

June 11, 2010

**Delivered by Courier and Filed Electronically via RESS**

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. (OEB Electricity Distributor Licence ED-2004-0420)  
2010 Smart Meter Cost Recovery Application – Board File No. EB-2010-0209**

PowerStream Inc. (“PowerStream”) is a licensed electricity distributor serving customers in Alliston, Aurora, Barrie, Beeton, Bradford West Gwillimbury, Markham, Penetanguishene, Richmond Hill, Thornton, Tottenham and Vaughan. PowerStream was one of the thirteen licensed electricity distributors that were authorized by regulation in 2007 to conduct smart meter activities. PowerStream was a party to the Ontario Energy Board’s (the “Board’s”) combined proceeding in relation to smart meters (EB-2007-0063). Since 2007, PowerStream has played and continues to play a very active role in helping to fulfill the provincially mandated smart meter initiative.

For rate making purposes, PowerStream currently has two rate zones. The PowerStream South rate zone (also referred to in the accompanying material as the PowerStream South service area) includes the communities of Aurora, Markham, Richmond Hill and Vaughan. The PowerStream North rate zone (or service area) includes the communities of Alliston, Barrie, Beeton, Bradford West Gwillimbury, Penetanguishene, Thornton and Tottenham. The communities in the PowerStream North rate zone were previously served by Barrie Hydro Distribution Inc. (“Barrie Hydro”). The amalgamation of PowerStream and Barrie Hydro was approved by the Board in December of 2008 (Board File No. EB-2008-0335).

PowerStream has been installing smart meters in its service areas since 2007. The revenue requirement related to smart meters installed in 2007 was addressed in PowerStream’s 2009 forward test year cost of service electricity distribution rate application (EB-2008-0244). PowerStream is also charging a utility specific funding adder related to smart meter expenditures.

At this time, PowerStream wishes to address the recovery of the revenue requirement related to smart meters installed in 2008 and 2009 in the PowerStream South rate zone. In this regard, please find accompanying this letter two hard copies and a CD containing the above captioned Application in PDF format, together with electronic copies (in Excel format) of the completed Board models. Please note that the Excel versions of the

models are provided for the use of Board staff, and PowerStream requests that they not be posted on the Board's web site. A pdf version of this application is also being filed electronically through the Board's web portal.

We also note that certain documents mentioned in the Application are being filed in confidence, pursuant to the Board's Practice Direction on Confidential Filings, for the reasons set out in the Application. PowerStream is prepared to provide copies of the documents to parties' counsel and experts or consultants provided that they have executed the Board's form of Declaration and Undertaking with respect to confidentiality and that they comply with the Practice Direction, subject to PowerStream's right to object to the Board's acceptance of a Declaration and Undertaking from any person. The confidential material will be delivered in an envelope marked "confidential", under separate cover. We anticipate that it will be delivered to you by Wednesday, June 16, 2010.

This Application has been prepared in accordance with the Board's guidelines and requirements, specifically:

- The Board's August 8, 2007 Decision with Reasons in EB-2007-0063, the Board's combined proceeding in relation to smart meter costs for thirteen distributors (including PowerStream) that were at that time authorized to conduct smart meter activities (the "Combined Proceeding"); and
- Board Guideline G-2008-0002: Smart Meter Funding and Cost Recovery, issued October 22, 2008.

PowerStream has calculated customer bill impacts from the rate riders and reduced funding adder proposed in this application, as follows:

- a Residential customer using 800 kWhs per month will see a \$0.51 (or 0.5%) increase in the Delivery line of the bill, and an increase of \$0.58 (0.5%) on the total monthly bill; and
- a General Service less than 50 kW customer using 2,000 kWhs per month will see a \$0.09 (or 0.03%) increase in the Delivery line and an increase of \$0.10 (0.04%) on the total monthly bill.

We ask that copies of all correspondence and orders pertaining to this proceeding be delivered to the following individuals:

Mr. Colin A. Macdonald  
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If you have any questions, please do not hesitate to contact the undersigned.

Yours truly,

*Original Signed by Tom Barrett*

Tom Barrett  
Manager, Rate Applications  
Encls.

cc: Mr. Colin A. Macdonald, PowerStream Inc.  
Mr. James C. Sidlofsky, Borden Ladner Gervais LLP

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*, being Schedule B to the *Energy Competition Act, 1998*, S.O. 1998, c.15;

**AND IN THE MATTER OF** an Application by PowerStream Inc. to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates with respect to smart meters as of November 1, 2010.

**POWERSTREAM INC.  
2010 SMART METER COST RECOVERY APPLICATION**

**FILED: JUNE 11, 2010**

**Applicant:**

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1 **Introduction**

2 PowerStream Inc. (“PowerStream”) is an electricity distributor that is licensed and  
3 rate regulated by the Ontario Energy Board (referred to in this Application as the  
4 “Board”, or the “OEB”) under the *Ontario Energy Board Act, 1998*. PowerStream  
5 holds Electricity Distribution Licence No. ED-2004-0420. PowerStream serves  
6 customers in Alliston, Aurora, Barrie, Beeton, Bradford West Gwillimbury,  
7 Markham, Penetanguishene, Richmond Hill, Thornton, Tottenham and Vaughan.

8 On December 15, 2008 the Board approved (Board File No. EB-2008-0335) the  
9 amalgamation of PowerStream and Barrie Hydro Distribution Inc. (“Barrie  
10 Hydro”). The companies merged on January 1, 2009 but PowerStream  
11 continues to operate two separate rate zones corresponding to the pre-  
12 amalgamation PowerStream service area (“PowerStream South”) and the pre-  
13 amalgamation Barrie Hydro Distribution Inc. service area (“PowerStream North”),  
14 as approved by the Board in its Decision on the amalgamation. The  
15 PowerStream South rate zone (also referred to as the PowerStream South  
16 service area) includes the communities of Aurora, Markham, Richmond Hill and  
17 Vaughan. The PowerStream North rate zone (or service area) includes the  
18 communities of Alliston, Barrie, Beeton, Bradford West Gwillimbury,  
19 Penetanguishene, Thornton and Tottenham. The communities in the  
20 PowerStream North rate zone were previously served by Barrie Hydro  
21 Distribution Inc. (“Barrie Hydro”). As discussed below, this Application pertains  
22 only to the PowerStream South rate zone.

23 PowerStream was one of the thirteen licensed distributors that were authorized  
24 by regulation to conduct smart meter activities. PowerStream has played and  
25 continues to play a very active role in helping to fulfill the provincially mandated  
26 Smart Meter initiative.

27 In 2007, PowerStream slightly exceeded its assigned target of 80,000 Smart  
28 Meters installed (as this activity took place prior to the PowerStream/Barrie Hydro

1 amalgamation, all of these installations were in the PowerStream South service  
2 area). In 2008 and 2009, PowerStream installed another 137,000 Smart Meters  
3 in the PowerStream South service area.

4 As of December 31, 2009, the Smart Meter Implementation Program, for both the  
5 South and North service territories is approximately 60% complete.

6 PowerStream has exceeded 50% penetration of smart meters, in its  
7 PowerStream South service area as well as on an overall basis, and seeks to  
8 dispose of significant balances in the smart meter deferral accounts for smart  
9 meters installed in 2008 and 2009 in the PowerStream South rate zone, including  
10 capital costs of \$18.9 million.

11 PowerStream is currently subject to the Board's 3<sup>rd</sup> Generation Incentive  
12 Regulation Mechanism. Under the Board's Decision on the PowerStream/Barrie  
13 Hydro amalgamation, PowerStream is not required to file a cost of service  
14 application until its 2014 rate application. As PowerStream has achieved over  
15 50% smart meter penetration, and as the costs related to smart meters installed  
16 in the PowerStream South service area in 2008 and 2009 are now known,  
17 PowerStream submits that it is appropriate to recover the revenue requirement  
18 related to those smart meters now, rather than imposing carrying costs on its  
19 customers for the years leading to its next cost of service application.

20 In light of the foregoing, PowerStream is filing this application for the recovery of  
21 the revenue requirement related to smart meters installed in its South service  
22 area in 2008 and 2009. The Board has anticipated applications of this kind in its  
23 Guideline G-2008-0002 - Smart Meter Funding and Cost Recovery (issued  
24 October 22, 2008). At page 13, the Board states:

25 *"The Board recognizes that significant smart meter related costs may*  
26 *accrue during the term of an IRM plan. A distributor that has achieved at*  
27 *least 50% penetration of smart meters within its service area may seek*  
28 *cost recovery by way of the disposition of the balances in its smart meter*  
29 *related deferral accounts. Disposition of the balances in the deferral*  
30 *accounts does not affect the distributor's rate base or revenue*

1        *requirement, which can only be adjusted during a cost of service*  
2        *proceeding.*

3  
4        *When a distributor applies for and receives an order of the Board*  
5        *providing disposition of the smart meter deferral accounts in a non-cost of*  
6        *service proceeding, a disposition rider will be approved to provide*  
7        *recovery. The smart meter disposition rider provides a proxy for how the*  
8        *revenue requirement would be determined in a cost of service*  
9        *proceeding.”*

10      PowerStream has proposed an implementation date of November 1, 2010 in  
11      order to coincide with the Board’s semi-annual Regulated Price Plan adjustments  
12      so that its customers will experience a single bill change in November rather than  
13      multiple bill changes over a number of months.

14      The planned disposition will result in monthly bill increases of \$0.58 or 0.5% for a  
15      typical residential customer and \$0.10 or 0.04% for a typical General Service less  
16      than 50 kW customer.

17      In this Application, PowerStream is seeking Board approval of two proposed rate  
18      riders (related to smart meters installed in 2008 and 2009) and one proposed  
19      rate adder (related to 2010 smart meter installation plans), as described below:

20      ○ An “actual cost recovery rate rider” that will be in effect for the six months  
21      from November 1, 2010 to April 30, 2011. The actual cost recovery rate rider  
22      results from a true-up between (a) the smart meter funding adder amount  
23      collected from January 1, 2008 to April 30, 2010 and (b) the revenue  
24      requirement related to the meters installed in 2008 and 2009 for the period  
25      January 1, 2008 to October 31, 2010. The revenue requirement is calculated  
26      using Board staff’s model and includes the standard elements of OM&A  
27      expenses, depreciation, interest, PILs and return;

28      ○ A “smart meter disposition rate rider” that will be in effect from November 1,  
29      2010 until the implementation date for new rates as determined in  
30      PowerStream’s next cost of service distribution rate application. The smart  
31      meter disposition rate rider is calculated using Board staff’s model and is



1 derived from the 2010 revenue requirement associated with the smart meters  
2 installed in 2008 and 2009. The revenue requirement includes the standard  
3 elements of OM&A expenses, depreciation, interest, PILs and return; and

- 4 ○ A reduction in PowerStream's current smart meter funding adder, from \$1.81  
5 to \$0.50 per month per metered customer, to reflect the smart meter cost  
6 approved for recovery through the disposition rate rider above. This adder  
7 will fund smart meter installations in 2010, the anticipated completion of the  
8 program.

9 All rider and adder amounts are fixed monthly charges per metered customer in  
10 the applicable customer classes.

11 This Application has been prepared in accordance with the Board's guidelines  
12 and requirements, specifically:

- 13 ○ The Board's August 8, 2007 Decision with Reasons in EB-2007-0063, the  
14 Board's combined proceeding in relation to smart meter costs for thirteen  
15 distributors (including PowerStream) that were at that time authorized to  
16 conduct smart meter activities (the "Combined Proceeding"); and
- 17 ○ Board Guideline G-2008-0002: Smart Meter Funding and Cost Recovery,  
18 issued October 22, 2008.

19 PowerStream respectfully requests that this Application be disposed of by way of  
20 a written hearing. In the event that the Board determines that it is necessary to  
21 convene an oral hearing in respect of this Application, PowerStream will advise  
22 the Board as to the members of its witness panel(s). It is anticipated that any  
23 witness panel(s) will be composed of PowerStream personnel.

24 PowerStream requests the Board to give reasons in writing for its final decision  
25 and order(s) in this proceeding. This request is made pursuant to subsection  
26 17(1) of the *Statutory Powers Procedure Act*.

1 The following are the names and addresses of PowerStream's authorized  
2 representatives and its counsel for the purpose of serving documents on  
3 PowerStream in this proceeding:

4 **(a) Authorized Representatives:**

5 Mr. Colin A. Macdonald  
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25 **(b) Counsel:**

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27 Partner  
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36

1    **Application**

2    This Application is for the PowerStream South rate zone only. PowerStream  
3    hereby applies for the recovery of costs related to smart metering in the  
4    PowerStream South rate zone through two smart meter-related rate riders and  
5    an adjustment to its current smart meter funding adder, all of which are to be  
6    effective November 1, 2010, as follows:

- 7    ○ An actual cost recovery rate rider for the difference between the smart meter  
8    adder collected from January 1, 2008 to April 30, 2010 and the revenue  
9    requirement related to these smart meters, up to the effective date of the new  
10   disposition rate rider, through a rider of \$0.37 per month per metered  
11   customer for six months (from November 1, 2010 until April 30, 2011); and
- 12   ○ A disposition rate rider for the revenue requirement related to the smart  
13   meters installed in 2008 and 2009, in the amount of \$1.45 per month per  
14   residential customer and \$1.03 per month per General Service less than 50  
15   kW demand customer. This rate rider will be in effect until the implementation  
16   of new distribution rates arising out of PowerStream's next forward test year  
17   cost of service distribution rate application; according to the Board's Decision  
18   approving the amalgamation of PowerStream and Barrie Hydro (EB-2008-  
19   0335), PowerStream is required to file a cost of service application by 2014.
- 20   ○ A reduction in the current smart meter funding adder, from \$1.81 to \$0.50 per  
21   month per metered customer, to fund smart meter installations for 2010, the  
22   expected year of completion of the program.

23   Customer bill impacts arising out of this Application are very minor: monthly bill  
24   increases will be \$0.58 or 0.5% for a typical residential customer and \$0.10 or  
25   0.04% for a typical General Service less than 50 kW customer. The impacts are  
26   discussed in the section titled *Rate Change Summary and Bill Impacts*.

1 PowerStream is not asking for recovery of the stranded meter costs but  
2 continues to include these in rate base for rate-making purposes, as  
3 recommended by the Board in its Decision with Reasons in the Smart Meter  
4 Combined Proceeding (EB-2007-0063).

1 **Smart Meter Program Status**

2 PowerStream installed 82,293 smart meters in its South rate zone in 2007,  
3 fulfilling its commitment to the Provincial Government to install 80,000 meters by  
4 December 31, 2007. The revenue requirement related to these meters, with a  
5 capital cost of \$10.1 million, was approved by the Board for recovery in the  
6 PowerStream 2009 Cost of Service rate application (EB-2008-0244).

7 PowerStream installed 53,262 smart meters in 2008 and 84,094 smart meters in  
8 2009 in its South rate zone. In this Application, PowerStream seeks recovery of  
9 the revenue requirement in respect of the 137,356 smart meters with a capital  
10 cost of \$18.9 million installed in 2008 and 2009 in the PowerStream South rate  
11 zone.

12 As at December 31, 2009, the PowerStream South Smart Meter Implementation  
13 Program is approximately 75% complete; the combined Smart Meter  
14 Implementation Program, for both the South and North service territories, is  
15 approximately 60% complete.

16 The PowerStream North Smart Meter Installation Program commenced in 2009  
17 and 6,500 smart meters, with a capital cost of \$1.8M, were installed as at  
18 December 31, 2009. PowerStream is not applying for recovery of the revenue  
19 requirement in respect of these smart meters at this time.

20 In 2010 PowerStream plans to install another 100,500 smart meters, at a total  
21 cost of approximately \$26.8 million, for both the South and North rate zones.  
22 This includes most of the more complex and costly general service/commercial  
23 smart meter replacements. These will be addressed in a future rate application.

24 PowerStream expects that its Smart Meter Implementation Program will be  
25 substantially complete by December 31, 2010, for both rate zones.

1 **Procurement of Smart Meters and Installation Services**

2 PowerStream is one of the thirteen licensed distributors that were authorized by  
3 regulation to conduct smart meter activities. Those thirteen distributors  
4 participated in the Board's 2007 Combined Proceeding with respect to smart  
5 meters (EB-2007-0063, referred to below as the "Combined Proceeding").

6 At page 1 of its Decision in the Combined Proceeding, the Board explains the  
7 purpose of this proceeding as follows:

8 ***The Combined Proceeding:*** *In January of 2007, twelve licensed distributors*  
9 *authorized by Ontario Regulation 427/06 to conduct discretionary metering*  
10 *activities filed applications pursuant to section 78 of the Ontario Energy Board*  
11 *Act, 1998 for the approval of distribution rates. These applications included a*  
12 *smart metering rate adder to be effective as of May 1, 2007.*

13 *The twelve distributors are Chatham-Kent Hydro Inc., Enersource Hydro*  
14 *Mississauga Inc., Horizon Utilities Corporation, Hydro One Brampton*  
15 *Networks Inc., Hydro One Networks Inc., Hydro Ottawa Limited, Middlesex*  
16 *Power Distribution Corporation, Milton Hydro Distribution Inc., PowerStream*  
17 *Inc., Tay Hydro Electric Distribution Co. Inc., Toronto Hydro-Electric System*  
18 *Limited, and Veridian Connections Inc.*

19 *... The Board issued a Notice of Combined Proceeding establishing this*  
20 *proceeding to determine the prudence and recovery of costs associated with*  
21 *smart metering activities for the twelve licensed distributors referred to above,*  
22 *and a thirteenth licensed distributor, Newmarket Hydro Limited, that has been*  
23 *authorized by regulation to conduct discretionary metering activities.*

24 At that time, PowerStream's procurement and purchasing decisions were  
25 reviewed by the Board. At page 20 of its Decision, the Board made the following  
26 finding:

27 *In summary, the Board finds that the purchasing decisions of the thirteen*  
28 *utilities involved in this proceeding have been implemented with the*  
29 *necessary due diligence. The terms of contracts each has concluded with*  
30 *suppliers, including the pricing, are prudent.*

31 PowerStream continued to purchase residential smart meters in 2008 and 2009  
32 from Sensus Metering Systems Inc. at essentially the same fixed price in US  
33 dollars as the 2007 smart meters approved in the 2009 cost of service application  
34 were purchased.

1 Similarly, PowerStream continued to contract with Sensus Metering Systems Inc.  
2 for operation of its Advanced Metering Infrastructure (“AMI”) system from 2007 to  
3 2009 under the same contract that was filed in confidence during the Combined  
4 Proceeding.

5 PowerStream continued to contract with Honeywell Inc. for installation of  
6 residential smart meters in 2008 under an extension to the contract that was filed  
7 in confidence during the Combined Proceeding. Under the terms of the original  
8 contract the vendor was allowed to renegotiate the pricing for 2008 and the  
9 contract extension required mutual agreement by the vendor and PowerStream.  
10 Due to a significant number of problems with Murray-Jensen meter bases in  
11 2007, Honeywell was not able to install the number of smart meters anticipated in  
12 the original contract. These meter bases tend to break when the existing meters  
13 are removed. Installation of smart meters into these bases, and the replacement  
14 of broken bases where necessary, required additional work by more highly  
15 qualified meter staff, lengthening the installation time on a per meter basis and  
16 reducing the total number of meters installed by Honeywell during this period.  
17 Extension of the contract into 2008, at newly negotiated prices, resolved this  
18 issue in a manner that was advantageous for PowerStream and its customers.

19 In 2009, PowerStream tendered the contract for installation services by issuing a  
20 Request for Proposal (“RFP”). Based on the responses to the RFP,  
21 PowerStream was able to negotiate a more favourable contract with Olameter  
22 Inc. for installation of residential smart meters in 2009.

23 PowerStream has continued the prudence noted by the Board in the 2007  
24 Combined Smart Meter Proceeding (EB-2007-0063). PowerStream’s average  
25 capital cost per meter of \$137.43 compares favourably to the sector average  
26 capital cost of \$186.76 derived from the “Sector Smart Meter Audit Review  
27 Report” issued by the OEB Regulatory Audit and Accounting Group on March 31,  
28 2010 (based on 3,053,931 meters with a capital cost of \$570,339,200).

1 The following agreements are being filed with the Board Secretary on a  
2 confidential basis:

- 3     o Advanced Metering Infrastructure Services Agreement between  
4       PowerStream Inc. and Sensus Metering Systems Inc.;
- 5     o Residential Smart Meter Pricing from Sensus Metering Systems Inc.;
- 6     o Smart Meter Installation Agreement between PowerStream Inc. and  
7       Honeywell Limited, and Amendment No. 1 thereto; and
- 8     o Smart Meter Installation Contract between PowerStream Inc. and  
9       Olameter Inc.

10 Sensus, Honeywell and Olameter are corporations which are engaged in  
11 competitive businesses. The disclosure of the terms of these agreements could  
12 reasonably be expected to prejudice the economic interests of, significantly  
13 prejudice the competitive positions of, cause undue financial loss to, and be  
14 injurious to the financial interests of Sensus, Honeywell and Olameter,  
15 respectively, since it would enable their competitors to ascertain the scope and  
16 pricing of services provided by these companies. The Board's Practice Direction  
17 on Confidential Filings (the "Practice Direction") recognizes that these are among  
18 the factors that the Board will take into consideration when addressing the  
19 confidentiality of filings. They are also addressed in section 17(1) of the  
20 *Freedom of Information and Protection of Privacy Act* ("FIPPA"), and the Practice  
21 Direction notes (at Appendix C of the Practice Direction) that third party  
22 information as described in subsection 17(1) of FIPPA is among the types of  
23 information previously assessed or maintained by the Board as confidential. This  
24 approach is also consistent with the Board's treatment of commercially sensitive  
25 smart meter-related documents in the Combined Smart Meter Proceeding.

26 Accordingly, PowerStream requests that these Agreements be kept confidential.  
27 PowerStream is prepared to provide copies of the Agreements to parties' counsel  
28 and experts or consultants provided that they have executed the Board's form of  
29 Declaration and Undertaking with respect to confidentiality and that they comply  
30 with the Practice Direction, subject to PowerStream's right to object to the



- 1 Board's acceptance of a Declaration and Undertaking from any person. In
- 2 keeping with the requirements of the Practice Direction, PowerStream is filing
- 3 confidential unredacted versions of the Agreements under separate cover, in a
- 4 sealed envelope marked "Confidential".

1 **Smart Meter Costs**

2 In this Application, PowerStream is seeking recovery of costs related to the  
3 137,356 smart meters installed in the PowerStream South service area in 2008  
4 and 2009. Table 1 below provides a summary of these costs.

5 **Table 1: Summary of Smart Meter Costs**

<b>Description</b>	<b>Total Cost</b>	<b>Cost per Meter</b>
Smart Meters and AMI system	\$18,284,528	\$ 133.12
Customer Information Systems	\$ 591,829	\$ 4.31
<b>Total Capital Costs</b>	<b>\$18,876,357</b>	<b>\$ 137.43</b>
Number of Smart Meters installed	137,356	
Incremental O&M costs - 2008 and 2009 actual	\$ 2,225,937	\$ 16.21
Incremental O&M costs - 2010 projected	\$ 1,198,300	\$ 8.72

6 The above costs, with the exception of the projected 2010 OM&A costs related to  
7 2008 and 2009 smart meters, are actual costs taken from PowerStream's  
8 financial records as at December 31, 2009. The December 31, 2009 balances in  
9 the smart meter deferral accounts have been audited by PowerStream's external  
10 auditors.

11 An audit review of smart meter accounts 1555 and 1556 was recently carried out  
12 by the OEB's Regulatory Audit and Accounting Group. The audit review report  
13 accompanies this Application as Appendix 4.

14 As noted above, PowerStream has continued the prudence noted by the Board in  
15 the 2007 Combined Smart Meter Proceeding (EB-2007-0063). PowerStream's  
16 average capital cost per meter of \$137.43 compares favourably to the sector  
17 average capital cost of \$186.76 derived from the "Sector Smart Meter Audit  
18 Review Report" issued by the OEB Regulatory Audit and Accounting Group on  
19 March 31, 2010 (based on 3,053,931 meters with a capital cost of  
20 \$570,339,200).

1 PowerStream has not incurred any costs for functionality beyond the minimum  
 2 functionality adopted in O.Reg. 425/06.

3 PowerStream does not have a billing MDM/R system and uses only the Smart  
 4 Meter Entity MDM/R system for billing Time of Use customers.

5 Table 2 below compares the actual capital costs to the estimated capital costs for  
 6 2008 and 2009 as per the Smart Meter Funding Adder model that was filed as  
 7 part of PowerStream's 2009 cost of service rate application.

8 **Table 2: Comparison of Estimated to Actual Capital Costs**

<b>Capital Costs</b>	<b>2008</b>	<b>2009</b>	<b>Total</b>
Estimated	\$ 6,994,475	\$ 12,974,853	\$ 19,969,328
Actual	\$ 6,478,519	\$ 12,397,838	\$ 18,876,357
Under (over)	\$ 515,956	\$ 577,015	\$ 1,092,971
Meters installed - estimated	57,000	65,000	122,000
Meters installed - actual	53,262	84,094	137,356
Under (over)	3,738	(19,094)	(15,356)
Cost per meter - estimated	\$ 122.71	\$ 199.61	\$ 163.68
Cost per meter - actual	\$ 121.63	\$ 147.43	\$ 137.43
Under (over)	\$ 1.08	\$ 52.18	\$ 26.26

9 As can be seen in Table 2 above, the actual capital cost per meter was lower  
 10 than estimated by \$1.08 in 2008 and \$52.18 in 2009.

11 In 2008 the favourable variance was due mainly to favourable exchange rates.

12 In 2009 the favourable variance was due mainly to installing more residential  
 13 smart meters and fewer general service ("GS") smart meters than planned. Due  
 14 to the limited availability of approved GS smart meters, the plan was revised to  
 15 install more residential meters in 2009 and schedule the GS installations for  
 16 2010. The favourable impact of the lower cost residential meters was offset in  
 17 part by higher exchange rates in 2009 and higher spending on software  
 18 development than estimated for MDM/R interfaces and Time of Use pricing.

1 Table 3 below compares the actual OM&A costs to the estimated OM&A costs  
 2 for 2008 and 2009 as per the Smart Meter Funding Adder model that was filed as  
 3 part of PowerStream's 2009 Cost of Service rate filing.

4 **Table 3: Comparison of Estimated to Actual OM&A Costs**

<b>OM&amp;A</b>	<b>2008</b>	<b>2009</b>	<b>Total</b>
Estimated	\$ 1,345,400	\$ 941,450	\$ 2,286,850
Actual	\$ 1,117,183	\$ 1,108,754	\$ 2,225,937
Under (over)	\$ 228,217	\$ (167,304)	\$ 60,913
Cost per meter - estimated	\$ 23.60	\$ 14.48	\$ 18.74
Cost per meter - actual	\$ 20.98	\$ 13.18	\$ 16.21
Under (over)	\$ 2.63	\$ 1.30	\$ 2.54

5 The favourable variance in 2008 is due mainly to much lower costs than  
 6 budgeted for materials to repair defective meter bases, and for labour costs  
 7 related to replacement of defective smart meters.

8 The unfavourable variance in 2009 is mainly due to higher than budgeted  
 9 customer communications costs. These communication costs consist primarily  
 10 of the information packages provided to customers, one when they first receive a  
 11 smart meter and another when they are moved onto time of use billing. Another  
 12 significant item is incremental call centre costs related to smart meter-related  
 13 calls from PowerStream customers. Due to the higher number of meters  
 14 installed compared to the original plan, there has been a corresponding increase  
 15 in these costs.

1 **Stranded Meter Costs**

2 PowerStream is not seeking disposition of its stranded meter costs.  
3 PowerStream continues to recover these costs by including the net book value of  
4 stranded meters in its rate base for rate-making purposes, as recommended by  
5 the Board in its Decision with Reasons in the Combined Proceeding.

6 As of December 31, 2009, PowerStream had replaced 203,790 conventional  
7 meters with Smart Meters. The net book value of the stranded conventional  
8 meters at December 31, 2009 was \$10.2 million. PowerStream continues to  
9 amortize the stranded meters over the remaining amortization period and charge  
10 this expense to account 5695 "OM&A Contra" for Smart Meters. Proceeds on  
11 the scrapped meters are captured in account 1555 as an offset to the costs in the  
12 deferral account, in accordance with the Board's Guideline 2008-0002 and the  
13 Board's January 16, 2007 letter to distributors on stranded meter costs related to  
14 the installation of smart meters, reproduced as Appendix B to the Guideline.

1 **Smart Meter Actual Cost Recovery Calculation**

2 In its 2009 cost of service distribution rate application, PowerStream received  
3 approval of its revenue requirement associated with smart meters installed up to  
4 December 31, 2007. The amounts approved in that proceeding were calculated  
5 using a model created by Board staff. PowerStream has used this model and  
6 updated it with the costs for the smart meters installed from January 1, 2008 to  
7 December 31, 2009. A copy of the Actual Smart Meter Cost Recovery Model  
8 accompanies this Application as Appendix 1.

9 The updated model calculates both the revenue requirement amounts for  
10 purposes of the actual cost recovery to October 31, 2010 as well as the revenue  
11 requirement going forward used to calculate the disposition rate rider discussed  
12 in the next section.

13 Table 4, taken from the model, summarizes the revenue requirement associated  
14 with these meters and the value of the smart meter funding adder collected on  
15 the 2008 and 2009 meters over the period January 1, 2008 to April 30, 2010.  
16 Smart meter adder amounts collected after April 30, 2010 include 2010 smart  
17 meters and will be cleared when PowerStream seeks disposition of the 2010  
18 smart meters.

19 **Table 4: Rate Rider to Recover Actual Smart Meter Costs to December 31, 2009**

Revenue Requirement 2008 (a)	\$ 1,650,030
Revenue Requirement 2009 (b)	\$ 3,004,081
Revenue Requirement 2010 (to Oct 31/10) (c)	\$ 3,442,964
<b>Revenue Requirement Total (d)=(a)+(b)+(c)</b>	<b>\$ 8,097,075</b>
Smart Meter Rate Adder (e)	\$ (7,509,327)
Carrying Cost (f)	\$ (38,680)
<b>Smart Meter True-up (g)=(d)-(e)-(f)</b>	<b>\$ 549,068</b>
Metered Customers (h)	\$ 249,715
<b>Rate Rider to Recover Smart Meter Costs ((g)/(h))/6</b>	<b>\$ 0.37</b>
<i>Recovery period November 1, 2010 to April 30, 2011</i>	

1 PowerStream is seeking approval of the smart meter costs in this Application and  
2 of the transfer of the approved amounts from the smart meter deferral accounts  
3 to the appropriate fixed asset, revenue and expense accounts.

4 As shown in Table 4, there is a difference of \$549,068 between the revenue  
5 requirement related to the smart meter costs and the corresponding smart meter  
6 adder collected from January 1, 2008 to April 30, 2010. PowerStream proposes  
7 to recover this amount from customers by a monthly rate rider of \$0.37 per  
8 metered customer over the period November 1, 2010 to April 30, 2011.

1     **Smart Meter Disposition Calculation**

2     PowerStream is also seeking a rate rider to recover the revenue requirement  
 3     associated with the smart meter investments approved in this Application from  
 4     November 1, 2010 until this is incorporated into distribution rates in  
 5     PowerStream’s next Cost of Service distribution rate application.

6     The smart meter disposition rate rider is derived from the 2010 revenue  
 7     requirement of \$4,131,557, as calculated on Sheet 2 (Revenue Requirement) of  
 8     the Actual Smart Meter Cost Recovery Model, attached as Appendix 1, and  
 9     summarized in Table 5.

10

**Table 5: Calculation of Revenue Requirement**

<b>Rate Base</b>	<b>Amount</b>
Net Fixed Assets	\$ 16,941,365
Working Capital Allowance	\$ 179,745
<b>Total</b>	<b>\$ 17,121,110</b>
<b>Revenue Requirement</b>	
Short Term Interest	\$ 14,176
Long Term Interest	\$ 564,723
Return on Equity	\$ 674,572
OM&A	\$ 1,198,300
Amortization	\$ 1,416,245
Grossed-up PILs	\$ 263,541
<b>Total</b>	<b>\$ 4,131,557</b>

11     PowerStream has allocated this revenue requirement between the Residential  
 12     and the General Service less than 50 kW customer classes which received the  
 13     meters covered by the disposition rate rider as shown in Table 6.



1 **Table 6: Allocation of Revenue Requirement between Customer Classes**

Customer class	Return	Amortization	OM&A	Subtotal	PILS	TOTAL
Residential	\$1,134,354	\$ 1,281,660	\$ 1,175,504	\$ 3,591,517	\$ 244,702	\$3,836,220
GS<50	\$ 119,117	\$ 134,585	\$ 22,796	\$ 276,499	\$ 18,839	\$ 295,337
<b>Total</b>	<b>\$1,253,471</b>	<b>\$ 1,416,245</b>	<b>\$ 1,198,300</b>	<b>\$ 3,868,016</b>	<b>\$ 263,541</b>	<b>\$4,131,557</b>

2 The revenue requirement has been allocated as follows:

- 3 o Return (deemed interest plus return on equity) and Amortization have
- 4 been allocated between the customer classes based on the capital costs
- 5 of the meters installed for each class
- 6 o OM&A has been allocated based on the number of meters installed for
- 7 each class
- 8 o PILs have been allocated based on the revenue requirement allocated to
- 9 each class before PILs

10 PowerStream is proposing that the smart meter disposition rate rider be  
 11 calculated as a monthly fixed charge as shown in Table 7.

12 **Table 7: Calculation of Disposition Rate Rider**

Customer class	Number of Customers	Revenue Requirement allocation	Monthly Charge
Residential	219,943	\$ 3,836,220	\$ 1.45
GS<50	23,818	\$ 295,337	\$ 1.03
Total	243,761	\$ 4,131,557	

13 Details of the calculation of the smart meter disposition rate rider are set out in  
 14 Appendix 2 to this Application.

1 **Smart Meter Funding Adder Calculation**

2 The Board approved a Smart Meter Funding Adder, of \$1.81 per month per  
3 metered customer effective May 1, 2010, in PowerStream's 2010 electricity  
4 distribution rate application (Board Decision and Order EB-2009-0246).

5 As part of this Application, PowerStream seeks to reduce the Smart Meter  
6 funding adder to reflect the removal of the costs associated with the smart  
7 meters installed in 2008 and 2009 upon approval by the Board of those costs.

8 The revised Smart Meter funding adder is based on the costs of the meters to be  
9 installed in 2010.

10 Please see Appendix 3 for the details of the calculation of the revised 2010  
11 Smart Meter funding adder of \$0.50 per month per metered customer.

1 **Rate Change Summary and Bill Impacts**

2 Table 8 summarizes the rate changes sought in this Application. All charges  
3 shown are monthly fixed charges.

4 **Table 8: Summary of Rate changes**

<b>Rate Rider</b>	<b>Before</b>	<b>After</b>	<b>Change</b>
Smart Meter Funding Adder	\$ 1.81	\$ 0.50	\$ (1.31)
Smart Meter Actual Cost Recovery	\$ -	\$ 0.37	\$ 0.37
Smart Meter Disposition - Residential	\$ -	\$ 1.45	\$ 1.45
Smart Meter Disposition - GS<50kW	\$ -	\$ 1.03	\$ 1.03
Total Change - Residential	\$ 1.81	\$ 2.32	\$ 0.51
Total Change - GS<50kW	\$ 1.81	\$ 1.90	\$ 0.09
Total Change - Other metered customers	\$ 1.81	\$ 0.87	\$ (0.94)

5 A typical residential customer using 800 kWhs per month will see an increase of  
6 \$0.58 or 0.5% on their monthly bill.

7 A General Service less than 50 kW customer using 2,000 kWhs per month will  
8 see an increase of \$0.10 or 0.04% on their monthly bill.

9 PowerStream has provided bill impact calculations at Appendix 5 of this  
10 Application.

1 **Conclusion**

2 PowerStream respectfully submits that the costs necessary to fulfill its obligations  
3 under the provincially mandated Smart Meter initiative have been prudently  
4 incurred in accordance with Board guidelines; the proposed riders and adder are  
5 just and reasonable, the associated customer bill impacts are minimal; and it is  
6 appropriate that the Board approve these proposed riders and reduced adder at  
7 this time, for implementation effective November 1, 2010.

8 Dated at Toronto, Ontario, this 11<sup>th</sup> day of June, 2010

9 **All of which is respectfully submitted,**

10 **PowerStream Inc.**  
11 by its Counsel  
12 Borden Ladner Gervais LLP  
13 per:

14 *Original signed by James C. Sidlofsky*

15 \_\_\_\_\_  
16 James C. Sidlofsky  
17

18 K:\Rates Group\2010 SM filing\PowerStream\_2010\_Smart\_Meter\_Application.DOC

**PowerStream Inc.**  
**Actual Smart Meter Cost Recovery Model**

**Rate Rider to Recover Actual Smart Meter Costs to December 31, 2009**

Revenue Requirement 2008	\$1,650,030
Revenue Requirement 2009	\$3,004,081
Revenue Requirement 2010 (to Oct 31/10)	\$3,442,964
<b>Revenue Requirement Total</b>	<b>\$8,097,075</b>
Smart Meter Rate Adder	(\$7,509,327)
Carrying Cost	(\$38,680)
<b>Smart Meter True-up</b>	<b>\$549,067</b>

Metered Customers 249,715

**Rate Rider to Recover Smart Meter Costs \$ 0.37**

Recovery period November 1, 2010 to April 30, 2011

**2010 Addition to Rate Base (Smart Meters installed in 2008 and 2009)**

Fixed Assets

Smart Meters	\$18,284,528
Computer Software	\$591,829
	<u>\$18,876,357</u>

Accumulated Depreciation

Smart Meters	(\$1,019,666)
Computer Software	(\$207,204)
	<u>(\$1,226,870)</u>

**Addition to Net Fixed Assets \$17,649,487**

2009 Amortization Expense

Smart Meters	\$814,575
Computer Software	\$152,921
	<u>\$967,496</u>

2010 Amortization Expense

Smart Meters	\$1,218,969
Computer Software	\$197,276
	<u>\$1,416,245</u>

**PowerStream Inc.**  
**Actual Smart Meter Cost Recovery Model**

**Incremental Revenue Requirement Calculation**

		2008		2009		2010	Notes
Net Fixed Assets		\$ 3,109,524		\$ 11,934,267		\$ 16,941,365	1
OM&A	\$1,117,183		\$1,108,754		\$1,198,300		
Working Capital Allowance	15%	\$ 167,577	15%	\$ 166,313	15%	\$ 179,745	
Rate Base		\$ 3,277,101		\$ 12,100,580		\$ 17,121,110	
Deemed ST Debt	0%	\$ -	4%	\$ 484,023	4%	\$ 684,844	
Deemed LT Debt	60%	\$ 1,966,261	56%	\$ 6,776,325	56%	\$ 9,587,821	
Deemed Equity	40%	\$ 1,310,840	40%	\$ 4,840,232	40%	\$ 6,848,444	
ST Interest	0.00%	\$ -	1.33%	\$ 6,438	2.07%	\$ 14,176	
LT Interest	6.16%	\$ 121,122	5.89%	\$ 399,126	5.89%	\$ 564,723	
ROE	9.00%	\$ 117,976	8.01%	\$ 387,703	9.85%	\$ 674,572	
		\$ 239,097		\$ 793,266		\$ 1,253,471	
OM&A		\$ 1,117,183		\$ 1,108,754		\$ 1,198,300	2
Amortization		\$ 259,374		\$ 967,496		\$ 1,416,245	
Grossed-up PILs		\$ 34,376		\$ 134,565		\$ 263,541	
Revenue Requirement		\$ 1,650,030		\$ 3,004,081		\$ 4,131,557	

**NOTES**

1. Average assets for 2010 excludes 2010 additions as only considering meters installed up to Dec 31/09.
2. OM&A costs for meters installed in 2008 and 2009 only, costs for meters installed in 2010 are excluded and continue to be deferred in account 1556.
3. Actual costs up to Dec 31/07 were cleared in 2009 EDR and added to rate base (EB-2008-0244) and are excluded.

**PowerStream Inc.  
Actual Smart Meter Cost Recovery Model**

**PILs Calculation**

	2008 Actual	2009 Actual	2010 Forecasted
<b>INCOME TAX</b>			
Net Income	\$ 117,976	\$ 387,703	\$ 674,572
Amortization	\$ 259,374	\$ 967,496	\$ 1,416,245
CCA	-\$ 335,676	-\$ 1,160,859	-\$ 1,531,012
Change in taxable income	\$ 41,674	\$ 194,339	\$ 559,805
Tax Rate	33.50%	33.00%	31.00%
Income Taxes Payable	\$ 13,961	\$ 64,132	\$ 173,540

**ONTARIO CAPITAL TAX**

Closing Net Fixed Assets	\$ 5,947,632	\$ 17,264,862	\$ 16,045,894
Less: Exemption	\$ -	\$ -	\$ -
Deemed Taxable Capital	\$ 5,947,632	\$ 17,264,862	\$ 16,045,894
Ontario Capital Tax Rate	0.225%	0.225%	0.075%
Net Amount (Taxable Capital x Rate)	\$ 13,382	\$ 38,846	\$ 12,034

**Gross Up**

	PILs Payable	PILs Payable	PILs Payable
Change in Income Taxes Payable	\$ 13,961	\$ 64,132	\$ 173,540
Change in OCT	\$ 13,382	\$ 38,846	\$ 12,034
PIL's	\$ 27,343	\$ 102,978	\$ 185,574

Gross Up	Gross Up	Gross Up
33.50%	33.00%	31.00%

	Grossed Up PILs	Grossed Up PILs	Grossed Up PILs
Change in Income Taxes Payable	\$ 20,993	\$ 95,719	\$ 251,507
Change in OCT	\$ 13,382	\$ 38,846	\$ 12,034
PIL's	\$ 34,376	\$ 134,565	\$ 263,541

**PowerStream Inc.**  
**Actual Smart Meter Cost Recovery Model**

Filed: June 11, 2010  
 EB-2010-0209  
 PowerStream Inc.  
 2010 Smart Meter Cost Recovery Application  
 Appendix 1  
 Page 4 of 7

**Average Net Fixed Assets**

	2008 Actual	2009 Actual	2010 Forecasted
<b>Net Fixed Assets - meters</b>			
Opening Capital Investment	\$ -	\$ 6,152,723	\$ 18,284,528
Capital Investment	\$ 6,152,723	\$ 12,131,805	
Closing Capital Investment	\$ 6,152,723	\$ 18,284,528	\$ 18,284,528
Opening Accumulated Amortization	\$ -	\$ 205,091	\$ 1,019,666
Amortization Year One	\$ 205,091	\$ 404,394	\$ -
Amortization Thereafter	\$ -	\$ 410,182	\$ 1,218,969
Closing Accumulated Amortization	\$ 205,091	\$ 1,019,666	\$ 2,238,634
Opening Net Fixed Assets	\$ -	\$ 5,947,632	\$ 17,264,862
Closing Net Fixed Assets	\$ 5,947,632	\$ 17,264,862	\$ 16,045,894
Average Net Fixed Assets	\$ 2,973,816	\$ 11,606,247	\$ 16,655,378

	2008 Actual	2009 Actual	2010 Forecasted
<b>Net Fixed Assets - software</b>			
Opening Capital Investment	\$ -	\$ 325,698	\$ 591,829
Capital Investment	\$ 325,698	\$ 266,131	
Closing Capital Investment	\$ 325,698	\$ 591,829	\$ 591,829
Opening Accumulated Amortization	\$ -	\$ 54,283	\$ 207,204
Amortization Year One	\$ 54,283	\$ 44,355	\$ -
Amortization Thereafter	\$ -	\$ 108,566	\$ 197,276
Closing Accumulated Amortization	\$ 54,283	\$ 207,204	\$ 404,481
Opening Net Fixed Assets	\$ -	\$ 271,415	\$ 384,625
Closing Net Fixed Assets	\$ 271,415	\$ 384,625	\$ 187,349
Average Net Fixed Assets	\$ 135,708	\$ 328,020	\$ 285,987

**Totals**

Average Net Fixed Assets	\$ 3,109,524	\$ 11,934,267	\$ 16,941,365
Amorization Expense	\$ 259,374	\$ 967,496	\$ 1,416,245



**PowerStream Inc.  
Actual Smart Meter Cost Recovery Model  
For PILs Calculation**

**UCC**

	2008 Forecasted	2009 Forecasted	2010 Forecasted
Opening UCC	\$ -	\$ 5,906,614	\$ 17,080,618
Capital Additions	\$ 6,152,723	\$ 12,131,805	\$ -
UCC Before Half Year Rule	\$ 6,152,723	\$ 18,038,419	\$ 17,080,618
Half Year Rule (1/2 Additions - Disposals)	\$ 3,076,362	\$ 6,065,903	\$ -
Reduced UCC	\$ 3,076,362	\$ 11,972,517	\$ 17,080,618
CCA Rate Class	47		
CCA Rate	8%		
CCA	\$ 246,109	\$ 957,801	\$ 1,366,449
Closing UCC	\$ 5,906,614	\$ 17,080,618	\$ 15,714,168

**UCC**

	2008 Forecasted	2009 Forecasted	2010 Forecasted
Opening UCC	\$ -	\$ 236,131	\$ 299,204
Capital Additions	\$ 325,698	\$ 266,131	\$ -
UCC Before Half Year Rule	\$ 325,698	\$ 502,262	\$ 299,204
Half Year Rule (1/2 Additions - Disposals)	\$ 162,849	\$ 133,066	\$ -
Reduced UCC	\$ 162,849	\$ 369,197	\$ 299,204
CCA Rate Class	50		
CCA Rate	55%		
CCA	\$ 89,567	\$ 203,058	\$ 164,562
Closing UCC	\$ 236,131	\$ 299,204	\$ 134,642
Total CCA	\$ 335,676	\$ 1,160,859	\$ 1,531,012

**PowerStream Inc.**

**Actual Smart Meter Cost Recovery Model**

**Table Staff 16-1: Account 1555 Smart Meter  
Capital and Offset Account – Principal**

Month	Opening Balance	SM Adder	Revenue Requirement	Closing Balance (excluding Stranded)
Jan-08	0	(171,541)	137,502	(34,039)
Feb-08	(34,039)	(171,988)	137,502	(68,525)
Mar-08	(68,525)	(172,216)	137,502	(103,238)
Apr-08	(103,238)	(172,624)	137,502	(138,360)
May-08	(138,360)	(290,895)	137,502	(291,752)
Jun-08	(291,752)	(291,611)	137,502	(445,860)
Jul-08	(445,860)	(292,477)	137,502	(600,835)
Aug-08	(600,835)	(293,316)	137,502	(756,648)
Sep-08	(756,648)	(294,296)	137,502	(913,442)
Oct-08	(913,442)	(295,479)	137,502	(1,071,419)
Nov-08	(1,071,419)	(296,584)	137,502	(1,230,500)
Dec-08	(1,230,500)	(297,494)	137,502	(1,390,492)
Jan-09	(1,390,492)	(298,286)	250,340	(1,438,438)
Feb-09	(1,438,438)	(298,794)	250,340	(1,486,892)
Mar-09	(1,486,892)	(299,260)	250,340	(1,535,812)
Apr-09	(1,535,812)	(299,609)	250,340	(1,585,081)
May-09	(1,585,081)	(299,982)	250,340	(1,634,723)
Jun-09	(1,634,723)	(300,368)	250,340	(1,684,751)
Jul-09	(1,684,751)	(300,826)	250,340	(1,735,236)
Aug-09	(1,735,236)	(301,398)	250,340	(1,786,294)
Sep-09	(1,786,294)	(259,493)	250,340	(1,795,447)
Oct-09	(1,795,447)	(260,120)	250,340	(1,805,227)
Nov-09	(1,805,227)	(260,768)	250,340	(1,815,655)
Dec-09	(1,815,655)	(261,265)	250,340	(1,826,580)
Jan-10	(1,826,580)	(268,522)	344,296	(1,750,805)
Feb-10	(1,750,805)	(239,202)	344,296	(1,645,711)
Mar-10	(1,645,711)	(264,455)	344,296	(1,565,869)
Apr-10	(1,565,869)	(256,458)	344,296	(1,478,031)
May-10	(1,478,031)		344,296	(1,133,735)
Jun-10	(1,133,735)		344,296	(789,438)
Jul-10	(789,438)		344,296	(445,142)
Aug-10	(445,142)		344,296	(100,846)
Sep-10	(100,846)		344,296	243,451
Oct-10	243,451		344,296	587,747
<b>Total</b>		<b>(7,509,327)</b>	<b>8,097,075</b>	<b>587,747</b>

2008	(3,040,521)	1,650,030
2009	(3,440,169)	3,004,081
2010	(1,028,637)	3,442,964
	<u>(7,509,327)</u>	<u>8,097,075</u>

## PowerStream Inc. Actual Smart Meter Cost Recovery Model

**Table Staff 16-2: Account 1555 – Interest**

Month	Opening Balance (excluding Stranded)	Days	Rate	Interest	To Date
Jan-08	0	31	5.14%	0	0
Feb-08	(34,039)	28	5.14%	(134)	(134)
Mar-08	(68,525)	31	5.14%	(299)	(433)
Apr-08	(103,238)	30	4.08%	(346)	(780)
May-08	(138,360)	31	4.08%	(479)	(1,259)
Jun-08	(291,752)	30	4.08%	(978)	(2,237)
Jul-08	(445,860)	31	3.35%	(1,269)	(3,506)
Aug-08	(600,835)	31	3.35%	(1,709)	(5,215)
Sep-08	(756,648)	30	3.35%	(2,083)	(7,299)
Oct-08	(913,442)	31	3.35%	(2,599)	(9,898)
Nov-08	(1,071,419)	30	3.35%	(2,950)	(12,848)
Dec-08	(1,230,500)	31	3.35%	(3,501)	(16,349)
Jan-09	(1,390,492)	31	2.4500%	(2,893)	(19,242)
Feb-09	(1,438,438)	28	2.4500%	(2,703)	(21,946)
Mar-09	(1,486,892)	31	2.4500%	(3,094)	(25,040)
Apr-09	(1,535,812)	30	1.0000%	(1,262)	(26,302)
May-09	(1,585,081)	31	1.0000%	(1,346)	(27,648)
Jun-09	(1,634,723)	30	1.0000%	(1,344)	(28,992)
Jul-09	(1,684,751)	31	0.5500%	(787)	(29,779)
Aug-09	(1,735,236)	31	0.5500%	(811)	(30,589)
Sep-09	(1,786,294)	30	0.5500%	(808)	(31,397)
Oct-09	(1,795,447)	31	0.5500%	(839)	(32,236)
Nov-09	(1,805,227)	30	0.5500%	(816)	(33,052)
Dec-09	(1,815,655)	31	0.5500%	(848)	(33,900)
Jan-10	(1,826,580)	31	0.5500%	(853)	(34,753)
Feb-10	(1,750,805)	28	0.5500%	(739)	(35,492)
Mar-10	(1,645,711)	31	0.5500%	(769)	(36,260)
Apr-10	(1,565,869)	30	0.5500%	(708)	(36,968)
May-10	(1,478,031)	31	0.5500%	(690)	(37,659)
Jun-10	(1,133,735)	30	0.5500%	(513)	(38,171)
Jul-10	(789,438)	31	0.5500%	(369)	(38,540)
Aug-10	(445,142)	31	0.5500%	(208)	(38,748)
Sep-10	(100,846)	30	0.5500%	(46)	(38,793)
Oct-10	243,451	31	0.5500%	114	(38,680)

**PowerStream Inc.**  
**Revenue Requirement on Smart Meter Costs for Disposition**  
**Customer Class Allocation and Rate Rider Calculation**

Customer class	Number of Meters	total capital costs	% of Capital Costs	Revenue Requirement Allocation					
				Return	Amortization	OM&A	Subtotal	PILS	TOTAL
Residential	134,743	\$ 17,082,540	90.50%	\$ 1,134,354	\$ 1,281,660	\$ 1,175,504	\$ 3,591,517	\$ 244,702	\$ 3,836,220
GS<50	2,613	\$ 1,793,817	9.50%	\$ 119,117	\$ 134,585	\$ 22,796	\$ 276,499	\$ 18,839	\$ 295,337
Total	137,356	\$ 18,876,357	100.00%	\$ 1,253,471	\$ 1,416,245	\$ 1,198,300	\$ 3,868,016	\$ 263,541	\$ 4,131,557
Revenue Requirement				\$ 1,253,471	\$ 1,416,245	\$ 1,198,300	\$ 3,868,016	\$ 263,541	\$ 4,131,557

**Disposition Rate Rider Calculation**

Customer class	Number of Customers	Revenue Requirement allocation	Monthly Charge
Residential	219,943	\$ 3,836,220	\$ 1.45
GS<50	23,818	\$ 295,337	\$ 1.03
Total	243,761	\$ 4,131,557	

## SMART METER RATE CALCULATION MODEL

### Sheet 1 Utility Information Sheet

<b>Legend:</b>	Input Cell	Pull-Down Menu Option	Output Cell
	From Another Sheet		To Another Sheet

*Please note that this model uses MACROS. Before starting, please ensure that macros have been enabled.*

**Name of LDC:** PowerStream Inc.

**Licence Number:** ED-2004-0420

**Smart Meter Grouping:** Listed

EB-2010-0209

**EDR 2009 EB Number:** EB-2008-0244

**Date of Submission:** June 11, 2010

**Revision:**

**Version:** 1.0

#### **Contact Information**

**Name:** Tom Barrett

**Title:** Manager, Rates

**Phone Number:** 905.532.4640

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**PowerStream Inc.**

**EB-2010-0209**

**Friday, June 11, 2010**

**Sheet 2. Smart Meter Capital Cost and Operational Expense Data**

**Smart Meter Unit Installation Plan:**

	2008 Actual	2009 Fcst	2010 Fcst	Total
<i>assume calendar year installation</i> Planned number of Residential smart meters to be installed - includes new services			9,500	9,500
Planned number of General Service Less Than 50 kW smart meters - includes new services			18,000	
Planned number of General Service Greater Than 50 kW smart meters - includes new services			3,000	3,000
<b>Planned Meter Installation</b>	-	-	30,500	30,500
Accumulative Planned Meter Installations Completed before January 1, 2011	-	-	30,500	

**Capital Costs**

**1.1 ADVANCED METERING COMMUNICATION DEVICE (AMCD)**

**1.1.1 Smart Meter**

*may include new meters and modules, etc.*

**1.1.2 Installation Cost**

*may include socket kits plus shipping, labour, benefits, vehicle, etc.*

**1.1.3a Workforce Automation Hardware**

*may include fieldworker handhelds, barcode hardware, etc.*

**1.1.3b Workforce Automation Software**

*may include fieldworker handhelds, barcode hardware, etc.*

**Total Advanced Metering Communication Device (AMCD)**

Asset Type	2008 Actual	2009 Fcst	2010 Fcst	Total
Smart Meter			\$ 14,232,605	\$ 14,232,605
Smart Meter			\$ 1,392,800	\$ 1,392,800
Comp. Hard.				\$ -
Comp. Soft.				\$ -
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,625,405</b>	<b>\$ 15,625,405</b>

**1.2 ADVANCED METERING REGIONAL COLLECTOR (AMRC) (includes LAN)**

**1.2.1 Collectors**

**1.2.2 Repeaters**

*may include radio licence, etc.*

**1.2.3 Installation**

*may include meter seals and rings, collector computer hardware, etc.*

**Total Advanced Metering Regional Collector (AMRC) (includes LAN)**

Asset Type	2008 Actual	2009 Fcst	2010 Fcst	Total
Smart Meter			\$ 152,300	\$ 152,300
Smart Meter	2008 Forecast	2009	2010	\$ -
Smart Meter	2008 Forecast	2009	2010	\$ -
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 152,300</b>	<b>\$ 152,300</b>

**1.3 ADVANCED METERING CONTROL COMPUTER (AMCC)**

**1.3.1 Computer Hardware**

**1.3.2 Computer Software**

**1.3.3 Computer Software Licence & Installation (includes hardware & software)**

*may include AS/400 disc space, backup & recovery computer, UPS, etc*

**Total Advanced Metering Control Computer (AMCC)**

Asset Type	2008 Actual	2009 Fcst	2010 Fcst	Total
Comp. Hard.				\$ -
Comp. Soft.				\$ -
Comp. Soft.				\$ -
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**PowerStream Inc.**

**EB-2010-0209**

**Friday, June 11, 2010**

**Sheet 2. Smart Meter Capital Cost and Operational Expense Data**

**1.4 WIDE AREA NETWORK (WAN)**

1.4.1 Activation Fees

Comp. Soft.

2008 Actual	2009 Fcst	2010 Fcst	Total
			\$ -
\$ -	\$ -	\$ -	\$ -

Total Wide Area Network (WAN)

**1.5 OTHER AMI CAPITAL COSTS RELATED TO MINIMUM FUNCTIONALITY**

1.5.1 Customer equipment (including repair of damaged equipment)

Comp. Hard.

2008 Actual	2009 Fcst	2010 Fcst	Total
			\$ -

1.5.2 AMI Interface to CIS

Comp. Soft.

2008 Actual	2009 Fcst	2010 Fcst	Total
		\$ 236,000	\$ 236,000

1.5.3 Professional Fees

Comp. Hard.

2008 Actual	2009 Fcst	2010 Fcst	Total
			\$ -

1.5.4 Integration

Comp. Hard.

2008 Actual	2009 Fcst	2010 Fcst	Total
			\$ -

1.5.5 Program Management

Comp. Hard.

2008 Actual	2009 Fcst	2010 Fcst	Total
			\$ -

1.5.6 Other AMI Capital

Comp. Hard.

2008 Actual	2009 Fcst	2010 Fcst	Total
			\$ -

Total Other AMI Capital Costs Related To Minimum Functionality

\$ -	\$ -	\$ 236,000	\$ 236,000
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**Total Capital Costs**

\$ -	\$ -	\$ 16,013,705	\$ 16,013,705
------	------	---------------	---------------

**O M & A**

**2.1 ADVANCED METERING COMMUNICATION DEVICE (AMCD)**

2.1.1 Maintenance

*may include meter reverification costs, etc.*

Total Incremental AMI Operation Expenses

2008 Actual	2009 Fcst	2010 Fcst	Total
		\$ 1,600	\$ 1,600
\$ -	\$ -	\$ 1,600	\$ 1,600

**2.2 ADVANCED METERING REGIONAL COLLECTOR (AMRC) (includes LAN)**

2.2.1 Maintenance

2008 Actual	2009 Fcst	2010 Fcst	Total
		\$ 31,100	\$ 31,100

Total Advanced Metering Regional Collector (AMRC) (includes LAN)

\$ -	\$ -	\$ 31,100	\$ 31,100
------	------	-----------	-----------

**2.3 ADVANCED METERING CONTROL COMPUTER (AMCC)**

2.3.1 Hardware Maintenance

*may include server support, etc.*

2008 Actual	2009 Fcst	2010 Fcst	Total
			\$ -

2.3.2 Software Maintenance

*may include maintenance support, etc.*

			\$ -
--	--	--	------

Total Advanced Metering Control Computer (AMCC)

\$ -	\$ -	\$ -	\$ -
------	------	------	------

**2.4 WIDE AREA NETWORK (WAN)**

2.4.1 WIDE AREA NETWORK (WAN)

*may include serial to Ethernet hardware, etc.*

Total Incremental Other Operation Expenses

2008 Actual	2009 Fcst	2010 Fcst	Total
			\$ -

\$ -	\$ -	\$ -	\$ -
------	------	------	------

**PowerStream Inc.**

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**Friday, June 11, 2010**

**Sheet 2. Smart Meter Capital Cost and Operational Expense Data**

**2.5 OTHER AMI OM&A COSTS RELATED TO MINIMUM FUNCTIONALITY**

2.5.1 Business Process Redesign

2008 Actual	2009 Fcst	2010 Fcst	Total
		\$ 5,200	\$ 5,200

2.5.2 Customer Communication  
*may include project communication, etc.*

2008 Actual	2009 Fcst	2010 Fcst	Total
		\$ 231,000	\$ 231,000

2.5.3 Program Management

2008 Actual	2009 Fcst	2010 Fcst	Total
			\$ -

2.5.4 Change Management  
*may include training, etc.*

2008 Actual	2009 Fcst	2010 Fcst	Total
		\$ 7,800	\$ 7,800

2.5.5 Administration Cost

2008 Actual	2009 Fcst	2010 Fcst	Total
			\$ -

2.5.6 Other AMI Expenses

2008 Actual	2009 Fcst	2010 Fcst	Total
		\$ 66,800	\$ 66,800

Total 2.5 Other AMI OM&A Costs Related To Minimum Functionality

\$ -	\$ -	\$ 310,800	\$ 310,800
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**Total O M & A Costs**

\$ -	\$ -	\$ 343,500	\$ 343,500
------	------	------------	------------



**PowerStream Inc.**  
**EB-2010-0209**  
**Friday, June 11, 2010**  
**Sheet 3. LDC Assumptions and Data**

**Assumptions:**

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

**2009 EDR Data Information**

Deemed Debt (from 2009 PowerStream EDR)	60%
Deemed Equity (from 2009 PowerStream EDR)	40%
Weighted Debt Rate (from 2009 PowerStream EDR)	5.59%
Proposed ROE (from 2009 PowerStream EDR)	8.01%

Weighted Average Cost of Capital 6.56%

Working Capital Allowance % 15.00%

**2009 EDR Total Metered Customers**

Residential	218,157
General Service Less Than 50 kW	23,700
Other Metered Customers	3,903

Sum of Residential, General Service, and Large User 245,760

**Smart Meter Rate Adders**

	Residential	GS and LU
2006 EDR Smart Meter Rate Adder	\$ 0.27	\$ 0.27
2007 EDR Smart Meter Rate Adder	\$ 0.73	\$ 0.73
2008 EDR Smart Meter Rate Adder	\$ 1.21	\$ 1.21
2009 EDR Smart Meter Rate Adder	\$ 1.04	\$ 1.04
2010 EDR Smart Meter Rate Adder	\$ -	\$ -

**2009 EDR Tax Rate**

Corporate Income Tax Rate (from 2009 PowerStream EDR) 33.00%

**Capital Data:**

	2008 Actual	2009 Fcst	2010 Fcst	Total
Smart Meter	\$ -	\$ -	\$ 15,777,705	\$ 15,777,705
Computer Hardware	\$ -	\$ -	\$ -	\$ -
Computer Software	\$ -	\$ -	\$ 236,000	\$ 236,000
Tools & Equipment	\$ -	\$ -	\$ -	\$ -
Other Equipment	\$ -	\$ -	\$ -	\$ -
<b>Total Capital Costs</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,013,705</b>	<b>\$ 16,013,705</b>

**LDC Amortization Policy:**

	Amortization	CCA Class	CCA Rate
Smart Meter Amortization Rate <i>Enter Amortization Policy</i>	15 Years	47	8 %
Computer Hardware Amortization Rate <i>Enter Amortization Policy</i>	5 Years	45	45 %
Computer Software Amortization Rate <i>Enter Amortization Policy</i>	3 Years	45	45 %
Tools & Equipment Amortization Rate <i>Enter Amortization Policy</i>	10 Years	8	20 %
Other Equipment Amortization Rate <i>Enter Amortization Policy</i>	10 Years	8	20 %

**Operating Expense Data:**

	2008 Actual	2009 Fcst	2010 Fcst	Total
2.1 Advanced Metering Communication Device (AMCD)	\$ -	\$ -	\$ 1,600	\$ 1,600
2.2 Advanced Metering Regional Collector (AMRC) (includes LAN)	\$ -	\$ -	\$ 31,100	\$ 31,100
2.3 Advanced Metering Control Computer (AMCC)	\$ -	\$ -	\$ -	\$ -
2.4 Wide Area Network (WAN)	\$ -	\$ -	\$ -	\$ -
2.5 Other AMI OM&A Costs Related To Minimum Functionality	\$ -	\$ -	\$ 310,800	\$ 310,800
<b>Total O M &amp; A Costs</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 343,500</b>	<b>\$ 343,500</b>

**Per Meter Cost Split:**

	Per Meter	Installed	Investment	% of Invest
Smart meter including installation	\$ 517.30	30,500	\$ 15,777,705	96%
Computer Hardware Costs	\$ -	30,500	\$ -	0%
Computer Software Costs	\$ 7.74	30,500	\$ 236,000	1%
Tools & Equipment	\$ -	30,500	\$ -	0%
Other Equipment	\$ -	30,500	\$ -	0%
Smart meter incremental operating expenses	\$ 11.26	30,500	\$ 343,500	2%
<b>Total Smart Meter Capital Costs per meter</b>	<b>\$ 536.30</b>		<b>\$ 16,357,205</b>	<b>100%</b>

**PowerStream Inc.**  
**EB-2010-0209**  
**Friday, June 11, 2010**  
**Sheet 6. SM Avg Net Fixed Assets & UCC**

## Smart Meter Average Net Fixed Assets

### Net Fixed Assets - Smart Meters

	2008 Actual	2009 Fcst	2010
Opening Capital Investment	\$ -	\$ -	\$ -
Capital Investment (3. LDC Assumptions and Data)	\$ -	\$ -	\$ 15,777,705.00
Closing Capital Investment	\$ -	\$ -	\$ 15,777,705.00
Opening Accumulated Amortization	\$ -	\$ -	\$ -
Amortization Year 1 (15 Years Straight Line)	\$ -	\$ -	\$ 525,923.50
Closing Accumulated Amortization	\$ -	\$ -	\$ 525,923.50
Opening Net Fixed Assets	\$ -	\$ -	\$ -
Closing Net Fixed Assets	\$ -	\$ -	\$ 15,251,781.50
Average Net Fixed Assets	\$ -	\$ -	\$ 7,625,890.75

### Net Fixed Assets - Computer Hardware

	2008 Actual	2009 Fcst	2010
Opening Capital Investment	\$ -	\$ -	\$ -
Capital Investment (3. LDC Assumptions and Data)	\$ -	\$ -	\$ -
Closing Capital Investment	\$ -	\$ -	\$ -
Opening Accumulated Amortization	\$ -	\$ -	\$ -
Amortization Year 1 (5 Years Straight Line)	\$ -	\$ -	\$ -
Closing Accumulated Amortization	\$ -	\$ -	\$ -
Opening Net Fixed Assets	\$ -	\$ -	\$ -
Closing Net Fixed Assets	\$ -	\$ -	\$ -
Average Net Fixed Assets	\$ -	\$ -	\$ -

### Net Fixed Assets - Computer Software

	2008 Actual	2009 Fcst	2010
Opening Capital Investment	\$ -	\$ -	\$ -
Capital Investment (3. LDC Assumptions and Data)	\$ -	\$ -	\$ 236,000.00
Closing Capital Investment	\$ -	\$ -	\$ 236,000.00
Opening Accumulated Amortization	\$ -	\$ -	\$ -
Amortization Year 1 (3 Years Straight Line)	\$ -	\$ -	\$ 39,333.33
Closing Accumulated Amortization	\$ -	\$ -	\$ 39,333.33
Opening Net Fixed Assets	\$ -	\$ -	\$ -
Closing Net Fixed Assets	\$ -	\$ -	\$ 196,666.67
Average Net Fixed Assets	\$ -	\$ -	\$ 98,333.33

**PowerStream Inc.**

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**Sheet 6. SM Avg Net Fixed Assets & UCC**

<b>Net Fixed Assets - Tools &amp; Equipment</b>	2008 Actual	2009 Fcst	2010
Opening Capital Investment	\$ -	\$ -	\$ -
Capital Investment (3. LDC Assumptions and Data)	\$ -	\$ -	\$ -
Closing Capital Investment	\$ -	\$ -	\$ -
Opening Accumulated Amortization	\$ -	\$ -	\$ -
Amortization Year 1 (10 Years Straight Line)	\$ -	\$ -	\$ -
Closing Accumulated Amortization	\$ -	\$ -	\$ -
Opening Net Fixed Assets	\$ -	\$ -	\$ -
Closing Net Fixed Assets	\$ -	\$ -	\$ -
Average Net Fixed Assets	\$ -	\$ -	\$ -

<b>Net Fixed Assets - Other Equipment</b>	2008 Actual	2009 Fcst	2010
Opening Capital Investment	\$ -	\$ -	\$ -
Capital Investment (3. LDC Assumptions and Data)	\$ -	\$ -	\$ -
Closing Capital Investment	\$ -	\$ -	\$ -
Opening Accumulated Amortization	\$ -	\$ -	\$ -
Amortization Year 1 (10 Years Straight Line)	\$ -	\$ -	\$ -
Closing Accumulated Amortization	\$ -	\$ -	\$ -
Opening Net Fixed Assets	\$ -	\$ -	\$ -
Closing Net Fixed Assets	\$ -	\$ -	\$ -
Average Net Fixed Assets	\$ -	\$ -	\$ -

**PowerStream Inc.**  
**EB-2010-0209**  
**Friday, June 11, 2010**  
**Sheet 6. SM Avg Net Fixed Assets &UCC**

**For PILs Calculation**

**UCC - Smart Meters**

CCA Class 47 (8%)	2008 Actual	2009 Fcst	2010
Opening UCC	\$ -	\$ -	\$ -
Capital Additions	\$ -	\$ -	\$ 15,777,705.00
UCC Before Half Year Rule	\$ -	\$ -	\$ 15,777,705.00
Half Year Rule (1/2 Additions - Disposals)	\$ -	\$ -	\$ 7,888,852.50
Reduced UCC	\$ -	\$ -	\$ 7,888,852.50
CCA Rate Class 47	8.0%	8.0%	8.0%
CCA	\$ -	\$ -	\$ 631,108.20
Closing UCC	\$ -	\$ -	\$ 15,146,596.80

**UCC - Computer Equipment**

CCA Class 45 (45%)	2008 Actual	2009 Fcst	2010
Opening UCC	\$ -	\$ -	\$ -
Capital Additions Computer Hardware	\$ -	\$ -	\$ -
Capital Additions Computer Software	\$ -	\$ -	\$ 236,000.00
UCC Before Half Year Rule	\$ -	\$ -	\$ 236,000.00
Half Year Rule (1/2 Additions - Disposals)	\$ -	\$ -	\$ 118,000.00
Reduced UCC	\$ -	\$ -	\$ 118,000.00
CCA Rate Class 45	45%	45%	45%
CCA	\$ -	\$ -	\$ 53,100.00
Closing UCC	\$ -	\$ -	\$ 182,900.00

**UCC - General Equipment**

CCA Class 8 (20%)	2008 Actual	2009 Fcst	2010
Opening UCC	\$ -	\$ -	\$ -
Capital Additions Tools & Equipment	\$ -	\$ -	\$ -
Capital Additions Other Equipment	\$ -	\$ -	\$ -
UCC Before Half Year Rule	\$ -	\$ -	\$ -
Half Year Rule (1/2 Additions - Disposals)	\$ -	\$ -	\$ -
Reduced UCC	\$ -	\$ -	\$ -
CCA Rate Class 8	20%	20%	20%
CCA	\$ -	\$ -	\$ -
Closing UCC	\$ -	\$ -	\$ -

**Smart Meter Rate Calculation**

**Average Asset Values**

Net Fixed Assets Smart Meters  
 Net Fixed Assets Computer Hardware  
 Net Fixed Assets Computer Software  
 Net Fixed Assets Tools & Equipment  
 Net Fixed Assets Other Equipment  
 Total Net Fixed Assets

**Working Capital**

Operation Expense  
 Working Capital 15 %

**Smart Meters included in Rate Base**

**Return on Rate Base**

Deemed Debt (3. LDC Assumptions and Data)  
 Deemed Equity (3. LDC Assumptions and Data)

Weighted Debt Rate (3. LDC Assumptions and Data)  
 Proposed ROE (3. LDC Assumptions and Data)

**Return on Rate Base**

**Operating Expenses**

Incremental Operating Expenses (3. LDC Assumptions and Data)

**Amortization Expenses**

Amortization Expenses - Smart Meters  
 Amortization Expenses - Computer Hardware  
 Amortization Expenses - Computer Software  
 Amortization Expenses - Tools & Equipment  
 Amortization Expenses - Other Equipment

**Total Amortization Expenses**

**Revenue Requirement Before PILs**

**Calculation of Taxable Income**

Incremental Operating Expenses  
 Depreciation Expenses  
 Interest Expense

**Taxable Income For PILs**

**Grossed up PILs (5. PILs)**

Revenue Requirement Before PILs

Grossed up PILs (5. PILs)

**Revenue Requirement for Smart Meters**

**2010 Smart Meter Rate Adder**

Revenue Requirement for Smart Meters  
 2009 EDR Total Metered Customers (3. LDC Assumptions and Data)  
 Annualized amount required per metered customer  
 Number of months in year

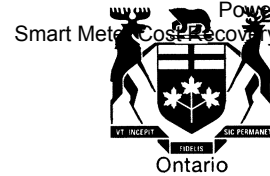
**2010 Smart Meter Rate Adder**

	2008 Actual	2009 Forecast	2010	
Net Fixed Assets Smart Meters	\$ -	\$ -	\$ 7,625,891	
Net Fixed Assets Computer Hardware	\$ -	\$ -	\$ -	
Net Fixed Assets Computer Software	\$ -	\$ -	\$ 98,333	
Net Fixed Assets Tools & Equipment	\$ -	\$ -	\$ -	
Net Fixed Assets Other Equipment	\$ -	\$ -	\$ -	
<b>Total Net Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,724,224</b>	<b>\$ 7,724,224</b>
Operation Expense	\$ -	\$ -	\$ 343,500	
Working Capital 15 %	\$ -	\$ -	\$ 51,525	\$ 51,525
<b>Smart Meters included in Rate Base</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,775,749</b>	
Deemed Debt (3. LDC Assumptions and Data)	60% \$ -	60% \$ -	60% \$ 4,665,449	
Deemed Equity (3. LDC Assumptions and Data)	40% \$ -	40% \$ -	40% \$ 3,110,300	
			<b>\$ 7,775,749</b>	
Weighted Debt Rate (3. LDC Assumptions and Data)	5.59% \$ -	5.59% \$ -	5.59% \$ 260,612	
Proposed ROE (3. LDC Assumptions and Data)	8.01% \$ -	8.01% \$ -	8.01% \$ 249,135	
<b>Return on Rate Base</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 509,747</b>	<b>\$ 509,747</b>
Incremental Operating Expenses (3. LDC Assumptions and Data)	\$ -	\$ -	\$ 343,500	
Amortization Expenses - Smart Meters	\$ -	\$ -	\$ 525,924	
Amortization Expenses - Computer Hardware	\$ -	\$ -	\$ -	
Amortization Expenses - Computer Software	\$ -	\$ -	\$ 39,333	
Amortization Expenses - Tools & Equipment	\$ -	\$ -	\$ -	
Amortization Expenses - Other Equipment	\$ -	\$ -	\$ -	
<b>Total Amortization Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 565,257</b>	
<b>Revenue Requirement Before PILs</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,418,504</b>	
Incremental Operating Expenses	\$ -	\$ -	-\$ 343,500	
Depreciation Expenses	\$ -	\$ -	-\$ 565,257	
Interest Expense	\$ -	\$ -	-\$ 260,612	
<b>Taxable Income For PILs</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 249,135</b>	
<b>Grossed up PILs (5. PILs)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 70,075</b>	
Revenue Requirement Before PILs	\$ -	\$ -	\$ 1,418,504	
Grossed up PILs (5. PILs)	\$ -	\$ -	\$ 70,075	
<b>Revenue Requirement for Smart Meters</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,488,578</b>	
Revenue Requirement for Smart Meters			\$ 1,488,578	
2009 EDR Total Metered Customers (3. LDC Assumptions and Data)			\$ 245,760	
Annualized amount required per metered customer			\$ 6.06	
Number of months in year			12	
<b>2010 Smart Meter Rate Adder</b>			<b>\$ 0.50</b>	

**PowerStream Inc.**  
**EB-2010-0209**  
**Friday, June 11, 2010**  
**Sheet 5. PILs**

## PILs Calculation

	2007 Actual	2008 Actual	2009	2010
<b>INCOME TAX</b>				
Net Income	\$ -	\$ -	\$ -	\$ 249,135
Amortization	\$ -	\$ -	\$ -	\$ 565,257
CCA - Class 47 (8%) Smart Meters	\$ -	\$ -	\$ -	\$ 631,108
CCA - Class 45 (45%) Computers	\$ -	\$ -	\$ -	\$ 53,100
CCA - Class 8 (20%) Other Equipment	\$ -	\$ -	\$ -	\$ -
Change in taxable income	\$ -	\$ -	\$ -	\$ 130,184
Tax Rate (3. LDC Assumptions and Data)	33.50%	33.50%	33.00%	31.00%
Income Taxes Payable	\$ -	\$ -	\$ -	\$ 40,357
<b>ONTARIO CAPITAL TAX</b>				
Smart Meters	\$ -	\$ -	\$ -	\$ 15,251,782
Computer Hardware	\$ -	\$ -	\$ -	\$ -
Computer Software	\$ -	\$ -	\$ -	\$ 196,667
Tools & Equipment	\$ -	\$ -	\$ -	\$ -
Other Equipment	\$ -	\$ -	\$ -	\$ -
Rate Base	\$ -	\$ -	\$ -	\$ 15,448,448
Less: Exemption	\$ -	\$ -	\$ -	\$ -
Deemed Taxable Capital	\$ -	\$ -	\$ -	\$ 15,448,448
Ontario Capital Tax Rate	0.285%	0.225%	0.225%	0.150%
Net Amount (Taxable Capital x Rate)	\$ -	\$ -	\$ -	\$ 11,586
<b>Gross Up</b>				
Change in Income Taxes Payable	\$ -	\$ -	\$ -	\$ 40,357
Change in OCT	\$ -	\$ -	\$ -	\$ 11,586
PIL's	\$ -	\$ -	\$ -	\$ 51,943
	Gross Up 33.50%	Gross Up 33.50%	Gross Up 33.00%	Gross Up 31.00%
Change in Income Taxes Payable	\$ -	\$ -	\$ -	\$ 58,488
Change in OCT	\$ -	\$ -	\$ -	\$ 11,586
PIL's	\$ -	\$ -	\$ -	\$ 70,075



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March 30, 2010

Colin Macdonald  
VP Rates and Accounting  
PowerStream Inc.  
161 Cityview Boulevard,  
Vaughan, ON  
L4H 0A9

Dear Mr. Macdonald:

**Re: Audit Review of Smart Meter Accounts 1555 and 1556**

Regulatory Audit and Accounting ("Regulatory Audit") of the Ontario Energy Board ("the Board") conducted an audit review of PowerStream Inc. ("PowerStream") smart meter accounts 1555 and 1556.

The audit review report (the "Report") has now been completed. The Report outlines the findings and observations, basis of findings and areas of non conformity requiring action. It also includes PowerStream's management responses and action plans.

The findings and observations in this report represent the views of Regulatory Audit and are not necessarily the views of the Board as a whole. Regulatory Audit provides no assurance that addressing the areas of non conformity requiring actions alone will resolve the issues identified in the audit review.

The results of the audit review will be reported to the Board and may also ultimately be used as evidence in a future PowerStream proceeding relating before the Board.

We wish to thank the staff of PowerStream for the assistance and support provided to us during this review.

Yours truly,

Daria Babaie, P. Eng., CMA  
Manager, Regulatory Audit and Accounting  
Phone: (416) 440-7614  
[Daria.Babaie@oeb.gov.on.ca](mailto:Daria.Babaie@oeb.gov.on.ca)

cc. Mr. Tom Barrett Manager, Rate Applications

**POWER STREAM INC. (PSI)**  
**Sector Smart Meter Audit Review – Summary of Findings**  
**March 24, 2010**

**1.1 Finding**

**RRR 2.1.7 does not agree to Q4 RRR 2.1.1 in 2008 for Account 1556.**

As per review of RRR information filed with the Board for Account 1555 and 1556, Regulatory Audit noted that Q4 RRR 2.1.1 in 2008 for Account 1556 does not agree to RRR 2.1.7 of 2008. As per PSI's management, the discrepancy is due to year end accrual made after the filing of RRR 2.1.1. However this accrual was not accurate and was reversed in beginning of 2009.

**1.2 Basis of Finding**

The APH FAQ # 14 issued October 2009 specifically dealt with the reporting different values in the Q4 and annual reporting. It states, "the Board recognizes that there is a risk that reporting of the Q4 2.1.1 information may be superseded by information reported several months later in 2.1.7 in relation to deferral and variance accounts. Ultimately, however, the two reporting should represent the same information to the Board. At the time the distributor reports 2.1.7 (on or before April 30) the distributor should amend its 2.1.1 reporting in the RRR (via the OEB e-filing services), if there are differences."

**1.3 Area of Non Conformity Requiring Action**

PSI should follow the October 2009 FAQ #14 and re-file RRR 2.1.7 and RRR 2.1.1 to ensure that the correct balances are reflected in both filings with the Board.

**1.4 Management Responses**

The amount of \$1,533,181.84 for account 1556 as at December 31, 2008 was reported in the Q4 2.1.1 information filed in January 2009. The year-end accrual was booked after this and reflected in the balance reported in 2.1.7 in April 2009.

**1.5 Management Action Plan**

We updated the quarterly filing to agree with the annual trial balance filing on March 24, 2010.



## **2.1 Finding**

**In 2007 and 2008, the balance in 1555, Smart Meter Capital and Recovery - Sub account Capital used to calculate the depreciation expenses for these years included carrying charges. The booked depreciation may be inaccurate.**

As per review of depreciation calculation for 2007 and 2008, Regulatory Audit noted that the smart meter costs used to calculate the depreciation expenses in 2007 and 2008 included approximately \$122k and \$504k of carrying charges.

## **2.2 Basis of Finding**

In the August 2008 FAQ # 8, the illustrative example calculates the depreciation expense based on net investments of smart meters excluding the carrying charges.

## **2.3 Area of Non Conformity Requiring Action**

The management of PSI has realized the error and will recalculate the depreciation in the assets. It will adjust the balance in 1555, Smart Meter Capital and Recovery - Sub account Capital by removing the carrying charges of approximately \$122k and \$504k as part of Dec 31, 2009 recording of depreciation. PSI should ensure that carrying charges are not included in smart meter costs to calculate the depreciation expenses prospectively.

## **2.4 Management Responses**

We agree with this finding.

## **2.5 Management Action Plan**

Correction to the depreciation booked was made as at December 31, 2009. Please see attached for details of the correction. Depreciation cost for 2009 was adjusted to correct the proper amount of depreciation on 2008 meters for 2008. Since depreciation on 2007 meters was calculated more accurately in the model approved in PowerStream's 2009 EDR, an adjustment was made to reflect this amount of depreciation which was cleared as part of the approved amount entry.

**PowerStream Inc.  
 A/C 900.1556.6119**

**Smart Meter Depreciation**

G/L Date	Explanation	LT 1 Amount	Explanation -Remark-	re 2007	Note
12/31/2007	record SM depreciation	312,016		312,016	
12/31/2008	depreciation on 2007 SM depreciation on 2008 SM	624,033		624,033	
	<b>subtotal</b>	<u>1,97,498</u>		<u>936,049</u>	
12/30/2009	record approved Smart meter \$	(1,212,451)	Smart Meter 2009 Approved Amou	(1,212,451)	
12/31/2009	09 smart meter deph N and S	819,058	2009 smart meter deph - PS S		1
12/31/2009	correction re approved SM depr	276,402	Correction re approved deprec	276,402	
	Dec 31/09 Closing	<u>1,080,507</u>		<u>-</u>	

Proof	2008 meters	2009 meters - South	Cost	Depreciation
			6,577,302	219,243
				438,487
			12,683,319	422,777
				<u>1,080,508</u>

**NOTES**

Costs excludes carrying charges, stranded meters, SM adder collected

1. Depreciation expense for 2009 consists of:

2009 depreciation on 2008 SM	438,487
2009 depreciation sub-total	<u>422,777</u>
adjust re 2008 depreciation corrected 2008 depreciation less booked in 2008	861,264
	219,243
	<u>(261,449)</u>
	<u>819,059</u>

**PowerStream Inc.**

**Accounts 1555 and 1556**

**Correction re Actual Depreciation posted and approved amount cleared**

**Approved Depreciation for 2007 and 2008 on SM investments to Dec 31/07**

**\$ 1,212,451**

**Booked in GL:**

in 2007

\$ 312,016

in 2008

re 2007

\$ 624,033

re 2008

\$ 261,449

\$ 1,197,498

less portion relating to 2008 meters

\$ 261,449

**Booked re 2007 meters**

**\$ 936,049**

check

\$ 936,049

Difference to be adjusted

\$ 276,402

**JE# 12-292**

AC # 1155

**DR**

**CR**

AC # 1156

\$ 276,402

\$ 276,402

Proof/check:

South Accum depr. GL balance after approved transfer and before 2009 depreciation entry:

\$ 14,954

Adjustment

\$ (276,402)

Revised Accum depreciation

\$ (261,448)

This represents opening depreciation on 2008 meters only and agrees with amount above. (Larry will recalculate and correct 2008 depreciation calculation as part of the 2009 depreciation entry.

**Notes:**

The approved amount was calculated in our 2009 rate application and approved by the OEB. It is based on a splitting out the SM investment costs into the appropriate asset classes, such as computers, software in addition to meters (radio towers in same class as meters), and depreciating these at the appropriate rates.

The amounts booked in the GL assumed that all the costs were meters and depreciated this over the 15 year life for meters.

Tom Barrett  
22-Jan-2010

**POWERSTREAM INC - BILL IMPACTS**

**MONTHLY CHARGES FOR TYPICAL RESIDENTIAL CUSTOMERS  
 (800 KWH CONSUMPTION)**

<b>Residential</b>	kWh	800	Loss Factor	1.0299	1.0299
	kW	0	Tier 1 threshold	1,000	1,000

	Nov.1, 2010 - at current rates			Nov.1, 2010 - at proposed rates			Bill Impact	
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%
Monthly Service Charge	1	\$ 13.68	\$ 13.68	1	\$ 14.19	\$ 14.19	0.51	0.48%
Distribution (kWh)	800	\$ 0.0133	\$ 10.64	800	\$ 0.0133	\$ 10.64	-	0.00%
Distribution (kW)		\$ -	\$ -		\$ -	\$ -	-	0.00%
LRAM / SSM adder	800	\$ -	\$ -	800	\$ -	\$ -	-	0.00%
Regulatory Assets (kWh)	800	\$ (0.0023)	-\$ 1.84	800	\$ (0.0023)	-\$ 1.84	-	0.00%
Regulatory Assets (kW)	-	\$ -	\$ -	-	\$ -	\$ -	-	0.00%
<b>Sub-Total</b>			<b>\$ 22.48</b>			<b>\$ 22.99</b>	<b>0.51</b>	<b>0.48%</b>
Other Charges**	824	\$ 0.0139	\$ 11.51	824	\$ 0.0139	\$ 11.51	-	0.00%
Transmission charges	824	\$ 0.0084	\$ 6.92	824	\$ 0.0084	\$ 6.92	-	0.00%
Cost of Power Commodity (kWh)	824	\$ 0.065	\$ 53.55	824	\$ 0.065	\$ 53.55	-	0.00%
Cost of Power Commodity (kW)	-	\$ 0.075	\$ -	-	\$ 0.075	\$ -	-	0.00%
Total Bill before Taxes			\$ 94.47			\$ 94.98	0.51	0.48%
<b>Total Bill Including Taxes</b>	13%		<b>\$ 106.75</b>			<b>\$ 107.33</b>	<b>0.58</b>	<b>0.54%</b>

**MONTHLY CHARGES FOR TYPICAL GS<50 KW CUSTOMERS  
 (2,000 KWH CONSUMPTION)**

<b>GS&lt;50</b>	kWh	2000	Loss Factor	1.0299	1.0299
	kW	0	Tier 1 threshold	750	750

	Nov.1, 2010 - at current rates			Nov.1, 2010 - at proposed rates			Bill Impact	
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%
Monthly Service Charge	1	\$ 30.15	\$ 30.15	1	\$ 30.24	\$ 30.24	0.09	0.00
Distribution (kWh)	2,000	\$ 0.0115	\$ 23.00	2,000	\$ 0.0115	\$ 23.00	-	0.00%
Distribution (kW)		\$ -	\$ -		\$ -	\$ -	-	0.00%
LRAM / SSM adder	2,000	\$ -	\$ -	2,000	\$ -	\$ -	-	0.00%
Regulatory Assets (kWh)	2,000	\$ (0.0024)	-\$ 4.80	2,000	\$ (0.0024)	-\$ 4.80	-	0.00%
Regulatory Assets (kW)	-	\$ -	\$ -	-	\$ -	\$ -	-	0.00%
<b>Sub-Total</b>			<b>\$ 48.35</b>			<b>\$ 48.44</b>	<b>0.09</b>	<b>0.00%</b>
Other Charges	2,060	\$ 0.0139	\$ 28.41	2,060	\$ 0.0139	\$ 28.41	-	0.00%
Transmission charges	2,060	\$ 0.0076	\$ 15.65	2,060	\$ 0.0076	\$ 15.65	-	0.00%
Cost of Power Commodity (kWh)	750	\$ 0.065	\$ 48.75	750	\$ 0.065	\$ 48.75	-	0.00%
Cost of Power Commodity (kW)	1,310	\$ 0.075	\$ 98.24	1,310	\$ 0.075	\$ 98.24	-	0.00%
Total Bill before Taxes			\$ 239.40			\$ 239.49	0.09	0.03%
<b>Total Bill Including Taxes</b>	13%		<b>\$ 270.52</b>			<b>\$ 270.62</b>	<b>0.10</b>	<b>0.04%</b>