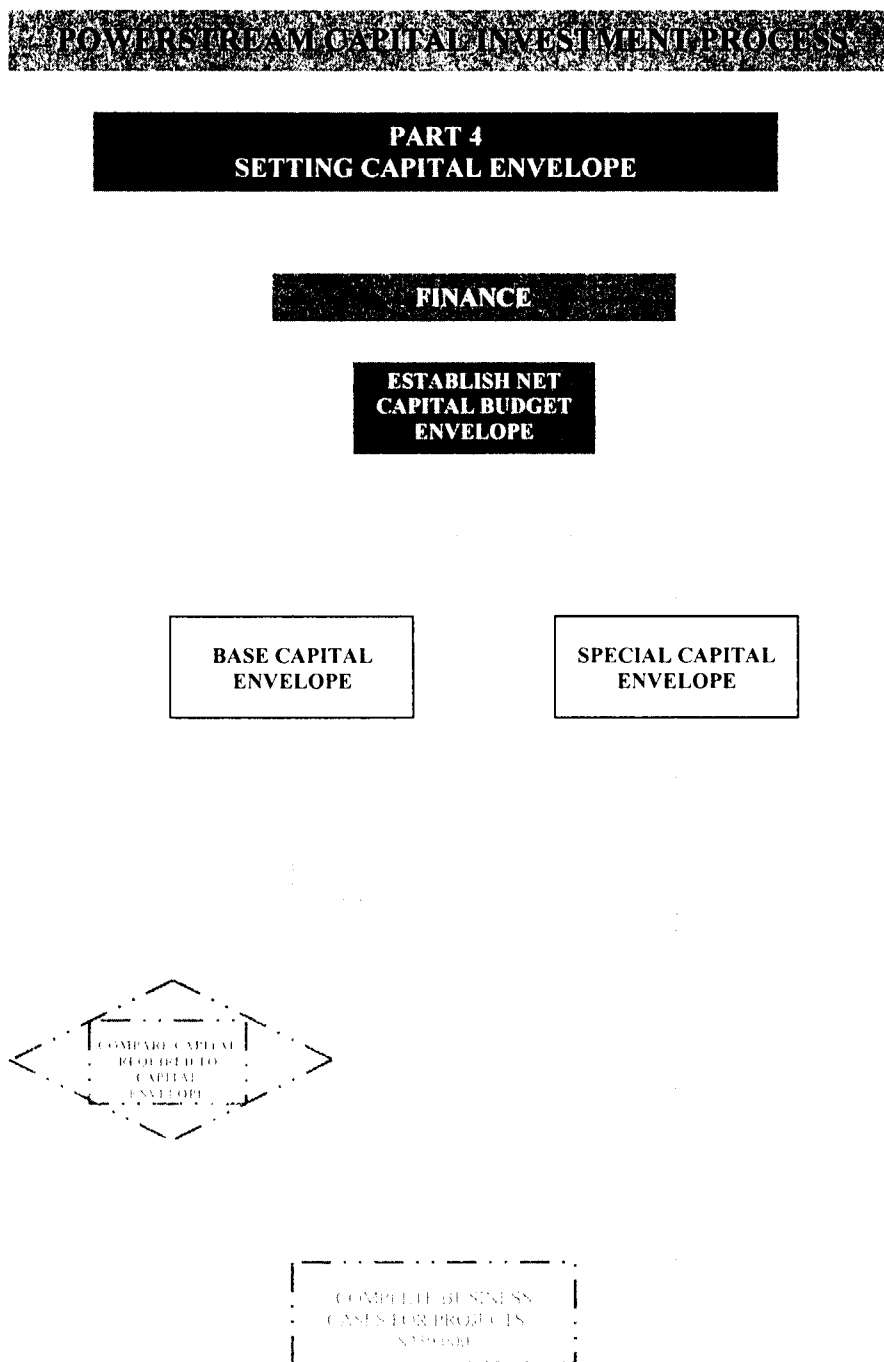
106 The Engineering department also develops a detailed capital budget for the same
107 two years, based on its review and prioritization of capital projects—in consultation

108 with each department. All budgets comply with the Budget Guidelines and, in
109 particular, the budget envelopes.

110 The Corporate Finance Department combines the department-specific OM&A
111 budgets into a single OM&A Budget for PowerStream. The Chief Financial Officer
112 (CFO) with assistance from Corporate Finance, finalizes the OM&A and Capital
113 Budgets for presentation to the EMT. The EMT reviews and approves or modifies
114 each budget. The CFO then provides the Audit and Finance Committee of the
115 Board of Directors with a budget status report, in September. This committee
116 reviews and approves or modifies each budget for presentation to the Board of
117 Directors in December; the latter likewise reviews and approves or modifies each
118 budget.

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Figure 5: Setting the Capital Investment Envelope



573 Figure 8 below depicts the capital budget prioritization and approval process.

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**Figure 8: Prioritization and Approval
CAPITAL APPROVAL**

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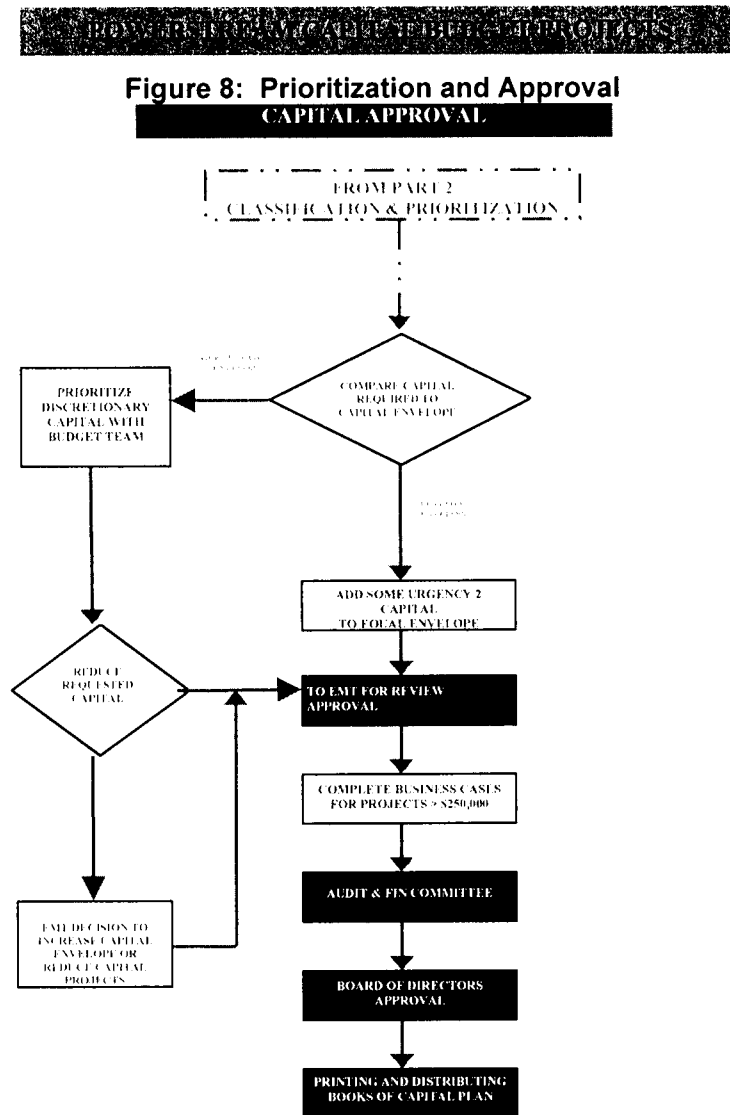
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The final capital budget is submitted to the EMT for approval. Following EMT approval, the budget is presented to the Audit and Finance Committee of the Board of Directors and, after approval by this committee, to the Board of Directors for final approval.

TAB 15

CAPITAL ADDITIONS – 2007 to 2009

OVERVIEW

Table 1 presents the value of PowerStream's capital additions based on five categories for the years 2007 to 2009.

Table 1: Capital Additions 2007 to 2009 (\$000)

Capital Category	2007 Actual	2008 Estimate	2009 Forecast
Sustainment	8,373	19,401	19,618
Development	12,448	23,728	41,019
Operations	13,587	10,080	7,674
Miscellaneous	22,756	6,243	3,955
Subtotal Without Smart Meters	57,164	59,452	72,266
Smart Meters	10,225	6,994	12,975
Total	67,389	66,446	85,241

Table 2 below provides further details on the types of projects in each of the 5 categories.

8

Table 2: Project by Category 2007 to 2009 (\$000)

	2007	2008	2009
1. Sustainment Capital			
1a. Pole or Line Replacements / Upgrades	2,538	5,319	4,454
1b. Transformer Station Enhancements / Upgrades	253	4,528	3,232
1c. Asset Condition Assessment Program	0	2,092	5,339
1d. Distribution System Voltage Conversions	2,231	2,838	3,465
1e. Switchgear Replacements / Upgrades / Refurbishments	1,222	1,316	1,239
1f. Cable Replacement	118	1,063	333
1g. Load Transfers From Other LDC's	283	651	0
1h. Distribution Transformer Enhancements / Upgrades / Refurbishment	832	741	261
1i. Load Interrupter Switch Replacement	386	386	409
1j. Distributor Station Enhancements / Upgrades	45	93	472
1k. Unforeseen Capital Projects	463	375	414
Total Sustainment Capital	8,373	19,401	19,618
2. Development Capital			
2a. Transformer Stations - Additional Capacity	1,556	14,217	22,771
2b. Residential Subdivisions	4,440	5,119	5,019
2c. Distribution System Plant Re-Location	1,877	2,268	5,892
2d. New Commercial Services	90	183	181
2e. Distribution Stations - Additional Capacity	376	127	0
2f. New Overhead or Underground Lines	3,645	1,439	6,742
2g. Unforeseen Capital Projects	464	375	414
Total Development Capital	12,448	23,728	41,019
3. Operations Capital			
3a. System Operation Automation	2,005	2,872	1,819
3b. Unplanned Equipment Replacement	1,835	1,609	1,678
3c. Suite-Metering Costs	1,708	1,472	1,086
3d. Fleet	2,277	1,315	887
3e. Wholesale Meters	239	416	256
3f. Tools	347	312	310
3g. Smart Grid Program	0	273	505
3h. Meter Re-Verification and Replacement Program	629	204	390
3i. Asset Condition Assessment Model Development	108	167	25
3j. Geographic Information System	53	137	101
3k. Conservation & Demand Management - Smart Meter Pilot	769	0	0
3l. System Control Room	1,970	0	0
3m. Storm Damage To Distribution System	1,016	1,302	617
3n. Conservation & Demand Management - Load Control Devices	630	0	0
Total Operations Capital	13,587	10,080	7,674
4. Other Miscellaneous Capital			
4a. Information Technology Enhancements	2,139	1,222	823
4b. Customer Information System Enhancements	872	1,666	1,351
4c. Financial System Enhancements	1,407	1,170	303
4d. New Computer Equipment / Replacement	420	908	800
4e. New Head Office	17,687	794	381
4f. Software Purchase	231	483	297
Total Other Miscellaneous Capital	22,756	6,243	3,955
5. Total Smart Meters Program	10,225	6,994	12,975
Total Capital Expenditures	67,389	66,446	85,241

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444 **3c. Suite-Metering Costs**

445 This program for condominium and apartment type complexes covers the installation of
446 individual unit-metering equipment (a smart meter) to replace the bulk metering systems
447 used in the past. Providing each condo or apartment with their own meter promotes
448 individual energy usage and allows the individual to participate in energy savings
449 programs. Individual suite metering provides equity or fairness amongst all the
450 individuals in the building.

451 **3d. Fleet**

452 On an annual basis PowerStream's fleet program includes an assessment of its fleet
453 condition and considers the replacement of existing vehicles as well as purchases of
454 additional vehicles and equipment required to serve the growing service area.
455 PowerStream has a detailed fleet replacement program which charts the lifecycle of
456 existing vehicles and equipment and assists in determining the spending for any given
457 year. These costs may include expenditures on large line truck vehicles required to
458 service overhead or underground distribution assets or light-weight vehicles required by
459 field engineers and technicians, metering or customer service areas of the business.

460 In 2007 fleet spending was high as a result of delayed delivery of heavy vehicles due to
461 supplier problems.

462 **3e. Wholesale Meters**

463 The IESO has mandated that all wholesale meter locations throughout the province be
464 made compliant with their wholesale meter standards. Wholesale metering is on the
465 230kV supply points to PowerStream's transformer station. The required update, while
466 mandatory, was allowed to be phased-in by allowing and LDC to go to the end of the old
467 meter re-verification date before the standards had to be met. This is a multi-year project
468 that commenced in 2005 and will be fully completed in PowerStream by 2010. The
469 upgrading usually involves the replacement of the PT's, CT's and meter on each 230kV
470 feeder to each transformer station.

654 Windows Server, business applications, anti-virus and security software required as
655 computers need replacement.

656 **SMART METERS**

657 PowerStream is installing Smart Meters and an AMI communication system as part of
658 the Government of Ontario's Smart Meter Initiative. By 2010, 100% of PowerStream
659 customers will be fitted with a smart meter.

TAB 16



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Five Year Capital Plan 2008 - 2012

PowerStream Inc.

April 30, 2008

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59

Operations Capital

Operational capital is defined to include infrastructure capital projects that support the day-to-day operation of the distribution system, including unplanned distribution replacements (storm damage and other breakdown replacements), the outage management system, distribution operations (GIS, the control room and SCADA, the Smart Grid, major tools and fleet vehicles and equipment.

Table 4: Operations Capital Expenditures 2008-2012 (Amounts in 000's)

BUDGET DESCRIPTION	2008	2009	2010	2011	2012
3 Operations Capital					
3.1 Emerging Distribution Replacements	1,609	1,678	1,710	1,742	1,747
3.2 Fleet/Tools/Warehouse	2,929	1,814	1,081	1,024	1,037
3.3 System Management and Control Programs	3,449	2,449	2,561	2,380	3,014
3.4 Meter Programs (Excluding Smart Meters)	2,093	1,733	1,554	1,125	1,151
Total Operations Capital	10,080	7,674	6,906	6,271	6,949

3.1 Emerging Distribution Replacements

Based on experience PowerStream anticipates that there will be a certain degree of ongoing equipment failure. The specific items and cost of repair and replacement are uncertain, and partially related to uncontrollable severe weather events. Considering the average annual expense incurred historically, PowerStream projects current and future replacement costs at \$1.6 million in 2008 growing to \$1.7 million in 2012.

3.2 Fleet / Tools / Warehouse

PowerStream's Five-Year Capital Plan is based on the ongoing assessment and evaluation of key corporate areas of responsibility. PowerStream's fleet, tools and warehouse are critical assets and under constant review and assessment to ensure they are able to meet current and projected needs in support of the reliable and safe supply of electricity. The capital investment planned over the next five years will go

towards the planned replacement of aging, obsolete or damaged equipment and vehicles. \$2.9 million is being invested in vehicle replacement in 2008. Expenditures average of \$1.0 to \$1.8 million over the following four years.

3.3 System Management and Control Programs

PowerStream is investing \$13.8 million over the next five years in distribution system management and control programs in order to improve the reliability of electricity distribution, increase repair process efficiency, improve response times and enhance the quality and timeliness of information given to customers concerning interruptions and repairs to the system.

PowerStream is investing \$2.1 million over the next five years in an Outage Management System (OMS) to replace the current processes. The OMS will provide real-time data, enable PowerStream to remotely and more accurately determine the source and location of unplanned outages, log customer trouble calls, and assist system controllers' with event management and prioritizing response dispatching. These sophisticated OMS features are expected to enable PowerStream to increase operational efficiency, improve the quality of information given to customers and improve response times.

Load interruption, related to outage and planned system repairs, is a costly and time-consuming process, involving dispatch, on-site crews and the manual operation of switches. SCADA Mate Switches are remotely operated by control room staff and allow PowerStream to respond very quickly to emergency situations involving load transfer or power restoration, and improve the overall efficiency, cost and customer satisfaction of the current manual approach. PowerStream is investing \$5.8 million to install 12 new SCADA Mate switches per year over the next 5 years.

3.4 Meter Programs (Excluding Smart Meters)

PowerStream is spending \$7.7 million on meter programs from 2008 to 2012. The installation of new individual suite metering systems will account for \$5.7 million of this expense. The remainder will be invested by PowerStream in its ongoing program of wholesale meter installation, failed meter equipment replacement, revenue meter re-verifications and meter seal extensions. Meter programs are a service provided by PowerStream to improve administrative and operational efficiency, and to ensure the efficient function of customer meters. Variances in expenditures over the five year period correlate to the planning schedule of long-term project activities.

Smart Meters Program

This program is provincially mandated and contains largely statutory expenditures. In line with recent OEB interrogatories requesting to examine this expenditure separately from other OEB defined categories. PowerStream presents this information below.

Table 5: Smart Meter Capital Expenditures 2008-2012 (Amounts in 000's)

BUDGET DESCRIPTION	2008	2009	2010	2011	2012
5 Smart Meters Program					
5.1 Smart Meters Program	6,994	12,975	12,616	0	
Total Capital Expenditure on Smart Meters Program	6,994	12,975	12,616	0	0

5.1 Smart Meters

The Smart Meter program is a statutory expense mandated by the Government of Ontario, which is proceeding with time-of-use electricity pricing and the installation of smart meters throughout Ontario by 2010. The government's overall initiative, technical and functional requirements, and the execution of mass deployment of smart meter solutions are defined within the Energy Conservation Leadership Act, and recent changes to the Electricity Act and the OEB Act. PowerStream collaborated with the Coalition of Large Distributors, the Ontario Utilities Smart Meter Working Group, and other parties to research and develop its Smart Meter Program, conduct pilots, and undertake a smart meter system procurement process.

PowerStream has completed procurement for the installation of the first 80,000 meters. The IESO is project-managing the development of the province-wide centralized Meter Data Management and Meter Data Repository (MDM/R) system. This system will receive meter reading data from LDCs, produce billing quality consumption data, and include all interfaces with the LDCs' AMI and CIS systems.

Appendix 3: Five Year Capital Expenditure Summary

Period: Fiscal Year (2008 - 2012)

Note: all amounts in thousand's

BUDGET DESCRIPTION		2008	2009	2010	2011	2012
1	Sustainment Capital					
	System Reliability (New Installations, Upgrades and Spare Equipment)	9,640	11,499	11,900	19,724	13,646
	Long Term Load Transfer Projects	1,139	0	0	0	0
	Planned Distribution Asset Replacements	8,622	8,119	11,738	11,326	11,284
1	Total on Sustainment Capital	19,401	19,618	23,638	31,050	24,930
2	Development Capital					
	System Expansion (Due to Growth)	20,425	34,615	18,756	16,115	47,027
	System Relocation (Due to Road Authority)	3,303	6,404	13,857	8,009	12,198
2	Total on Development Capital	23,728	41,019	32,614	24,125	59,225
3	Operations Capital					
	Unplanned Distribution Replacements	1,609	1,678	1,710	1,742	1,747
	Operation Center (New Building)					
	Fleet/Tools/Warehouse	2,929	1,814	1,081	1,024	1,037
	System Management and Control Programs	3,449	2,449	2,561	2,380	3,014
	Meter Programs (Excluding Smart Meters)	2,093	1,733	1,554	1,125	1,151
3	Total on Operations Capital	10,080	7,674	6,906	6,271	6,949
4	Other Miscellaneous Capital					
	Administration Projects	5,450	3,573	11,191	7,675	6,611
	Head Office Building (Administration)	794	382	394	404	409
4	Total on Other Miscellaneous Capital	6,244	3,955	11,585	8,079	7,021
5	Smart Meters Program					
	Smart Meters Program	6,994	12,975	12,616	0	0
5	Total on Smart Meters Program	6,994	12,975	12,616	0	0
	Total Capital Expenditure	66,446	85,241	87,359	69,525	98,125

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TAB 17

DISTRIBUTION ASSETS VARIANCE ANALYSIS

OVERVIEW

Changes to Net Fixed Assets ("NFA") represent the largest portion of rate base and is responsible for an increase of \$89M in rate base. This Tab explains the changes in NFA.

NFA is Fixed Assets at Cost less Accumulated Amortization. Accumulated Amortization represents the cumulative annual amortization charges to date on the assets.

Table 1 summarizes the change in NFA and the resulting contribution to rate base.

Table 1: Net Fixed Asset Portion of Rate Base (\$000)

	2006 Board Approved	2006 Actual	2007 Actual	2008 Bridge Year	2009 Test Year	2009 Rate Base	Change in Rate Base
Fixed Assets at Cost	703,127	767,706	824,889	884,966	957,306	921,136	218,009
Accumulated Amortization:	(332,857)	(398,455)	(428,370)	(449,905)	(474,265)	(462,085)	(129,228)
Net Fixed Assets	370,270	369,251	396,519	435,061	483,041	459,051	88,781

Notes: 2006 Board Approved and 2009 Rate Base are averages of opening and closing balances.
2006 Actual, 2007 Actual, 2008 Bridge Year and 2009 Test Year represent year end balances.
2006 Board Approved (EB-2007-0074) EDR 2006 Model Schedule 2-4 Adjusted Accounting Data

As Table 1 illustrates, the increase in NFA, and thereby rate base, is made up of net additions to fixed assets of \$218M offset by an increase in accumulated amortization of \$129M for a net increase of \$89M.

The net additions to Fixed Assets at Cost of \$218M are discussed on the next page.

The net additions to Accumulated Amortization of \$129M represents amortization calculated on assets during the period (net of removal of accumulated amortization on assets that have been fully amortized). PowerStream follows the OEB *Accounting Procedures Handbook for Electric Distribution Utilities* guidance in calculating amortization; see Exhibit D1, Tab 1, Schedule 5 for more details on amortization.

170 **2007 Actual vs. 2006 Actual**

	2006 Actual	2007 Actual	Increase (Decrease) \$	Increase (Decrease) %
• Land and Buildings	\$ 10,388,000	\$ 10,663,000	\$ 275,000	3%

171 Additions were not material.

	2006 Actual	2007 Actual	Increase (Decrease) \$	Increase (Decrease) %
• TS Primary Above 50kV	\$ 82,384,000	\$ 88,055,000	\$ 5,670,000	7%

172 The increase consisted of:

173	▪ Vaughan TS#1 Expansion and Improvements	\$3,207,000
174	▪ New Markham TS#4 – planning costs	\$1,021,000
175	▪ 230 kV remote trip (switch)	\$ 621,000
176	▪ Aurora Municipal Station #4 improvements	\$ 171,000
177	▪ Sonic Ring installation	\$ 185,000
178	▪ Replace radiators at transformer station	\$ 259,000
179	▪ Other	\$ 207,000

180 The addition to the value of the Vaughan TS#1 consists mainly of \$2,997,000 for the
181 expansion that was incorrectly set up as work in progress at the 2006 year end and
182 should have been included in 2006 additions. The balance of \$210,000 was to rebuild a
183 firewall at Vaughan TS#1.

	2006 Actual	2007 Actual	Increase (Decrease) \$	Increase (Decrease) %
• Distribution Station	\$ 8,654,000	\$ 9,948,000	\$ 1,294,000	15%

184 The increase was mainly to add distribution station capacity in the Aurora portion of the
185 service area.

186

	2006 Actual	2007 Actual	Increase (Decrease) \$	Increase (Decrease) %
• Poles, Wires	\$ 496,087,000	\$ 524,125,000	\$ 28,038,000	6%

187 The increase consists of:

188	▪ New residential subdivisions	\$8,595,000
189	▪ New Commercial / Industrial services	\$7,991,000
190	▪ Underground conversions and other projects	\$4,913,000
191	including:	
192	- Graham DS voltage conversion	\$1,828,000
193	- Switchgear replacements	\$1,103,000
194	- Other smaller projects	\$1,982,000
195	▪ Overhead pole relocations and replacements	\$3,694,000
196	- Pole line relocation Bathurst – Wellington	
197	to Aurora boundary	\$ 583,000
198	- Other smaller projects	\$3,111,000
199	▪ New feeder lines and upgrades	\$2,734,000
200	- Pole line rebuild Bayview from	
201	Bloomington to Municipal Station #6	\$1,438,000
202	- Other smaller projects	\$1,296,000
203	▪ Other	\$ 111,000

	2006 Actual	2007 Actual	Increase (Decrease) \$	Increase (Decrease) %
• Line Transformers	\$ 190,433,000	\$ 199,648,000	\$ 9,215,000	5%

204 Line Transformers increased \$9,215,000 with underground transformers accounting for
205 \$7,723,000 of the total. Additions are largely due to new subdivision and commercial
206 services activity and to a lesser degree unplanned replacements due to end of useful life
207 and vehicle accidents.

208

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	2006 Actual	2007 Actual	Increase (Decrease) \$	Increase (Decrease) %
• Services and Meters	\$ 87,090,000	\$ 103,475,000	\$ 16,385,000	19%

210 The increase is due mainly to the deployment of new Smart Meters along with new and
211 upgraded commercial connections. The following new activities added incremental
212 spending in 2007:

213	▪ Installation of Smart Meters	\$9,360,000
214	▪ Smart Meter CDM pilot program	
215	completed in 2007	\$ 394,000
216	▪ Condominium suite-metering	\$ 656,000

217 PowerStream has included Smart Meters installed up to December 31, 2007 in rate
218 base. Condominium suite-metering is not part of the Smart Meter program and has been
219 recorded like any other fixed asset addition.

	2006 Actual	2007 Actual	Increase (Decrease) \$	Increase (Decrease) %
• General Plant	\$ 3,171,000	\$ 2,837,000	\$ (334,000)	-11%

220 In 2006 and 2007, this group consisted mainly of leasehold improvements. The
221 decrease is not material.

	2006 Actual	2007 Actual	Increase (Decrease) \$	Increase (Decrease) %
• Equipment	\$ 19,799,000	\$ 21,149,000	\$ 1,350,000	7%

222 This category consists mainly of service vehicles with the increase representing the net
223 cost of replacements and any new additions.

	2006 Actual	2007 Actual	Increase (Decrease) \$	Increase (Decrease) %
• IT Assets	\$ 12,388,000	\$ 16,679,000	\$ 4,291,000	35%

224 Information Technology had an increase in the asset class by \$4,291,000 from 2006 to
225 2007. The major projects undertaken in 2007 were as follows:

TAB 18

OPERATING & MAINTENANCE AND ADMINISTRATION EXPENSE: OVERVIEW

Table 1 shows PowerStream's Operation, Maintenance and Administration (OM&A) costs, by year, for the period 2006 to 2009.

Table 1: PowerStream OM&A Expense (\$000)

	Board Approved	Historic (Actual)		Bridge Year	Test Year
	2006	2006	2007	2008	2009
Operation	5,587	7,057	8,861	8,237	9,418
Maintenance	6,739	6,319	6,819	5,508	6,471
Operation & Maintenance (O&M)	12,326	13,376	15,680	13,745	15,889
Administration Expenses	25,957	25,419	26,986	25,904	29,210
OM&A Expenses	38,283	38,795	42,666	39,649	45,098
\$ change		512	3,871	-3,017	5,449
% change		1.3%	10.0%	-7.1%	13.7%
% change 2009 to 2006 EDR Approved					17.8%

OM&A costs for 2009 of \$45.1M are an increase of \$6.8M or 17.8% from the 2006 Board Approved amount of \$38.3M.

Table 2 below shows PowerStream's OM&A per customer for 2006 to 2009.

Table 2: OM&A per Customer

	Board Approved	Historic (Actual)		Bridge Year	Test Year
	2006	2006	2007	2008	2009
OM&A, \$000's	38,283	38,795	42,666	39,649	45,098
Customers	213,535	228,666	236,377	243,780	251,638
OM&A / Customer, \$	\$ 179.3	\$ 169.7	\$ 180.5	\$ 162.6	\$ 179.2
OM&A / Customer, % change		-5.5%	6.4%	-9.9%	10.2%
OM&A / Customer, % change - 2009 vs. 2006 Board Approved					0.0%

9 PowerStream's OM&A cost per customer for 2009 has decreased slightly from the cost
10 per customer based on the 2006 Board Approved amounts. Despite many factors driving
11 costs upwards (see Key Drivers for OM&A Changes below), PowerStream has been
12 able to hold down the OM&A cost per customer.

13 PowerStream owns many of the Transformer Stations that supply its service area and
14 these are deemed to be distribution assets. PowerStream estimates that OM&A costs
15 are about 10% higher that they would otherwise be, as a result the ownership of
16 Transformer Stations. PowerStream does not pay wholesale transmission transformation
17 and line connection charges on power supplied from company owned transformer
18 stations. As a result PowerStream's Retail Transmission Connection rates to customers
19 are lower than if it did not own transformer stations.

20 KEY DRIVERS FOR OM&A CHANGES

21 Table 3 provides the estimated impact of significant cost drivers from 2006 Board
22 Approved to 2009.

23 **Table 3: Estimated Impact of Major Cost Drivers for OM&A**
24 **2006 Board Approved to 2009 Test Year (\$000)**

Description	Increase (Decrease)
Wage increases	\$ 4,925
Additional Staff	\$ 4,241
Locate expense	\$ 471
Bad Debt expense	\$ 465
IFRS	\$ 750
Meter Re-verification and Maintenance	\$ (427)
Salary capitalized	\$ (3,473)
Other net increase (decrease)	\$ (137)
Net Change	\$ 6,815

OPERATING, MAINTENANCE AND ADMINISTRATION EXPENSE:
VARIANCE ANALYSIS

INTRODUCTION

Table 1 summarizes PowerStream's OM&A expense and the related year-over-year variances for the period 2006 to 2009.

Table 1: OM&A Expense 2006 - 2009 (\$000's)

	2006 Board Approved	2006 Actual	2007 Actual	2008 Bridge Year	2009 Test Year
Operation (a)	5,587	7,058	8,861	8,237	9,418
\$ Increase		1,471	1,803	(624)	1,181
% Increase		26%	26%	-7%	14%
Maintenance (a)	6,739	6,319	6,819	5,508	6,471
\$ Increase		(420)	501	(1,311)	962
% Increase		-6%	8%	-19%	17%
Operation and Maintenance	12,326	13,377	15,680	13,745	15,889
\$ Increase		1,051	2,303	(1,935)	2,143
% Increase		9%	17%	-12%	16%
Administration (b)	25,957	25,418	26,986	25,904	29,210
\$ Increase		(539)	1,568	(1,082)	3,306
% Increase		-2%	6%	-4%	13%
TOTAL	38,283	38,795	42,666	39,649	45,098
\$ Increase		512	3,871	(3,017)	5,449
% Increase		1%	10%	-7%	14%

Note: a. See 2007 Rate Harmonization application (EB-2007-0074), EDR 2006 model Sheet 2-4

Adjusted Accounting Data

b. See Table 4

The 2006 and 2007 actual amounts, the 2008 estimated amounts and the 2009 forecast amounts above all exclude non-distribution and other amounts not allowed in the determination of rates.

241 • **ADMINISTRATION EXPENSE**

242 Table 4 summarizes PowerStream's Administration Expense and related year-over-year
243 variances for the period 2006-2009.

244 **Table 4: Administration Expenses 2006–2009 (\$000's)**

	2006 Board Approved	2006 Actual	2007 Actual	2008 Bridge Year	2009 Test Year
Billing and Collection^a	5,641	5,145	5,984	5,250	5,551
\$ Increase		(496)	839	(734)	301
% Increase		-9%	16%	-12%	6%
Community Relations / Advertising^a	415	706	516	625	634
\$ Increase		291	(190)	109	9
% Increase		70%	-27%	21%	1%
Community Relations - CDM	0	1,834	2,103	650	64
\$ Increase		1,834	268	(1,453)	(586)
% Increase		100%	15%	69%	-90%
Administrative and General Expenses	17,685	15,128	14,859	16,651	19,582
\$ Increase		(2,556)	(269)	1,792	2,931
% Increase		-14%	-2%	12%	18%
Insurance Expense	671	642	773	834	982
\$ Increase		(29)	131	61	148
% Increase		-4%	20%	8%	18%
Bad Debt Expense	668	1,295	2,040	863	1,236
\$ Increase		627	745	(1,177)	373
% Increase		94%	57%	-58%	33%
Charitable Contributions	(80)	15	30	15	41
\$ Increase		95	15	(15)	26
% Increase		-119%	100%	-50%	173%
Other Distribution Expenses	956	653	681	1,016	1,119
\$ Increase		(304)	28	336	102
% Increase		-32%	4%	49%	10%
TOTAL	25,957	25,418	26,986	25,904	29,210
\$ Increase		(539)	1,567	(1,082)	3,306
% Increase		-2%	6%	-4%	13%

245
246 Note: a. These expense categories (grouping of OEB accounts) are taken from the 2007 Rate Application (EB-2007-
247 0074), EDR 2006 model Sheet 2-4 Adjusted Accounting Data . In the 2006 EDR model, Community Relations and
248 Advertising are shown separately as \$526,000 and \$ (111,000) respectively.

Board Staff Interrogatory #27

REVENUE REQUIREMENT (Exhibit C1/Tab1/Sch1/p 3)

On page 3 the Applicant states: "PowerStream considers the best method to forecast future commercial growth to be a 3-year historical average." Please:

- a) **Verify that this is the method the Applicant used for forecasting the customer count for all commercial customer classes (except Large User),**
- b) **Provide the historical data and the analysis that support the Applicant's conclusion in this matter, and**
- c) **Provide a live Excel spreadsheet (i.e. one where the formulae are visible) that shows the calculation of the 2009 customer count by customer class including the effect of the suite metering initiative.**

Response(s):

- a) Yes, PowerStream used a 3-year historical average to forecast the bridge and test year commercial growth excluding Large User.
- b) Accurate and reliable historical consumption/demand data by the rate class is not available in a consistent manner for all classes prior to 2006 as a result of the PowerStream merger and Aurora acquisition. Short time series data limited our ability to perform trending for the purpose of the forecast. At the time, 3-year average was considered the best estimate to estimate future customer additions for commercial classes.

Table Staff 27-1: Commercial Customer Growth

	2005 vs.	2006 vs.	2007 vs.			
Variance Analysis	2004	2005	2006	Calculated AVG	Customer Addition Forecast	Variance
GS < 50	1,044	350	677	690	650	-40
USL	20	16	22	19	60	41
GS > 50	81	230	64	125	125	0
GS TOU	0	0	0	0	0	0
Large User	0	-1	-3	-1	0	1
Street Lighting Connections	1,799	3,166	2,935	2,633	2,633	0
Sentinel Lights	17	-6	-4	2	0	-2
Street Light Customers	-1	19	-34	-5	0	5

- c) Please see Schedule Staff-27-1

SCHEDULE STAFF 27-1

Customer Count Forecast by Rate Class - 2009 FTYF

Residential - Base Growth - Suite metering Impact is NOT INCLUDED

	2002	35,646	8,165	9,845
	2003	34,676	8,165	9,312
	2004	32,110	8,165	7,337
	2005	25,705	8,165	5,662
	2006	25,287	8,165	8,088
	2007	26,638	8,021	6,989
Total 2002 - 2007		180,062	46,846	47,233
Customer Addition Ratio		0.2623	1.0063	
	2008	22,958	6,021	6,046
	2009	22,958	6,021	6,046

NOTES:

Historical ratios between dwelling additions and population increases to customer increases were calculated. These ratios were used to project customer increases based on York Region planning forecasts for dwelling unit and population increase.

Historic and Projected Base Growth Volume by Rate Class (2005 - 2009)

	2005	2006	2007	2008	2009
Residential	192,706	200,794	207,783	213,829	219,876
GS < 60	21,671	22,021	22,698	23,348	23,998
USL	1,990	2,006	2,028	2,088	2,148
GS > 60	3,414	3,644	3,708	3,833	3,958
GS TOU	2	2	2	2	2
Large User	5	4	1	1	1
Street Lighting Connections	53,644	56,810	59,745	62,378	65,012
Sentinel Lights	154	148	144	144	144
Street Light Customers	28	47	13	13	13
Total Customers	219,970	228,666	236,377	243,258	250,140
Total # of Connections	53,644	56,810	59,745	62,378	65,012
Variance Analysis	2006 vs. 2005	2007 vs. 2006	2008 vs. 2007	2009 vs. 2008	
Residential	8,088	6,989	6,046	6,046	
GS < 60	350	677	650	650	
USL	16	22	60	60	
GS > 60	230	64	125	125	
GS TOU	0	0	0	0	
Large User	-1	-3	0	0	
Street Lighting Connections	3,166	2,935	2,633	2,633	
Sentinel Lights	-6	-4	0	0	
Street Light Customers	19	-34	0	0	
Total Customers	8,696	7,711	6,881	6,881	
Total # of Connections	3,166	2,935	2,633	2,633	

SCHEDULE STAFF 27-1

Based on Historic Average Growth by Rate Class - Adjusted for Suite Metering

Residential Class	2007	2008	2009	2010	2011	2012	2013	Total
2007 Sales	0	524	524	524	524	524	524	2,620
2008 Sales	0	0	452	452	452	452	452	2,262
Total	0	524	976	976	976	976	452	4,882

Residential Class	2006 Est.	2008 Est.
Original Projected	213,829	220,400
Adjustment due to Suite Metering	524	976
Adjusted Forecast	214,353	221,376

NOTE: Base Residential growth is adjusted for Suite metering

Historic and Projected Growth Volume by Rate Class (2005 - 2009)

	Actual 2005	Actual 2006	Actual 2007	Bridge 2008	Est 2009
Residential	192,706	200,794	207,783	214,353	221,376
GS < 50	21,671	22,021	22,698	23,348	23,998
USL	1,990	2,006	2,028	2,088	2,148
GS > 50	3,414	3,644	3,708	3,833	3,958
GS TOU	2	2	2	2	2
Large User	5	4	1	1	1
Street Lighting Connections	53,644	56,810	59,745	62,378	65,012
Sentinel Lights	154	148	144	142	142
Street Light Customers	28	47	13	13	13
Total Customers	219,970	228,666	236,377	243,780	251,638
Total # of Connections	53,644	56,810	59,745	62,378	65,012
	2006 vs. 2005	2007 vs. 2006	2008 vs. 2007	2009 vs. 2008	
Variance Analysis					
Residential	8,088	6,989	6,570	7,022	
GS < 50	350	677	650	650	
USL	16	22	60	60	
GS > 50	230	64	125	125	
GS TOU	0	0	0	0	
Large User	-1	-3	0	0	
Street Lighting Connections	3,166	2,935	2,633	2,633	
Sentinel Lights	-6	-4	-2	0	
Street Light Customers	19	-34	0	0	
Total Customers	8,696	7,711	7,403	7,857	
Total # of Connections	3,166	2,935	2,633	2,633	

Class	2008 Growth Rate	2007 Growth Volume	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Residential	3.16%	6,570	207,783	208,516	208,843	208,974	209,572	210,169	210,767	211,365	211,963	212,561	213,159	213,757	214,355	214,953	215,551	216,149	216,747	217,345
GS < 50	2.86%	650	22,698	22,748	22,781	22,868	22,921	22,975	23,028	23,081	23,134	23,187	23,240	23,293	23,346	23,399	23,452	23,505	23,558	23,611
USL	2.96%	60	2,028	2,028	2,051	2,070	2,072	2,074	2,076	2,078	2,080	2,082	2,084	2,086	2,088	2,090	2,092	2,094	2,096	2,098
GS > 50	3.37%	125	3,708	3,725	3,777	3,735	3,746	3,757	3,768	3,779	3,790	3,801	3,812	3,823	3,834	3,845	3,856	3,867	3,878	3,889
GS TOU	0.00%	0	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Large User	0.00%	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
SL Connections	4.41%	2,633	59,745	59,925	60,006	60,293	60,525	60,756	60,988	61,220	61,452	61,684	61,916	62,148	62,380	62,612	62,844	63,076	63,308	63,540
Sentinel Lights	-1.39%	-2	144	142	142	142	142	142	142	142	142	142	142	142	142	142	142	142	142	142
SL customers	0.00%	0	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13
Total Customers	3.13%	7,403	236,377	237,175	237,610	237,805	238,411	239,016	239,622	240,228	240,834	241,439	242,045	242,650	243,256	243,861	244,467	245,072	245,678	246,283

TAB 19

1. Planned meter installations occur evenly through the year.
2. Year assumed January to December
3. Amortization is straight line and has half year rule applied in first year

Deemed Debt (from 2009 PS future test year Application)
Deemed Equity (from 2009 PS future test year Rate Application)
Deemed Debt Rate (from 2009 PS future test year rate Application)
Proposed ROE (from 2009 PS future test year Rate Application)
Weighted Average Cost of Capital

Residential
General Service Less Than 50 kW
Other Metered Customers

Smart Meter Rate Addrs

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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Corporate Income Tax Rate
(from 2008 ES future 101 year rate application)

	2008 Actual	2007 Actual	2007 Estimate	2008 Forecast	2009	2010	Total
Operating income	\$ -	\$ -	\$ -	\$ 6,291,875	\$ 12,318,253	\$ 12,267,211	\$ 30,877,339
Depreciation and amortization	\$ -	\$ -	\$ -	\$ 248,600	\$ 356,600	\$ 248,600	\$ 853,800
Goodwill impairment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restructuring costs	\$ -	\$ -	\$ -	\$ 454,000	\$ 300,000	\$ 100,000	\$ 854,000
Other income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income before income taxes	\$ -	\$ -	\$ -	\$ 6,994,475	\$ 12,974,853	\$ 12,615,811	\$ 32,585,139
Income taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Smart Meter Amortization Rate [Enter Amortization Policy](#)
Computer Hardware Amortization Rate [Enter Amortization Policy](#)
Computer Software Amortization Rate [Enter Amortization Policy](#)
Tools & Equipment Amortization Rate [Enter Amortization Policy](#)
Other Equipment Amortization Rate [Enter Amortization Policy](#)

- 2.1 Advanced Metering Communication Device (AMCD)
- 2.2 Advanced Metering Regional Collector (AMRC) (includes LAN)
- 2.3 Advanced Metering Control Computer (AMCC)
- 2.4 Wide Area Network (WAN)
- 2.5 Other AMI O&M Costs Related To Minimum Functionality

Total O & M & A Costs:

	Per Meter	Installed	Investment	% of Invest
\$	121.44	\$ 254,268	\$ 30,877,339	85%
\$	3.36	\$ 254,268	\$ 853,800	2%
\$	3.36	\$ 254,268	\$ 854,000	0%
\$		\$ 254,268	-	0%
\$	15.18	\$ 254,268	\$ 3,859,050	11%
\$	143.33	\$ 254,268	\$ 36,444,189	100%

Smart meter including installation
Computer Hardware Costs
Computer Software Costs
Tools & Equipment
Other Equipment
Smart meter incremental operating expenses
Total Smart Meter Capital Costs per meter

TAB 20

Board Staff Interrogatory #10

RATE BASE (Exhibit B1/Tab4/Sch2)

Question:

Please provide an update on all 2008 capital projects. Please provide details of projects that are postponed, shelved or incomplete.

Response:

Table Staff 10-1: 2008 Capital Projects

PROJECT DESCRIPTION	Amount \$(000)	Amount \$(000)	Actual Amount \$(000)	Amount \$(000)
1. Sustainment Capital				
1a. Pole or Line Replacements / Upgrades	2,538	5,319	5,416	4,454
1b. Transformer Station Enhancements / Upgrades	253	4,528	3,468	3,232
1c. Asset Condition Assessment Program	0	2,092	461	5,339
1d. Distribution System Voltage Conversions	2,231	2,838	117	3,465
1e. Switchgear Replacements / Upgrades / Refurbishments	1,222	1,316	799	1,239
1f. Cable Replacement	118	1,063	629	333
1g. Load Transfers From Other LDC's	283	651	403	0
1h. Distribution Transformer Enhancements / Upgrades / Refurbishment	832	741	543	261
1i. Load Interrupter Switch Replacement	386	386	291	409
1j. Distributor Station Enhancements / Upgrades	45	93	168	472
1k. Unforeseen Capital Projects	463	375	1,257	414
Total Sustainment Capital	8,373	19,401	13,552	19,618
2. Development Capital				
2a. Transformer Stations - Additional Capacity	1,556	14,217	5,914	22,771
2b. Residential Subdivisions	4,440	5,119	4,083	5,019
2c. Distribution System Plant Re-Location	1,877	2,268	1,052	5,892
2d. New Commercial Services	90	183	633	181
2e. Distribution Stations - Additional Capacity	376	127	289	0
2f. New Overhead or Underground Lines	3,645	1,439	3,362	6,742
2g. Unforeseen Capital Projects	464	375	221	414
Total Development Capital	12,448	23,728	15,554	41,019
3. Operations Capital				
3a. System Operation Automation	2,005	2,872	1,857	1,819
3b. Unplanned Equipment Replacement	1,835	1,609	3,050	1,678
3c. Suite-Metering Costs	1,708	1,472	1,715	1,086
3d. Fleet	2,277	1,315	2,112	887
3e. Wholesale Meters	239	416	266	256
3f. Tools	347	312	260	310
3g. Smart Grid Program	0	273	4	505
3h. Meter Re-Verification and Replacement Program	629	204	502	390
3i. Asset Condition Assessment Model Development	108	167	200	25
3j. Geographic Information System	53	137	361	101
3k. Conservation & Demand Management - Smart Meter Pilot	769	0	0	0
3l. System Control Room	1,970	0	0	0
3m. Storm Damage To Distribution System	1,016	1,302	320	617
3n. Conservation & Demand Management - Load Control Devices	630	0	0	0
Total Operations Capital	13,587	10,080	10,647	7,674
4. Other Miscellaneous Capital				
4a. Information Technology Enhancements	2,139	1,222	444	823
4b. Customer Information System Enhancements	872	1,666	429	1,351
4c. Financial System Enhancements	1,407	1,170	939	303
4d. New Computer Equipment / Replacement	420	908	680	800
4e. New Head Office	17,687	794	6,977	381
4f. Software Purchase	231	483	217	297
Total Other Miscellaneous Capital	22,756	6,243	9,686	3,955
5. Total Smart Meters Program	10,225	6,994	6,667	12,975
Total Capital Expenditures	67,389	66,446	56,106	85,241

PowerStream's capital program is characterized by a few very large projects. 2008 actuals were predominately influenced by a large delayed expenditure from 2007 (Head Office at \$6.2 M), and a large postponed expenditure into 2009 (Markham TS at \$8.8 M). This represents a net under spending in 2008 of \$2.6 M.

Additionally, the following major projects from 2008 have been postponed, shelved or are incomplete:

- Asset Condition Assessment \$1.6 M – spending postponed
- Voltage Conversion \$2.7 M – spending postponed
- Scada Upgrades \$1.0 M – spending postponed
- CIS Enhancements \$1.2 M – spending postponed

Refer to EP 4 for a description of additions to 2008.

TAB 21

School Energy Coalition Interrogatory #16

Question:

[B1/4/2] With respect to the Capital Additions 2007-2009:

- (a) p. 2. Please provide a chart of the five largest externally driven projects planned for 2009, including the nature of the project, the entity requiring that it be done, the total cost (broken down by year for multi-year projects), contributions from others, and current project status.
- (b) p. 2. Please provide a chart showing all capital projects that have been moved from 2006, 2007, 2008 or 2010 to 2008 or 2009.
- (c) p. 2. Please restate Table 2 showing amounts closed or to be closed to rate base for each category and in each year.
- (d) p. 2. Please revise Table 2 to add actuals for 2005 and 2006, and forecast for 2010.
- (e) p. 5. Please provide a chart of all existing transformer stations, including description, location, original cost, unamortized cost, age, and date of planned replacement (if known).
- (f) p. 5. Please provide the internal report or business case, including the "reliability and risk assessment" referred to, supporting the purchase of spare units relating to aging transformer station assets. Please provide details on the cost/planned cost of these purchases for each year from 2007 through 2012.
- (g) p. 8. Please provide the internal report or reports detailing the reliability and outage problems of the three listed stations/areas targeted for conversion.
- (h) p. 12. Please provide a chart of all existing distribution stations, including description, location, original cost, unamortized cost, age, and date of planned replacement (if known).
- (i) p. 19. Please explain how the suite metering program of the Applicant is compliant with Compliance Bulletin #200901 issued by the Board on March 24, 2009. If any part of the program is not compliant, please provide a revised budget for suite metering that includes only compliant activities, and identify the revenue requirement impact of that amendment.
- (j) p. 21. Please provide a chart showing the expenditures on the GIS system each year from 2005, including planned expenditures for 2009 and 2010. For each year, describe the major enhancements and new applications implemented. For each year, identify the amount of the expenditures that is an allocation of internal staff or other resources.
- (k) p. 22. Please advise whether the system control room expenses are part of the cost of the new head office, or incremental to it.

- (l) p. 23. Please provide a chart showing all capital and operating expenditures in each of 2007 and 2008 (actuals), and 2009 and 2010 (planned) relating to information technology, whether included in the information technology budget or include in other budgets of the Applicant. Please provide a description of the Applicant's information technology department, including number of FTEs (actual, and net of those allocated to affiliates), total direct and indirect budgets, and major changes expected in the department in the Test Year. Please provide a detailed PILs impact calculation relating to information technology capital expenditures for each of 2007, 2008, and 2009.
- (m) p. 24. Please provide a description of both the existing and the new hardware relating to the CIS, and the total cost of the replacement planned for 2009. Please confirm that the existing hardware is fully amortized as of the end of 2008. Please identify any salvage value.
- (n) p. 25. Please provide a detailed list of all capital and operating expenditures planned for the Test Year relating to International Financial Reporting Standards.

Response

- (a) **Table SEC 16-1: Five Largest Externally Driven Projects in 2009**

Number	Description	Project Type	2009 Budget Gross Cost (\$000)	2009 Budget Contributed Cost (\$000)	2009 Budget Net Cost (\$000)
1	Smart Meter Program	Legal Statutory-Mandated by the OEB	12,975	0	12,975
2	Residential Subdivisions	Legal Statutory	12,510	7,491	5,019
3	Distribution Plant Relocation	Legal Statutory –Road Authority	11,784	5,892	5,892
4	New Commercial Services	Legal Statutory	7,684	7,503	181
5	Meter Reverification & Replacement Program	Legal Statutory-Mandated by Measurement Canada	390	0	390

- (b) Please see Staff 10 and EP 4 for information related to 2008 and 2009. It would require a significant number of person-hours to interrogate the historical project data to identify all capital projects that have been moved from 2006, 2007, 2008 or 2010 to 2008 or 2009.
- (c) (i) Closing of projects to rate base by each project category and year is not available; (ii) Exhibit B1-7-2 and Table 1 represents the fixed asset rate base amounts; and (iii) This reconciliation was requested and is provided in EP 6c.
- (d) Actual Capital spending for 2005 is not available in Table 2 format as PowerStream was only created in June 2004; capital project identification practices were not yet consolidated to a single system. A 2010 forecast will not be available until 4th quarter 2009. Please refer to Table SEC 16-2 for 2006 Actual capital plan spending.

Table 16-2: Capital Spending 2006-2009

PROJECT DESCRIPTION	Amount \$(000) 2006	Amount \$(000) 2007	Amount \$(000) 2008	Amount \$(000) 2009
1. Sustainment Capital				
1a. Pole or Line Replacements / Upgrades	1,974	2,538	5,319	4,454
1b. Transformer Station Enhancements / Upgrades	881	253	4,528	3,232
1c. Asset Condition Assessment Program	0	0	2,092	5,339
1d. Distribution System Voltage Conversions	1,303	2,231	2,838	3,465
1e. Switchgear Replacements / Upgrades / Refurbishments	1,098	1,222	1,316	1,239
1f. Cable Replacement	0	118	1,063	333
1g. Load Transfers From Other LDC's	4	283	651	0
1h. Distribution Transformer Enhancements / Upgrades / Refurbishment	678	832	741	261
1i. Load Interrupter Switch Replacement	374	386	386	409
1j. Distributor Station Enhancements / Upgrades	96	45	93	472
1k. Unforeseen Capital Projects	786	463	375	414
Total Sustainment Capital	7,194	8,373	19,401	19,618
2. Development Capital				
2a. Transformer Stations - Additional Capacity	9,931	1,556	14,217	22,771
2b. Residential Subdivisions	2,129	4,440	5,119	5,019
2c. Distribution System Plant Re-Location	2,557	1,877	2,268	5,892
2d. New Commercial Services	426	90	183	181
2e. Distribution Stations - Additional Capacity	1,053	376	127	0
2f. New Overhead or Underground Lines	6,679	3,645	1,439	6,742
2g. Unforeseen Capital Projects	632	464	375	414
Total Development Capital	23,407	12,448	23,728	41,019
3. Operations Capital				
3a. System Operation Automation	0	2,005	2,872	1,819
3b. Unplanned Equipment Replacement	1,580	1,835	1,609	1,678
3c. Suite-Metering Costs	494	1,708	1,472	1,086
3d. Fleet	1,413	2,277	1,315	887
3e. Wholesale Meters	293	239	416	256
3f. Tools	216	347	312	310
3g. Smart Grid Program	0	0	273	505
3h. Meter Re-Verification and Replacement Program	1,941	629	204	390
3i. Asset Condition Assessment Model Development	0	108	167	25
3j. Geographic Information System	897	53	137	101
3k. Conservation & Demand Management - Smart Meter Pilot	0	769	0	0
3l. System Control Room	695	1,970	0	0
3m. Storm Damage To Distribution System	0	1,016	1,302	617
3n. Conservation & Demand Management - Load Control Devices	910	630	0	0
Total Operations Capital	8,439	13,587	10,080	7,674
4. Other Miscellaneous Capital				
4a. Information Technology Enhancements	121	2,139	1,222	823
4b. Customer Information System Enhancements	1,229	872	1,666	1,351
4c. Financial System Enhancements	638	1,407	1,170	303
4d. New Computer Equipment / Replacement	776	420	908	800
4e. New Head Office	8,226	17,687	794	381
4f. Software Purchase	306	231	483	297
Total Other Miscellaneous Capital	11,296	22,756	6,243	3,955
5. Total Smart Meters Program	110	10,225	6,994	12,975
Total Capital Expenditures	50,446	67,389	66,446	85,241

(e) The information requested is provided in Table SEC 16-3 below.

Table SEC 16-3: PowerStream Transformer Stations

Transformer Stations	Address	Voltage Level	Size	Year	Original Cost	Unamortized Cost	Replace
Markham TS#1	3430 14 th Avenue, Markham	230/27.6kV	2 x 50/83 MVA	1986	4,347,001.83	1,956,150.82	n/a
Markham TS#2	7970 Highway #48, Markham	230/27.6kV	2 x 50/83 MVA	1988	4,655,929.46	2,327,964.73	n/a
Markham TS#3	7932 Kennedy Road, Markham	230/27.6kV	4 x 50/83 MVA	1992;2004	16,059,336.04	12,044,502.03	n/a
Richmond Hill TS#1	150 Hwy. 7 E, Richmond Hill	230/27.6kV	2x 75/125 MVA	1992	9,470,881.99	5,682,529.19	n/a
Richmond Hill TS#2	160 Hwy. 7 E, Richmond Hill	230/27.6kV	2 x 50/83 MVA	2002	8,562,153.33	7,277,830.33	n/a
Vaughan TS#1	8000 Dufferin St, Concord	230/27.6kV	4 x 75/125 MVA	1992;2006	22,912,742.57	17,757,375.49	n/a
Vaughan TS#2	7301 Weston Rd. (1 Centry Pl.), Woodbridge	230/27.6kV	2 x 75/125 MVA	1992	10,859,034.50	6,515,420.70	n/a
Vaughan TS#3	6531 Rutherford Rd., Woodbridge	230/27.6kV	2 x 75/125 MVA	2001	15,275,991.81	12,602,693.24	n/a

(f) Refer to Schedule SEC 16-1 for the Spare Transformer Business Case and Schedule SEC 16-2 for the Planning Philosophy Report.

The costs of the planned spare power transformers are as follows:

<u>75/125 MVA Spare</u>	<u>50/83 MVA Spare</u>
2007 - \$267,000	2009 - \$3,000,000
2008 - \$2,436,000	
2009 - \$478,000	

(g) Schedules SEC 16-3 and SEC 16-4 are provided in response to this interrogatory.

(h) The information requested is set out in Table SEC 16-4.

Table SEC 16-4: PowerStream Distribution Stations

Municipal Stations							
Baythorn M.S.	227 Baythorn Drive, Thornhill	27.6/8.32kV	2 x 9 MVA	1976	645,229.07	-	n/a
Amber M.S.	3451 14th Avenue, Markham	27.6/13.8kV	1 x 15MVA, 1 x 9MVA	1972	653,062.46	-	n/a
John M.S.	397 John Street, Thornhill	27.6/13.8kV	1 x 9MVA, 1 x 12MVA	1974	672,478.33	-	n/a
Morgan M.S.	30 Morgan Avenue, Thornhill	27.6/8.32kV	2 x 4.5 MVA	1977	379,208.95	-	n/a
Concord MS	Corner of Keele St. & Administration Rd.	27.6/8.32kV	1 x 15MVA	1970	250,530.71	-	n/a
Rainbow MS	S/S of Hwy. #7, west of Martin Grove	27.6/13.8kV	1 x 10MVA	1970	168,962.57	-	2011
Elders MS	S/S Langstaff, w/o Hwy. #27	27.6/8.32kV	1 x 5MVA	1958	81,568.14	-	2010
King MS	Corner of Keele St. & King-Vaughan Town Line	27.6/8.32kV	1 x 5MVA	1961	81,568.13	-	n/a
Aurora MS#1	135 Edward Street, Aurora	44/13.8kV	2 x 15MVA	1968	913,530.62	-	n/a
Aurora MS#2	21 Old Yonge Street, Aurora	44/13.8kV	1 x 15MVA	1979	233,652.42	-	n/a
Aurora MS#3	15459 Bathurst Street, Aurora	44/13.8kV	2 x 15MVA	1989	582,314.30	213,515.24	n/a
Aurora MS#4	14025 Bathurst Street, Aurora	44/13.8kV, 27/13.8kV	2 x 15MVA	1973	1,065,579.79	-	n/a
Aurora MS#5	15560 Bayview Ave, Aurora	44/13.8kV	2 x 15MVA	1996	1,233,608.36	740,165.02	n/a
Aurora MS#6	14778 Bayview Ave, Aurora	44/13.8kV, 27/13.8kV	2 x 15 MVA	1997	1,278,787.99	809,899.06	n/a
Aurora MS#7	15521 Leslie St., Aurora	44/27.6 kV	1 x 10MVA	2007	1,921,832.00	1,857,770.93	n/a
Aurora MS#8	15267 Leslie St., Aurora	44/27.6 kV	1 x 10MVA	2008	335,326.66	335,326.66	n/a

- (i) PowerStream does not install individual suite meters in residential complexes as these are defined in the *Residential Tenancies Act, 2006*.
- (j) Please refer to Table SEC 16-5. As part of PowerStream's normal capital investment process, the detailed 2010 capital budget will not be completed until Q4 2009.

Table SEC 16-5: GIS Expenditures

Year	Amount (\$000)	Description
2006 Actual	897	GIS implementation, consolidation, data conversion
2007 Actual	53	GIS implementation, consolidation, data conversion
2008 Actual	361	implementation of ArcFM Designer
2009 Forecast	101	software enhancements - implementation of ArcGIS Server

- (k) The costs to relocate two control rooms to a single control room in the new head office are incremental to the costs of the new head office.
- l) PowerStream adopts a centralized approach to the management and delivery of information and related services. As such costs for corporate wide services such as print/copy, cell phones and the corporate telephone system are managed by the Information Services department (IS).

The IS department consists of 17 approved FTEs including a Director and two Managers. The 2009 plan included in PowerStream's Application contains no major changes in 2009 from 2007 or 2008. The department is split into two main areas:

- Operations & Support
- IS Projects & Solutions

The Operations & Support group installs, maintains and supports the computing infrastructure and users. The IS Projects and Solutions group provides project management and business analysis services for IS related projects, typically driven by the business units.

Vendors, contractors and consultants are utilized to augment the current level of expertise, and provide knowledge transfer with respect to new processes and technology

Table SEC 16-6 below lists PowerStream's IT expenses.

Table SEC 16-6: IT Operating Expenses

Description	2007 Actual	2008 Actual	2009 Planned
Communications - Voice and Data	\$ 759,972	\$ 978,101	\$ 885,000
Computer Hosting Services	\$ 195,519	\$ 148,250	\$ 140,000
Contract & Consulting	\$ 156,295	\$ 204,513	\$ 350,000
Hardware Maintenance Agreements	\$ 25,679	\$ 73,293	\$ 126,000
Staff Training and Development	\$ 62,678	\$ 42,325	\$ 72,250
Staff labour costs	\$1,138,221	\$1,261,915	\$1,383,485
PC/Printer Repairs and Supplies	\$ 80,996	\$ 89,017	\$ 80,000
Photocopy Supplies & Lease	\$ 115,224	\$ 75,411	\$ 100,000
Settlement / EBT	\$ 148,317	\$ 168,570	\$ 165,000
Software Maintenance Agreements	\$ 981,114	\$ 565,634	\$1,215,000
Grand Total	\$3,664,015	\$3,607,029	\$4,516,735

The increase in IT operating expense is due mainly to software maintenance costs related to the addition and expansion of software systems, in particular the Outage Management System and the Geographical Information System.

Table SEC 16-7 IT Department Staffing

	2007	2008	2009
Approved FTEs	17	17	17

The approved staffing level remains constant at 17 FTEs. In 2007 and 2008 there have been vacancies at times during the year. Contract and temporary staff have been used to backfill these positions. In 2009 the entire FTEs of 17 are expected to be filled by full time employees.

Table SEC 16-8: IT Capital Expenditures (\$000)

Description	2007 Actual	2008 Actual	2009 Budget
4a - Information Technology Enhancements	2,139	444	823
4b - CIS Enhancements	872	353	1,351
4c - Financial System Enhancements	1,407	939	303
4d - New Computer Equipment / Replacement	420	680	800
4f - Software Purchase	231	217	297
TOTAL	5,069	2,633	3,574

For PILS impacts of IT expenditures please see PowerStream's response to Staff - 52.

- m) In 2009 PowerStream will be purchasing an IBM P550 server at a cost of \$86,000 for its customer information and billing system. This will replace the existing IBM P650 which will be fully depreciated by the 2nd quarter of 2009. The expected salvage value of the old server is \$1,500.
- n) Please see the response to Staff 46.

TAB 22

ONTARIO ENERGY BOARD

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 PowerStream Inc. for an order approving just and reasonable rates and other charges for electricity distribution to be effective May 1, 2009.

**WITNESS STATEMENT ON BEHALF OF
THE SMART SUB-METERING WORKING GROUP ("SSMWG")**

1. There are currently 16 licensed smart sub-metering companies in Ontario. Several are affiliates of licensed distributors.
2. The SSMWG is an informal association of the majority of the private-sector smart sub-metering companies licensed by the OEB. None are affiliated with licensed electric local distribution companies ("LDCs"). Its purpose is to articulate an industry perspective on issues before the OEB and government where commonality exists. The SSMWG consists of Carma Industries Inc., Enbridge Electric Connections Inc., Hydro Connection Inc., Intellimeter Canada Inc., Provident Energy Management Inc., Stratacon Inc., and Wyse Meter Solutions. Each of these entities is licensed by the Ontario Energy Board ("OEB") and operates within the competitive smart sub-metering ("SSM") industry.
3. In respect of new and existing condominiums, the business model of each competitive SSM company varies. As a result, the service offerings to condominium developers and condominium corporations are not identical from one SSM provider to another. This allows developers and condominium corporations to select the service offering which they believe best meets their needs.
4. For example, in some SSM business models, the condominium developer pays for the metering equipment and engages the SSM company to manage the system and provide billing services. The condominium developer then turns the SSM system over to the condominium corporation that will own the system. The SSM provider may not assume

certain risks and associated costs, such as bad debt. This allows the SSM provider to provide metering and billing services at a cost less than would otherwise be the case.

5. Another business model involves the SSM company owning the SSM system and providing customer services, including billing, collections, managing bad debt, maintaining the system and disconnections. Under either business model, members of the SSMWG include in their Connection Agreements termination provisions which permit a condominium corporation to switch SSM providers in future. The competitive market therefore continues. This is different than what appears to be the case in respect of PowerStream.
6. It is important to recognize that smart metering in multi-unit condominiums occurs on private property; thus the entity that undertakes the metering must have the authorization of the developer or condominium corporation to proceed. There is no natural monopoly. Indeed, for many years, LDCs in Ontario were hesitant to get into the individual suite metering business. Private-sector metering companies filled the gap. These companies are now licensed by the OEB. The business of providing metering services to multi-unit condominiums is well established.
7. Another fact which is important to highlight is that whether described as "smart suite metering" or "smart sub-metering", in many instances there is no material difference. For example, PowerStream uses Quadlogic electronic meters, the very same equipment used by some SSMWG members. Often the only difference between a smart suite metering system and a SSM system is the fact that in respect to the latter, there is a master revenue meter which determines the amount, for billing purposes, payable to the host LDC. This being said, particularly in respect of existing condominiums, even where a LDC installs smart suite metering, a bulk meter may still be required to be able to determine the amount payable in respect of the common elements. It is at times necessary to aggregate the usage by individual units and subtract this amount from the building's total usage to determine the remainder which is payable in respect of the common elements. In these situations, the operation by the LDC of the system is virtually identical to what transpires in a SSM situation.

8. Members of the SSMWG view other licensed SSM companies and local LDCs as their competitors. However, the SSMWG is greatly concerned by the potential for anti-competitive impacts and the significant financial and economic advantages LDCs will have if permitted to recover the costs of their suite metering programs in rates. The fact is there is a competitive market for metering multi-unit buildings. While the Government of Ontario has mandated that units in new condominium buildings be individually smart metered, this requirement does not mean that other ratepayers of a LDC like PowerStream should be obligated to subsidize the capital and installation costs of costly smart suite metering systems. By comparison, the average cost for PowerStream to install smart meters at individual residences is about \$122. The Quadlogic electronic suite metering systems which PowerStream uses cost more than 5.5 times this amount. The SSMWG questions why other ratepayers should be required to subsidize these amounts when an industry exists which will install exactly the same equipment at no additional cost to other ratepayers.
9. Private-sector SSM companies operate like all other commercial businesses. They set targets for revenues, growth, and develop budgets which include operating and maintenance costs. Competitive market forces influence a SSM company's spending and drive out inefficiencies and promote improvement. SSM companies believe that they can provide the same or better level of services to condominium developers, condominium corporations, and unit owners than existing LDCs, and at lower cost.
10. The SSMWG is concerned about the anti-competitive impact of rate-regulated utilities recovering suite metering costs in rates because it will have a detrimental impact on the competitive market which could, in time, prove fatal to the market. LDCs are required to provide connection to their distribution system, which means that condominium developers will continue to approach LDCs in this respect. The SSMWG is concerned about the opportunities this provides for LDCs to express "preferences" to their own suite metering program versus a competitive SSM provider. The SSMWG has concern about the advertising undertaken by PowerStream in respect of their suite metering program through the development and circulation of brochures, promotional materials included on their website, promotional materials included as mail inserts, and elsewhere, the costs of which are all proposed to be recoverable in rates.

11. Private-sector SSM companies must raise required capital to carry on their business without being able to advise lenders and shareholders that monies borrowed or invested will be recovered in future with the same certainty as PowerStream. SSM providers do not operate in a risk-free environment. They must manage their business and operate efficiently to be successful. If PowerStream is entitled to recover all of its suite metering costs in rates, it assumes and faces little risk. This gives PowerStream a huge economic advantage by knowing that all of its capital and OM&A costs will be recovered in rates, regardless of how efficient or inefficient its suite metering program is operated. Indeed, PowerStream is assured of a guaranteed return on its suite metering program. The SSMWG believes that these economic advantages do not promote efficiencies within the Utility and, to the contrary, will distort and erode the competitive market. The playing field must be leveled.
12. It is also important to note that condominium developers and condominium corporations that request electronic smart metering do so because of the benefits to them. The electronic meters being used by PowerStream and members of the SSMWG can be installed in a much smaller meter room than would otherwise be the case if other types of smart meters were used. This space savings means that there is additional floor space for sale and, in respect of existing condominiums, less of the existing common elements space needs to be devoted to the new metering room. Stated differently, there are economic advantages to the condominium developer and the condominium corporation. To the extent that they are not required to pay any additional costs for these benefits, and such costs are borne by PowerStream's other ratepayers, the SSMWG believes that this amounts to cross-subsidization.
13. In terms of PowerStream's suite metering program, the SSMWG questions whether the projected OM&A for 2009 of only \$127,000¹ truly accounts for all of the costs associated with PowerStream's suite metering program. For example, does this amount include all of the billing and collections costs, bad debt, disconnection and reconnection costs, and overhead, all on a fully allocated basis? PowerStream has advised that it metered 4,700

¹ SSMWG IR #12 Revised

units in 2007 and 2008, and estimates that a further 1,600 will be metered in 2009.² Taking half of the 2009 figure (i.e. 800 units), the total number of unit customers that relate to the suite metering program, to date, is 5,500. This works out to less than \$2.00 per month, per customer, based upon an OM&A of \$127,000. The SSMWG therefore questions whether all the customer care functions, data collection, storage and other costs associated with servicing these customers have been included in the \$127,000 figure.

14. The SSMWG is aware of situations where PowerStream has required a capital contribution from a condominium developer if it installs a bulk meter and utilizes a private-sector SSM company, but does not require a capital contribution if PowerStream installs the same suite metering system. Intuitively, this makes no economic sense and may indicate that PowerStream is not including all of its costs (on a fully allocated basis) for the purposes of determining whether a capital contribution is required. For example, if the fully allocated costs to provide all customer care functions, bad debt, disconnection and reconnection are not included, as appears to be the case given PowerStream's OM&A of \$127,000 for 2009, then any economic evaluation undertaken is distorted in that not all of the costs associated with suite metering have been used for the purposes of the evaluation. The SSMWG further questions how PowerStream can promise in its suite metering promotional materials that it will smart suite meter every new and existing project at no cost to the condominium corporation or developer. This suggests that a predetermination has been made that under no circumstance will a capital contribution ever be required. This cannot be correct, particularly in respect of the conversion of an existing bulk metered condominium where installation of a smart suite metering system will, due to the expected conservation effects, actually reduce the building's aggregate electricity consumption and hence revenues by as much as 20 percent.
15. Not surprisingly, building developers and condominium corporations will be highly incented to choose PowerStream over a competitive SSM provider if no capital contribution is required if PowerStream installs the smart suite metering system, but a capital contribution is required if a SSM provider installs the same system. In such

² SSMWG IR#5, Revised

circumstances, it is vital that, in the interests of protecting the existing competitive SSM market, it be determined that economic evaluations are undertaken in all multi-unit condominium situations and that the inputs used in the economic evaluations include both any projected impact on revenues and all costs associated with the suite metering program, on a fully allocated basis.

16. To ensure that cross-subsidization does not continue in future, and to eliminate any concern about whether PowerStream is undertaking economic evaluations appropriately, or at all, in respect of new and existing condominiums that are being converted, the SSMWG submits that PowerStream's smart suite metering program should be undertaken either through an affiliate or as a non-utility activity, using a fully allocated cost model. This will put PowerStream's smart suite metering program on the same levelized playing field as the competitive SSM providers. Accordingly, the SSMWG submits that all impacts to PowerStream's revenue requirement arising from its suite metering program should be eliminated.

Date: June 8, 2009

TAB 23

CURRICULUM VITAE OF
ALLEN J. MACLURE

Education:

- 1979: Gas Distribution Engineering, Institute of Gas Technology
- 1973: Bachelor of Science (Civil Engineering), University of
New Brunswick

Professional Affiliation:

Professional Engineers of Ontario

Business Experience:

- 2002-Present: Employed by Enbridge Electric Connections Inc.

Director, Regulatory and Customer Care

Responsible for the customer service, customer communication and relations, meter data management and the regulatory functions of this licensed smart sub-metering company
- 1985-2002: Employed by Enbridge Gas Distribution (The Consumers' Gas Company Ltd.)
- 2001-2002 Manager, Knowledge Management & Customer Communication

Responsible for the market and corporate research functions, relationship management, customer communication and community relations
- 1999-2000 Manager, Regulatory Administration (secondment)
Enbridge Gas New Brunswick

Seconded to Enbridge Gas New Brunswick to manage the start up regulatory and gas supply functions of this greenfield natural gas distributor.
- 1997-2001 Manager, Market Administration

Responsible for the development and administration of all the gas sales and direct purchase contracts.
- 1995-1997: Manager, Rate Research and Design

In addition to responsibilities below as the Manager Rate Design and Revenue Forecasting took on the additional responsibilities for cost

allocation.

1985 - 1995: Manager, Rate Design and Revenue Forecasting

Responsible for rate design and analysis as well as revenue forecasting.

1982-1985: Employed by Congas Engineering Canada Ltd.

Senior Consultant

Participated in numerous projects with respect to the energy industry, including market analysis and forecasting, cost of service, distribution design, and costing.

1976-1982: Employed by W. H. Crandall Associates (Management) Ltd. & Crandall Energy Consultants Ltd.

Project Engineer

Participated in numerous projects evaluating the introduction of gaseous energy into non-serviced areas of Eastern and Western Canada.

1973-1975: Employed by Sarawak Department of Public Works

Assistant Executive Engineer

Witness at the following Ontario Energy Board hearings:

EBRO 497
EBRO 495
EBRO 492-02
EBRO 492
EBRO 490
EBRO 487
EBRO 487-01
EBRO 485-03
EBRO 476-06, EBRO 485-02, EBRO 483, EBRO 484
EBRO 485-01
EBRO 485
EBRO 479
EBRO 473-A
EBRO 473
EBRO 465
EBRO 464
EBRO 452-3
EBRO 452

EBRO 410-III/414-II/417
EBRO 410-III/414-II

Witness at the following Régie du gaz naturel hearings:

R-3332-95
R-3299-94
R-3270-93
R-3231-92
R-3230-92
R-3203-91
R-3179-90

Witness at the following New Brunswick Public Utility Board Hearings:

Board Hearing to consider Rules and Regulations Regarding the Conduct of Gas
Distributors and Marketers in New Brunswick

NBPUB 299

TAB 24

Suite Meter Revenue Requirement 2007 & 2008 Program

Line	Item	Source	Calculation
1	Number of Installed suite meters	4700 SSMWG IR #5	
2	Unit cost	680 SSMWG IR #5	
3	Total Capital Cost	<u>3196000</u>	Line 1 x Line 2
4	Working Capital Allowance		
5	Operation Expense	1161318	Line 17
6	Working Capital Allowance 15%	174198	Line 5 x 15%
7	Suite Metering Rate Base	<u>3370198</u>	Line 6 + Line 10
8	Return on Rate Base		
9	Debt 60% @ 6.16%	124563 Ex1 T3 S2 P2	Line 7 x .60 x 6.16%
10	Equity 40% @ 9.00%	121327 Ex1 T3 S2 P2	Line 7 x .40 x 9.00%
11	Return on Rate Base	<u>245890</u>	Line 9 + Line 10
12	Operation Expense		
13	Incremental Operating Expenses	108527 SSMWG IR #12	
14	OM&A \$178.71 / customer	Exhibit D1 T1 S1 Pg 1	see note a
15	OM&A	839937	Line 1 * Line 14
16	Amortization	212854	Line 3 x 6.66%
17	Total Operating Expenses	<u>1161318</u>	Line 13 + Line 15 + Line 16
18	Revenue Requirement before PILS	1407207	Line 11 + Line 26
19	Grossed up PILS @ 33.0%	693102	
20	Suite Meter Revenue Requirement	<u>2100310</u>	

Suite Meter Revenue 2007 & 2008 Program

21	Residential Revenues		
22	Customers Charge @\$13.25/mo	747300	Line 1 x 12 x \$13.25
23	Variable Distribution @1.31 cents/kWh	369420	Line 1 x 500kWh x 12 x 1.31cents
24	Commercial Revenues		
25	Customers Charge @\$303/mo	98172	27Buildings x 12 x \$303
26	Variable Distribution \$2.3627/kW	133200	27 x 174 x 12 x \$2.3627
27	Total Revenue	<u>1348092</u>	Line 22 + Line 23 + Line 25 + Line 26
28	Annual Suite Meter Program Sufficiency/(Deficiency)	-752218	Line 27 - Line 28

note a: SSMWG IR #12 indicates that \$127,000 of OM & A cost that is attributed to the suite metering program is included in the \$45.098 million OM & A 2009 Budget at D1 T1 S1 P1. Eliminating this \$127,000 from the total OM & A budget results in a unit OM & A cost of \$178.71