June 17, 2009

By e-mail – original to follow by courier

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
26th Floor, Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli

Re: PowerStream Inc. (ED-2004-0420)
2009 Electricity Distribution Rate Application (EB-2008-0244)

Please find attached PowerStream's responses to Undertakings J1.2 and J1.4 from the June 15, 2009 hearing.

We trust that this is satisfactory but if you have any questions or concerns, please do not hesitate to contact the undersigned.

Yours truly,

Original signed by

Colin Macdonald
VP, Rates and Corporate Accounting

cc. All Parties
Harold Thiessen, OEB
Maureen Helt, OEB

Undertaking J1.2

Undertaking J1.2: Reconcile the $1,708,000 amount shown for suite metering in the 2007 to 2009 capital spending table with the $656,000 amount shown for the calculation of rate base and identify the impact of the difference.

PowerStream has been asked to explain the difference between the suite metering capital spending in 2007 of $1,708,000, as shown in Exhibit B1, Tab 4, Schedule 2, page 2, and the amount of $656,000 shown in Exhibit B1, Tab 7, Schedule 1, page 14.

Exhibit B1, Tab 7, Schedule 1, page 14 contains an explanation of the change in the fixed assets at cost for Meters and Services from 2006 to 2007. This analysis explained the overall increase of $16,385,000. A clerical error occurred in the summing of the smart suite metering expenditures and a large work order was omitted from the total. The actual smart suite metering spending for 2007 was $1,660,000. The analysis has been corrected in the Table J1.2-1 below.

Table J1.2-1: Services and Meters at Cost ($000)

	2006	2007	Increase
Total	$ 87,090	$ 103,475	$ 16,385

Consisting of:	As filed	Corrected
Smart Metering	$ 9,360	$ 9,360
Smart Meter CDM Pilot	$ 394	$ 394
Condominium Suite Metering	$ 656	$ 1,660
Other	$ 5,975	$ 4,971
Total	**$ 16,385**	**$ 16,385**

With this error corrected, the amounts in Exhibit B1, Tab 4, Schedule 2, page 2, and in Exhibit B1, Tab 7, Schedule 1, page 14 vary by $48,000. The amount of $1,660,000 was used in the calculation of rate base and as such PowerStream's revenue requirement and resulting distribution rates are unchanged.

Undertaking J1.4

Undertaking J1.4: Reconcile the level of suite metering activity shown in the response to SSMWG IR#5 with the amounts shown in the response to Staff IR#27(c) and indicate the impact of the difference.

A clearly legible version of Schedule Staff 27-1 is attached with a correction for 2007.

How was the Suite Meter Forecast Derived?
In the summer of 2008 when the customer forecast was being developed there was no history available to perform trend analysis related to suite metering. When PowerStream developed the customer forecast for its 2009 rate application the suite metering program was relatively new and had only been in place for 12 to 18 months. By the end of December 2007 PowerStream had added 310 smart suite metered revenue generating end use customers. Therefore, the known inputs were that we had installed approximately 2,500 suite meters but only 310 of those units were generating revenue.

As a result, the Company assumed that since PowerStream installs the metering during building construction and prior to suite occupancy that there is a lag between the generation of revenue and the capital installation. PowerStream decided as a conservative approach, to distribute the projected installations for 2007 and 2008 over a six year connection horizon. This methodology is similar to the connection horizon methodology used for conventional residential subdivision additions.

Comparison of the Suite Meter Forecast to Actual:
Forecasting suite metering customers in the same way as other residential customers was the best assumption to use at the time. As illustrated below in Table J1.4-1, there are more smart suite metered revenue generating units than initially forecast. Based on the most recent information available there is approximately a 60% occupancy rate for suite metered units. If this data were available earlier it would have been used for forecasting.

Table J1.4-1: Reconciliation of Installed Meters to Revenue units

	2007	2008	2009	Total
Meters installed	2,500	2,200	1,600	6,300
Actual Customers	310	2,464	1,000	3,774
Customer Forecast	310	534	976	1,810

Impact Analysis:

PowerStream has reviewed actual customer count to date. For the Residential Class, as of May 2009, although suite meter customers are above budget by 1,853, all other residential customers are below budget by 2,212 units. This represents a shortfall of 358 customers. This is illustrated in the Table J1.4-2, below.

Table J1.4-2: YTD Residential Customer Count

Rate Class	2009 Test Year Total	2009 Test Year May YTD	2009 Actuals May YTD	Variance YTD
Residential Not Suite Meter	219,876	216,348	214,136	(2,212)
Residential Suite Meter	1,810	931	2,784	1,853
Total Residential	**221,686**	**217,279**	**216,920**	**-358**

Based on the continued constraints being experienced by the Region of York in its water and sewer capacity, which impacts the ability of municipalities to issue building permits, and the sluggish economy, PowerStream is concerned that this trend will continue and impact revenues for 2009. PowerStream calculated the annualized impact of the above – noted reduced customer additions on its fixed and volumetric charges. The impact on revenue at current rates is a reduction of approximately $79,000. In summary, although the number of suite meter customers may be understated in Board Staff Schedule 27-1, this has been offset by an overstatement of all other residential customer additions. The end result is that PowerStream's forecast for residential customers is currently trending below what was filed in the Application.

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	310	524	524	524	524	214		2,620
2008	0	0	452	452	452	452	452	2,262
Total	**310**	**524**	**976**	**976**	**976**	**666**	**452**	**4,882**

Residential Class	2008 E	2009 E
Original Projected	213,829	220,400
stment 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)

Class	Actual 2005	Actual 2006	Actual 2007	Bridge 2008	Test 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 Light 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*
Variance Analysis	**2006 vs. 2005**	**2007 vs. 2006**	**2008 vs. 2007**	**2009 vs. 2008**	
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 Light 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*	

2008				Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Class	Growth Rate	Growth Volume	2007												
Residential	3.16%	6,570	207,783	***208,516***	***208,843***	***208,974***	209,572	210,169	210,767	211,365	211,963	212,560	213,158	213,756	214,353
GS < 50	2.86%	650	22,698	***22,748***	***22,781***	***22,868***	22,921	22,975	23,028	23,081	23,135	23,188	23,241	23,295	23,348
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
GS > 50	3.37%	125	3,708	***3,725***	***3,777***	***3,735***	3,746	3,757	3,768	3,779	3,789	3,800	3,811	3,822	3,833
GS TOU	0.00%	0	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
SL Connections	4.41%	2,633	59,745	***59,925***	***60,006***	***60,293***	60,525	60,756	60,988	61,220	61,452	61,683	61,915	62,147	62,378
Sentinel Lights	-1.39%	-2	144	***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
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**	**243,117**	**243,780**