

September 15, 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
Responses to Board Staff and VECC Supplementary Interrogatories**

Accompanying this letter, please find two copies of PowerStream Inc.'s ("PowerStream's") responses to the Board Staff and VECC supplementary interrogatories in this matter, filed in accordance with Procedural Order No. 2.

These responses have been filed electronically via RESS and delivered by e-mail to the intervenor and observer of record in this matter.

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, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by PowerStream Inc. for an order or orders approving or fixing a just and reasonable distribution rates related to Smart Meter deployment, to be effective November 1, 2010.

**PowerStream Inc. (“PowerStream”)
Responses to Supplementary VECC Interrogatories**

Delivered September 15, 2010

VECC Question # 10

Reference: Response to Board Staff IR# 10 Table Staff 10-1: Stranded Meter Costs

- a) Provide a version of the Stranded Meter Cost Table that separates the stranded meter costs between the Residential and GS<50 kW classes. Reconcile to the net fixed assets for 2010.

Response:

- a) The following table sets out the stranded meter cost at December 31, 2009 by rate class:

Table VECC 10-1: Stranded Meter Cost by Rate Class

	Residential	GS < 50 kW	Total
Cost	\$ 21,344,748	\$ 392,480	\$ 21,737,228
Accumulated Depreciation	\$ 11,691,285	\$ 155,886	\$ 11,847,171
Net Book Value	\$ 9,653,463	\$ 236,594	\$ 9,890,057
2009 Amortization	\$ 851,942	\$ 15,208	\$ 867,150

The cost and accumulated depreciation related to stranded meter costs are being tracked in deferral account 1555 and have not been included in net fixed assets in this Application. As a result, there is nothing to reconcile with net fixed assets for 2010.

VECC Question # 11

- References:
- i) PowerStream response to Board Staff IR#8 part e)
 - ii) PowerStream Response to Board Staff IR# 9 Table 9-3
 - ii) Application Appendix 3

Preamble:

"The Guideline does not offer any guidance on how the disposition rider is to be allocated to different customer classes. It states only that the methodology be disclosed. PowerStream submits that the method of allocation of the revenue requirement from smart meter costs, described in parts (b) and (c) above, is conceptually similar to the methodology in the Board Approved Cost Allocation model albeit much simpler due to the limited costs being considered. It allocates rate base and determines return by customer class. It allocates OM&A to the customer classes on a logical basis".

- a) What regulatory principles were applied to PowerStream's proposed allocation of Smart Meter Costs and Revenue requirement to the rate classes?
- b) Compare those applied to the following
 - Cost Causality
 - Matching of costs and benefits
 - No undue cross subsidization
- c) Given the change in the actual cost disposition rate rider shown in Table Staff 9-3 and the forecast 2010/2011 installations and costs (especially 21,000 Commercial Meters) why should not the recovery be postponed until the end of 2010?
- d) Provide a Version of Table Staff Table 9-3 that shows the forecast class rate riders at the end of 2010.

Response:

- a) Staff IR#8 deals with the \$4.1 million in annual revenue requirement in respect of the smart meters that will be satisfied by a disposition rate rider until the smart meter-related revenue requirement can be incorporated into distribution rates in a cost of service rate application. As indicated on page 13 of the OEB Guideline: Smart Meter Funding and Cost Recovery (G-2008-002, referred to here as the "Guideline"), **"the smart meter disposition rider provides a proxy for how the revenue requirement would be determined in a cost of service proceeding"**.

The Board's Actual Smart Meter Cost Recovery model determines the revenue requirement using the cost of service or "re-basing" formula of allowed return on these specific assets plus related costs.

The Board has developed a Cost Allocation methodology which is designed to set rates on a cost causality basis and ensure that there is no undue cross subsidization. PowerStream's allocation method was based on allocating the "cost", represented by the revenue requirement, to the rate classes based on cost causality in a similar manner to the Cost Allocation model.

The bulk of the revenue requirement allocation is driven by the capital costs of the installed meters. In the Cost Allocation model there are allocation formulae which are used to approximate the split of the actual cost of distribution and meter assets between classes. In this instance PowerStream was able to separate the actual capital cost of the installed meters by class.

Other capital costs and all OM&A costs were allocated to the rate classes on a per meter basis. PowerStream's assessment of these costs is that a per meter basis reflects both cost causality and matching of costs and benefits. There is no discernable difference in these costs as a result of a different meter or customer type. Data collection is the same for all meter types and customer types and the radio tower capacity requirements are the same. The operating cost of the AMI system is dependent on the number of meters without regard to the type of meter or type of customer using the meter.

In short, PowerStream's proposed allocation of smart meter costs and revenue requirement to rate classes applies the principles of cost causality; matching of costs and benefits; and avoidance of undue cross subsidization.

- b) As discussed in the response to part (a) above, PowerStream's proposed allocation method applies the principles of cost causality; matching of costs and benefits; and avoidance of undue cross subsidization.
- c) PowerStream has filed for cost recovery on an overall basis for smart meters installed in 2008 and 2009. PowerStream's smart meter implementation plan is approximately 60% completed. It is appropriate and in accordance with the Guideline for PowerStream to recover these costs at this time. To minimize rate impacts, it is more appropriate to have the actual costs incorporated into rates in several steps over time. There is no basis for postponing the requested recovery.

The concern expressed in this question is based on the result of the response to Staff IR #9. Staff IR #9 required PowerStream to calculate the actual cost recovery rate riders ("ACRRRs") on a rate class specific basis. This approach resulted in an increased recovery from the Residential class and a significant refund to the GS<50kW class. This result is shown in Table VECC 11-2 below, under column B.

In part (d) of this question, PowerStream is asked to calculate projected ACRRRs for the 2010 planned smart meter installations, on a rate class specific basis. The result of this exercise is shown in Table VECC 11-2 below as column C. A comparison of column B, from the original Table Staff 9-3, with column C shows a considerable directional swing where the Residential class is being charged then refunded and vice-versa for the GS<50 kW class.

PowerStream submits that the comparison of these alternative actual cost recovery rate riders, created at the request of Board Staff (column B) and VECC (column C) is not relevant. The riders proposed in the Application, as filed, are based on the methodology that the Board has followed to date. This methodology is discussed in PowerStream's response to VECC Supplementary IR #12, parts (a) and (b). The rate riders proposed by PowerStream in this Application have minimal rate and bill impacts.

PowerStream also calculated the projected ACRRRs for smart meters installed in 2010 based on the existing methodology of applying to all metered customers. The result is shown in column D of Table VECC 11-2 below.

As can be seen by comparing columns A and D in Table VECC 11-2, following the methodology used by the Board to date causes a very minor directional swing in the actual cost recovery rate riders and avoids any possibility of rate shock. The proposed monthly ACRRR for 2010 is \$0.37 per month per metered customer compared to a projected ACRRR of \$(0.28) per month per metered customer upon final recovery.

- d) PowerStream has prepared Table VECC 11-2 in response to this question. The table shows the projected future Smart Meter ACRRR for recovery of the 2010 smart meter costs, calculated on a rate class basis. The projected ACRRR were calculated by preparing separate Actual Smart Meter Cost Recovery models for the Residential and GS<50kW classes based on projected installed smart meter costs for 2010 by rate class with allocation of other capital and OM&A costs on a per installed meter basis, consistent with PowerStream's approach to the costs proposed for recovery through this Application. Smart meter funding adders

were projected based on the approved 2010 Smart Meter funding adder for May to October 2010, and the proposed Smart Meter funding adder as filed for November 2010 to April 2011.

Table VECC 11-2: Comparison of Alternative 2010 and Projected Final SM Actual Cost Recovery Riders

Columns:	A	B	C	D
Class	2010 per Staff IR 2(b)	2010 per Staff IR 9(b)	2011 per VECC 11(d)	2011 All Metered Customers
Residential	\$ 0.38	\$ 0.69	\$ (1.73)	\$(0.28)
GS <50 kW	\$ 0.38	\$ (1.72)	\$ 13.45	\$(0.28)
GS >50 kW	\$ 0.38	\$ -	\$ -	\$(0.28)
Large Use	\$ 0.38	\$ -	\$ -	\$(0.28)

Column A represents alternative 2010 Actual Cost Recovery Rate Riders calculated in response to Staff IR#2(b) based on recovery from all metered customers.

Column B represents alternative 2010 Actual Cost Recovery Rate Riders calculated in response to Staff IR#9(b) based on recovery on a rate class basis.

Column C represents Projected Final Cost Recovery Rate Riders based on recovery on a rate class basis, calculated in response to VECC Supplementary IR#11(c), above.

Column D represents Projected Final Cost Recovery Rate Riders based on recovery from all metered customers.

The Actual Smart Meter Cost Recovery models used to calculate the cost recovery rate riders, in columns C and D of Table VECC11-2, are attached as: Appendix VECC S-1 Actual Smart Meter Cost Recovery Model – Residential Class, Appendix VECC S-2 Actual Smart Meter Cost Recovery Model – GS<50 kW Class, and Appendix VECC S-3 Actual Smart Meter Cost Recovery Model – All Metered Customers.

VECC Question # 12

Reference: Response to VECC IR# 3

Preamble:

"If the Actual Smart Meter Cost Recovery model is to be prepared on a rate class basis, it would follow logically that models be prepared for the GS>50 kW and Large Use classes also. These classes have contributed smart meter funding adder amounts totaling \$1.1 million in the period January 2008 to April 2010. Since smart meters are not being installed for these classes, presumably no costs would be allocated and the "true-up" would return the amounts collected plus carrying costs thereon"

- a) Why did PowerStream collect Smart meter funding revenue from classes that did not participate/benefit from the SM program? Did the Board explicitly approve this?
- b) In PowerStream's opinion is a "true up" required? If so what form would this take? In responding, consider the allocation of Standard Meter Costs as per parts c)-g).
- c) Provide a summary breakdown of "Standard" Meter capital and operating costs included in the 2010 (or last EDR year) distribution revenue requirement, Reconcile to US of A account 1860
- d) Provide a summary of Stranded Meter costs included in the above. Reconcile to Question 10.
- e) Provide a summary schedule of the allocation of the revenue requirement associated with "Standard" Meter costs to each rate class (2010 or last EDR)
- f) Add lines that show the smart meter costs that would be in the 2010 rate base and revenue requirement under a COS DRR
- g) Provide the total Meter revenue requirement(s) (standard and Smart Meters) for each class.

Response:

- a) PowerStream has collected the Smart Meter funding adder from all metered customers for the past five rate years (2006 through 2010) as directed by the

Board. The Board explicitly approved this in five successive Decisions, discussed below.

PowerStream understands that one of the reasons the Board spread the cost of smart meter funding across all metered customers is that all customers will benefit. One of the goals of the smart meter program is to shift electricity consumption from peak periods to non-peak periods. This will reduce the need for increased transmission and transformation capacity leading to lower transmission and transformation charges for all customers. The shift of consumption to non-peak periods is also expected to better utilize base load generation and reduce peak commodity prices which also will benefit all electricity customers. PowerStream understands that the province's other distributors have also been directed by the Board to collect smart meter funding adders from all metered customers.

At page 10 of its Decision regarding PowerStream's 2006 Cost of Service ("COS") Electricity Distribution Rate ("EDR") application (EB-2005-0409), the Board found:

"The Generic Decision contains finding relevant to funding for smart meters for electricity distributors. The Applicant did not file a specific smart meter investment plan or request approval of any associated amount in revenue requirement. Absent a specific plan or discrete revenue requirement, the Generic Decision provides that \$0.30 per residential customer per month be reflected in the Applicant's revenue requirement. **The Board finds that this increase in the revenue requirement amount will be allocated equally to all metered customers and recovered through their monthly service charge.** This increment is reflected in the approved monthly service charges contained in the Tariff of Rates and Charges appended to this Decision. Pursuant to the Generic Decision, a variance account will be established, the details of which will be communicated in due course."
[PowerStream's emphasis]

In PowerStream's 2007 Incentive Regulation Mechanism ("IRM") rate filing (EB-2007-0573), the Board's Smart Meter Adder model was used to calculate an updated Smart Meter adder. This model calculated a single monthly amount applied to all metered customers. In its Decision, on page 2, the Board approved an amount of \$0.73 per month per metered customer.

In PowerStream's 2008 IRM rate filing (EB-2007-0850), an updated version of the Board's Smart Meter Adder model was used to calculate a revised Smart Meter adder. PowerStream updated the model to base the calculation on 2008 cumulative amounts. This model calculated a single monthly amount, applied to all metered customers, which was used to set the monthly rates approved by the Board.

In PowerStream's 2009 forward test year cost of service rate application (EB-2008-0244), PowerStream updated the Board's Smart Meter Calculation model to reflect 2009 amounts and exclude the 2007 smart meter costs for which it was seeking recovery. This model was used to calculate a smart meter funding adder to be collected from all metered customers. This was accepted by all parties to the settlement agreement which was in turn approved by the Board.

In PowerStream's 2010 IRM rate filing (EB-2009-0246), PowerStream updated the Board's Smart Meter Adder model to include 2010 amounts and calculate a revised Smart Meter adder to be collected from all metered customers. On page 7 of the Decision, the Board states:

"PowerStream requested to change its utility-specific smart meter funding adder from \$1.04 to \$1.81 per metered customer per month. The Board approves the funding adder proposed by PowerStream as reasonable. This new funding adder will be reflected in the Tariff of Rates and Charges. PowerStream's variance accounts for smart meter program implementation costs, previously authorized by the Board, shall also be continued. "

In summary, the Board introduced the methodology of collecting smart meter funding adder from all metered customers in PowerStream's 2006 COS EDR and has approved the continued use of this methodology up to and including PowerStream's 2010 IRM EDR. PowerStream understands this to be consistent with the direction provided by the Board to other distributors and with the notion that the smart meter initiative will benefit all ratepayers.

- b) PowerStream does not believe that a change in the methodology introduced and approved by the Board and followed by PowerStream for the past five rate years is appropriate at this stage in the smart meter initiative. PowerStream submits that it is not appropriate to calculate the Smart Meter Funding Adder or the Smart

Meter Actual Cost Recovery Riders on a rate class basis. As a result there is no issue of or need for a true-up by rate class on these items. PowerStream has performed a rate class allocation of the Smart Meter disposition amount, in accordance with the OEB Guideline. This is discussed in response to VECC Supplementary IR #11 part (a) above.

- c) The most recent Cost of Service ("COS") Electricity Distribution Rates ("EDR") for the PowerStream South rate zone was for 2009 rates based on a 2009 Test Year. The tables below summarize the Meter capital and operating costs included in the filing and used to calculate the distribution revenue requirement.

Table VECC 12-1 sets out the meter amounts included in the net fixed assets amount used in calculating the approved rate base in PowerStream's 2009 EDR application.

Table VECC 12-1: Meter Capital Cost – 2009 EDR

Capital	Amount
Meters at cost (account 1860)	\$ 61,569,526
Contributed capital	\$ (6,546,900)
Accum. Deprec.	\$(26,135,923)
Accum. Deprec. - contributed capital	\$ 1,299,128
Net book value	\$ 30,185,831

Table VECC 12-2 sets out the meter expense amounts included in the Operating, Maintenance & Administration ("OM&A") expenses and amortization amounts used in calculating the approved revenue requirement in PowerStream's 2009 EDR.

Table VECC 12-2: Meter Expenses – 2009 EDR

OM&A and Amortization	Amount
5065 Meter Expense	\$ 1,305,362
5175 Maintenance of Meters	\$ -
5310 Meter reading	\$ 1,816,576
Subtotal - OM&A	\$ 3,121,938
Amortization expense	\$ 2,040,106
Total	\$ 5,162,044

Source: Cost Allocation Model in 2009 Settlement Proposal

Table VECC 12-3 compares the December 31, 2009 actual balance in account 1860 to the account 1860 amount used in PowerStream's 2009 EDR as approved. The projected balance used in the 2009 EDR application was slightly less than the actual amount at December 31, 2009.

Table VECC 12-3: Account 1860 Reconciliation

Account 1860 Meters at cost	Amount
December 31, 2009 actual	\$ 40,920,028
Stranded meters at cost	\$ 21,737,228
Dec 31/09 Actual with Stranded	\$ 62,657,256
December 31, 2009 per EDR	\$ 62,283,736
December 31, 2008 per EDR	\$ 60,855,315
Average used for Rate base	\$ 61,569,526

- d) Due to the timing of when the 2009 EDR application was prepared, only the December 31, 2007 stranded meters had been removed from fixed assets in PowerStream's financial records and added back for purposes of the EDR application. For 2008 and 2009, stranded asset amounts were neither removed nor added back to the fixed asset amounts in the 2009 EDR application. Both the cost and the accumulated depreciation amounts related to the stranded meters were included in determining net fixed assets in the 2009 EDR application in accordance with the Board's Decision in the Combined Proceeding (EB-2007-0063).

In Table VECC 12-3 above, the amount of \$21,737,228 is the stranded meter cost for 2007, 2008 and 2009 recorded in account 1555 at December 31, 2009. This represents the cost of stranded meters that is included in account 1860 in the 2009 EDR application, with the 2008 and 2009 amounts being identified and recorded in account 1555 subsequent to the filing of the 2009 EDR application. This amount agrees with the stranded meters at cost amount set out in response to question 10 above. The accumulated depreciation on these stranded meters is also recorded in account 1555 and was included in determining net fixed assets in the 2009 EDR application.

- e) The following tables summarize the meter cost components in the 2009 EDR and their contribution to the approved revenue requirement.

Table VECC 12-4: "Meters Rate Base" – 2009 COS EDR

"Meters Rate Base"		Amount
Net book value		\$ 30,185,831
Working Capital Allowance:	15%	
OM&A	\$ 3,121,938	\$ 468,291
"Meters Rate Base"		\$ 30,654,122

Table VECC 12-5: Return on "Meters Rate Base" – 2009 COS EDR

Return on Debt and Equity	Capital Structure		Approved Rate	Return
Short Term debt	4%	\$ 1,226,165	1.33%	\$ 16,308
Long Term debt	56%	\$ 17,166,308	5.89%	\$ 1,011,096
Equity	40%	\$ 12,261,649	8.01%	\$ 982,158
Total Return	100%	\$ 30,654,122		\$ 2,009,562

Table VECC 12-6: "Meters Revenue Requirement" – 2009 COS EDR

"Meters Revenue Requirement"	Amount
Return on Debt and Equity	\$ 2,009,562
OM&A	\$ 3,121,938
Amortization expense	\$ 2,040,106
Subtotal before PILS	\$ 7,171,606
PILS expense	\$ 338,191
Total "Meter Revenue Requirement"	\$ 7,509,796

PILS expense has been calculated on a pro rata basis based on the "Meter" Return on Equity from Table VECC 12-5 to the total approved Return on Equity and applied to the total approved PILs expense.

The allocation of this "Meter Revenue Requirement" to rate classes is approximated from the data in the Cost Allocation model filed in the 2009 EDR process. This is a reasonable approximation given that the 2009 EDR revenue allocation was within the Board approved ranges. The following table summarizes this allocation.

**Table VECC 12-7: "Meters Revenue Requirement" – 2009 COS EDR
 Allocation to Rate Classes**

Class	"Meter Revenue Requirement"
Residential	\$ 5,030,815
GS<50	\$ 1,422,694
GS>50	\$ 1,055,076
Large Use	\$ 1,211
Street Light	\$ -
Sentinel	\$ -
Unmetered (USL)	\$ -
Total	\$ 7,509,796

The allocation of the "Meter Revenue Requirement" to rate classes is based on the allocation of meter capital and expenses amounts in the Cost Allocation model filed as part of the 2009 EDR Settlement Proposal approved by the Board. The following table summarizes the data used in arriving at this allocation.

Table VECC 12-8: Smart Meter Additions to Net Fixed Assets

Rate Class	Net Fixed Assets - Meters		OM&A	Amortization
	Amount	%		
Residential	\$ 20,092,523	66.6%	\$ 2,110,135	\$1,357,951.00
GS<50	\$ 4,910,332	16.3%	\$ 708,921	\$ 331,864.00
GS>50	\$ 5,176,774	17.1%	\$ 302,572	\$ 349,872.00
Large Use	\$ 6,202	0.0%	\$ 310	\$ 419.00
Street Light	\$ -	0.0%	\$ -	\$ -
Sentinel	\$ -	0.0%	\$ -	\$ -
USL	\$ -	0.0%	\$ -	\$ -
Total	\$ 30,185,831	100.0%	\$ 3,121,938	\$ 2,040,106

The net fixed asset amounts and percentages were used to allocate the return between rate classes. OM&A and Amortization amounts allocated to rate classes were taken directly from the Cost Allocation model. The PILS expense was prorated among the rate classes based on the return allocated to the rate class.

- f) In response to this question, the following tables show the calculation of a "Meters" rate base and a "Meters" revenue requirement based solely on the costs associated with the 2008 and 2009 installed smart meters and the meters to be installed in 2010 as it would be calculated in a 2010 COS EDR application. The smart meter capital assets have been treated as regular fixed asset additions.

**Table VECC 12-9: Smart Meter Additions to Net Fixed Assets
– 2010 COS EDR Basis**

Smart Meter Additions to Net Fixed Assets	Cost	Accumulated Depreciation	Net Book Value
2008 and 2009 installed smart meters	\$ 18,284,528	\$ 1,019,666	\$ 17,264,862
Software	\$ 591,829	\$ 207,204	\$ 384,625
At December 31, 2009	\$ 18,876,357	\$ 1,226,870	\$ 17,649,487
2010 Additions - smart meters	\$ 11,650,793		\$ 11,650,793
2010 Additions - software	\$ 236,000		\$ 236,000
2010 Amortization - 2008 & 2009 meters		\$ 1,218,969	\$ (1,218,969)
2010 Amortization - 2008 & 2009 Software		\$ 197,276	\$ (197,276)
2010 Amortization - 2010 meters		\$ 388,360	\$ (388,360)
2010 Amortization - 2010 software		\$ 39,333	\$ (39,333)
2010 additions subtotal	\$ 11,886,793	\$ 1,843,938	\$ 10,042,855
At December 31, 2010	\$ 30,763,150	\$ 3,070,808	\$ 27,692,342
Average Net Fixed Assets for 2010	\$ 24,819,754	\$ 2,148,839	\$ 22,670,915

**Table VECC 12-10: Smart Meter Additions to OM&A
– 2010 COS EDR Basis**

Smart Meter Additions to OM&A	Amount
Re 2008 and 2009 installed meters	\$ 1,198,300
Re 2010 installed meters	\$ 343,500
Total	\$ 1,541,800

These amounts represent incremental operating costs that would no longer be deferred in account 1556 since they would be included in rates.

**Table VECC 12-11: Smart Meter Additions to Rate Base
– 2010 COS EDR Basis**

"Meters Rate Base"		Amount
Net book value		\$ 22,670,915
Working Capital Allowance:	15%	
OM&A	\$ 1,541,800	\$ 231,270
"Meters" Rate base		\$ 22,902,185

Rate base would increase by \$22,902,185 in 2010 as a result of the smart meters installed in 2008, 2009 and 2010, which are not included in current rates based on PowerStream's approved 2009 COS EDR application.

**Table VECC 12-12: Smart Meter Calculated Allowed Return
– 2010 COS EDR Basis**

Return on Debt and Equity	Capital Structure		Rate	Amount
Short Term debt	4%	\$ 916,087	2.07%	\$ 18,963
Long Term debt	56%	\$ 12,825,223	5.89%	\$ 755,406
Equity	40%	\$ 9,160,874	9.85%	\$ 902,346
Total	100%	\$ 22,902,185		\$ 1,676,715

The total of deemed debt cost and allowed rate of return on equity, on the increase in rate base, is calculated as \$1,676,715.

**Table VECC 12-13: Smart Meter Revenue Requirement
– 2010 COS EDR Basis**

"Meters Revenue Requirement"	Amount
Return on Debt and Equity	\$ 1,676,715
OM&A	\$ 1,541,800
Amortization expense	\$ 1,843,938
PILS expense	\$ 327,616
Total "Meter Revenue Requirement"	\$ 5,390,069

Revenue requirement would increase by \$5,390,069 in 2010 as a result of the smart meters installed in 2008, 2009 and 2010, which are not included in current rates based on the PowerStream's approved 2009 COS EDR application.

The following table shows the allocation of the additional revenue requirement to the rate classes.

Table VECC 12-14: Smart Meter Revenue Requirement Allocated to Rate Classes - 2010 COS EDR Basis

"Meters Revenue Requirement"	Residential	GS<50 kW	Total
Return on Debt and Equity	\$ 947,481	\$ 729,234	\$ 1,676,715
OM&A	\$ 1,324,642	\$ 217,158	\$ 1,541,800
Amortization expense	\$ 1,041,976	\$ 801,962	\$ 1,843,938
PILS expense	\$ 185,130	\$ 142,486	\$ 327,616
Total "Meter Revenue Requirement"	\$ 3,499,229	\$ 1,890,840	\$ 5,390,069

The above table allocates the incremental 2010 "Meter" revenue requirement to the rate classes as follows: Return on Debt and Equity is allocated based on the net fixed assets used by each rate class, OM&A is allocated to each rate class based on the number of meters in use, Amortization expense is allocated based on the net fixed assets used by each rate class, and PILS expense is allocated based on the Return on Debt and Equity allocated to each rate class.

- g) The following table summarizes the "standard" meter revenue requirement from the 2009 COS EDR calculated in part (e) above and the smart meter revenue requirement calculated on a 2010 COS EDR basis in part (f) above.

Table VECC 12-15: Smart Meter Revenue Requirement Allocated to Rate Classes from Part (e) and part (f)

Class	Per VECC 12 (e)	Per VECC 12 (f)	Total
Residential	\$ 5,030,815	\$3,499,229	\$ 8,530,044
GS<50	\$ 1,422,694	\$1,890,840	\$ 3,313,534
GS>50	\$ 1,055,076	\$ -	\$ 1,055,076
Large Use	\$ 1,211	\$ -	\$ 1,211
Street Light	\$ -	\$ -	\$ -
Sentinel	\$ -	\$ -	\$ -
Unmetered (USL)	\$ -	\$ -	\$ -
Total	\$ 7,509,796	\$5,390,069	\$ 12,899,865

PowerStream Inc.
Actual Smart Meter Cost Recovery Model - Residential Class
Projected Final based on 2010 Planned Installations

Rate Rider to Recover Actual Smart Meter Costs to December 31, 2010

Revenue Requirement 2010	\$406,038
Revenue Requirement 2011 (to Oct 31, 2011)	\$424,517
Revenue Requirement Total	\$830,554
Smart Meter Rate Adder	(\$3,090,573)
Carrying Cost	(\$24,206)
Smart Meter True-up	(\$2,284,224)

Residential Customers	219,943
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Rate Rider to Recover Smart Meter Costs (\$1.73)

Recovery period November 1, 2011 to April 30, 2012

For illustrative purposes, this has been prepared in a similar manner as the 2010 recovery.

2011 Addition to Rate Base (Smart Meters installed in 2010)

Fixed Assets

Smart Meters	\$1,243,089
Computer Software	\$73,508
	<u>\$1,316,597</u>

Accumulated Depreciation

Smart Meters	(\$41,436)
Computer Software	(\$12,251)
	<u>(\$53,688)</u>

Addition to Net Fixed Assets	<u><u>\$1,262,909</u></u>
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2010 Amortization Expense

Smart Meters	\$41,436
Computer Software	\$12,251
	<u>\$53,688</u>

2011 Amortization Expense

Smart Meters	\$82,873
Computer Software	\$24,503
	<u>\$107,375</u>

PowerStream Inc.
Actual Smart Meter Cost Recovery Model - Residential Class

Incremental Revenue Requirement Calculation

		2009		2010		2011	
Net Fixed Assets		\$	-	\$	631,455	\$	1,209,222
OM&A	\$	-	\$	295,067	\$	295,067	
Working Capital Allowance	15%	\$	-	15%	44,260	15%	44,260
Rate Base		\$	-	\$	675,715	\$	1,253,482
Deemed ST Debt	4%	\$	-	4%	27,029	4%	50,139
Deemed LT Debt	56%	\$	-	56%	378,400	56%	701,950
Deemed Equity	40%	\$	-	40%	270,286	40%	501,393
ST Interest	1.33%	\$	-	2.07%	559	2.07%	1,038
LT Interest	5.89%	\$	-	5.89%	22,288	5.89%	41,345
ROE	8.01%	\$	-	9.85%	26,623	9.85%	49,387
		\$	-	\$	49,470	\$	91,770
OM&A				\$	295,067	\$	295,067
Amortization		\$	-	\$	53,688	\$	107,375
Grossed-up PILs		\$	-	\$	7,813	\$	15,208
Revenue Requirement		\$	-	\$	406,038	\$	509,420

PowerStream Inc.
Actual Smart Meter Cost Recovery Model - Residential Class

PILs Calculation

	2009 Actual	2010 Actual	2011 Forecasted
INCOME TAX			
Net Income	\$ -	\$ 26,623	\$ 49,387
Amortization	\$ -	\$ 53,688	\$ 107,375
CCA	\$ -	-\$ 69,938	-\$ 124,781
Change in taxable income	\$ -	\$ 10,373	\$ 31,982
Tax Rate	33.50%	33.00%	31.00%
Income Taxes Payable	\$ -	\$ 3,423	\$ 9,914

ONTARIO CAPITAL TAX

Closing Net Fixed Assets	\$ -	\$ 1,201,653	\$ 1,118,780
Less: Exemption	\$ -	\$ -	\$ -
Deemed Taxable Capital	\$ -	\$ 1,201,653	\$ 1,118,780
Ontario Capital Tax Rate	0.225%	0.225%	0.075%
Net Amount (Taxable Capital x Rate)	\$ -	\$ 2,704	\$ 839

Gross Up

	PILs Payable	PILs Payable	PILs Payable
Change in Income Taxes Payable	\$ -	\$ 3,423	\$ 9,914
Change in OCT	\$ -	\$ 2,704	\$ 839
PIL's	\$ -	\$ 6,127	\$ 10,753

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	\$ -	\$ 5,109	\$ 14,369
Change in OCT	\$ -	\$ 2,704	\$ 839
PIL's	\$ -	\$ 7,813	\$ 15,208

PowerStream Inc.
Actual Smart Meter Cost Recovery Model - Residential Class

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Average Net Fixed Assets

	2009 Actual	2010 Actual	2011 Forecasted
Net Fixed Assets - meters			
Opening Capital Investment	\$ -	\$ -	\$ 1,243,089
Capital Investment	\$ -	\$ 1,243,089	
Closing Capital Investment	\$ -	\$ 1,243,089	\$ 1,243,089
Opening Accumulated Amortization	\$ -	\$ -	\$ 41,436
Amortization Year One	15 years \$ -	\$ 41,436	\$ -
Amortization Thereafter	\$ -	\$ -	\$ 82,873
Closing Accumulated Amortization	\$ -	\$ 41,436	\$ 124,309
Opening Net Fixed Assets	\$ -	\$ -	\$ 1,201,653
Closing Net Fixed Assets	\$ -	\$ 1,201,653	\$ 1,118,780
Average Net Fixed Assets	\$ -	\$ 600,826	\$ 1,160,216

	2009 Actual	2010 Actual	2011 Forecasted
Net Fixed Assets - software			
Opening Capital Investment	\$ -	\$ -	\$ 73,508
Capital Investment		\$ 73,508	
Closing Capital Investment	\$ -	\$ 73,508	\$ 73,508
Opening Accumulated Amortization	\$ -	\$ -	\$ 12,251
Amortization Year One	3 years \$ -	\$ 12,251	\$ -
Amortization Thereafter	\$ -	\$ -	\$ 24,503
Closing Accumulated Amortization	\$ -	\$ 12,251	\$ 36,754
Opening Net Fixed Assets	\$ -	\$ -	\$ 61,257
Closing Net Fixed Assets	\$ -	\$ 61,257	\$ 36,754
Average Net Fixed Assets	\$ -	\$ 30,628	\$ 49,005

Totals

Average Net Fixed Assets	\$ -	\$ 631,455	\$ 1,209,222
Amorization Expense	\$ -	\$ 53,688	\$ 107,375
Capital Investment	\$ -	\$ 1,316,597	\$ -

PowerStream Inc.
Actual Smart Meter Cost Recovery Model - Residential Class
For PILs Calculation

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UCC

	2009 Forecasted	2010 Forecasted	2011 Forecasted
Opening UCC	\$ -	\$ -	\$ 1,193,365
Capital Additions	\$ -	\$ 1,243,089	\$ -
UCC Before Half Year Rule	\$ -	\$ 1,243,089	\$ 1,193,365
Half Year Rule (1/2 Additions - Disposals)	\$ -	\$ 621,545	\$ -
Reduced UCC	\$ -	\$ 621,545	\$ 1,193,365
CCA Rate Class	47		
CCA Rate	8%		
CCA	\$ -	\$ 49,724	\$ 95,469
Closing UCC	\$ -	\$ 1,193,365	\$ 1,097,896

UCC

	2009 Forecasted	2010 Forecasted	2011 Forecasted
Opening UCC	\$ -	\$ -	\$ 53,293
Capital Additions	\$ -	\$ 73,508	\$ -
UCC Before Half Year Rule	\$ -	\$ 73,508	\$ 53,293
Half Year Rule (1/2 Additions - Disposals)	\$ -	\$ 36,754	\$ -
Reduced UCC	\$ -	\$ 36,754	\$ 53,293
CCA Rate Class	50		
CCA Rate	55%		
CCA	\$ -	\$ 20,215	\$ 29,311
Closing UCC	\$ -	\$ 53,293	\$ 23,982
Total CCA	\$ -	\$ 69,938	\$ 124,781

PowerStream Inc.**Actual Smart Meter Cost Recovery Model - Residential Class****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-10	\$0	\$0	\$33,836	\$33,836
Feb-10	\$33,836	\$0	\$33,836	\$67,673
Mar-10	\$67,673	\$0	\$33,836	\$101,509
Apr-10	\$101,509	\$0	\$33,836	\$135,346
May-10	\$135,346	(\$401,083)	\$33,836	(\$231,900)
Jun-10	(\$231,900)	(\$401,746)	\$33,836	(\$599,810)
Jul-10	(\$599,810)	(\$402,410)	\$33,836	(\$968,383)
Aug-10	(\$968,383)	(\$403,073)	\$33,836	(\$1,337,619)
Sep-10	(\$1,337,619)	(\$403,737)	\$33,836	(\$1,707,519)
Oct-10	(\$1,707,519)	(\$404,400)	\$33,836	(\$2,078,083)
Nov-10	(\$2,078,083)	(\$111,896)	\$33,836	(\$2,156,143)
Dec-10	(\$2,156,143)	(\$112,079)	\$33,836	(\$2,234,385)
Jan-11	(\$2,234,385)	(\$112,263)	\$42,452	(\$2,304,196)
Feb-11	(\$2,304,196)	(\$112,446)	\$42,452	(\$2,374,191)
Mar-11	(\$2,374,191)	(\$112,629)	\$42,452	(\$2,444,368)
Apr-11	(\$2,444,368)	(\$112,812)	\$42,452	(\$2,514,729)
May-11	(\$2,514,729)	\$0	\$42,452	(\$2,472,277)
Jun-11	(\$2,472,277)	\$0	\$42,452	(\$2,429,825)
Jul-11	(\$2,429,825)	\$0	\$42,452	(\$2,387,374)
Aug-11	(\$2,387,374)	\$0	\$42,452	(\$2,344,922)
Sep-11	(\$2,344,922)	\$0	\$42,452	(\$2,302,470)
Oct-11	(\$2,302,470)	\$0	\$42,452	(\$2,260,019)
Total		(\$3,090,573)	\$830,554	(\$2,260,019)

2010	(\$2,640,423)	\$406,038
2011	(\$450,150)	\$424,517
	<u>(\$3,090,573)</u>	<u>\$830,554</u>

Jan to Apr 2010 Smart Meter adder included in 2010 application

PowerStream Inc.**Actual Smart Meter Cost Recovery Model - Residential Class****Table Staff 16-2: Account 1555 – Interest**

Month	Opening Balance (excluding Stranded)	Days	Rate	Interest	To Date
Jan-10	0	31	0.5500%	0	0
Feb-10	33,836	28	0.5500%	14	14
Mar-10	67,673	31	0.5500%	32	46
Apr-10	101,509	30	0.5500%	46	92
May-10	135,346	31	0.5500%	63	155
Jun-10	(231,900)	30	0.5500%	(105)	50
Jul-10	(599,810)	31	0.8900%	(453)	(403)
Aug-10	(968,383)	31	0.8900%	(732)	(1,135)
Sep-10	(1,337,619)	30	0.8900%	(978)	(2,114)
Oct-10	(1,707,519)	31	0.8900%	(1,291)	(3,404)
Nov-10	(2,078,083)	30	0.8900%	(1,520)	(4,925)
Dec-10	(2,156,143)	31	0.8900%	(1,630)	(6,554)
Jan-11	(2,234,385)	31	0.8900%	(1,689)	(8,243)
Feb-11	(2,304,196)	28	0.8900%	(1,573)	(9,816)
Mar-11	(2,374,191)	31	0.8900%	(1,795)	(11,611)
Apr-11	(2,444,368)	30	0.8900%	(1,788)	(13,399)
May-11	(2,514,729)	31	0.8900%	(1,901)	(15,300)
Jun-11	(2,472,277)	30	0.8900%	(1,808)	(17,108)
Jul-11	(2,429,825)	31	0.8900%	(1,837)	(18,945)
Aug-11	(2,387,374)	31	0.8900%	(1,805)	(20,750)
Sep-11	(2,344,922)	30	0.8900%	(1,715)	(22,465)
Oct-11	(2,302,470)	31	0.8900%	(1,740)	(24,206)

PowerStream Inc.
Actual Smart Meter Cost Recovery Model - GS <50 kW Class
Projected Final based on 2010 Planned Installations

Rate Rider to Recover Actual Smart Meter Costs to December 31, 2010

Revenue Requirement 2010	\$874,977
Revenue Requirement 2011 (to Oct 31, 2011)	\$1,370,699
Revenue Requirement Total	\$2,245,676
Smart Meter Rate Adder	(\$334,683)
Carrying Cost	\$11,096
Smart Meter True-up	\$1,922,089

GS<50 kW Customers 23,818

Rate Rider to Recover Smart Meter Costs \$ 13.45

Recovery period November 1, 2011 to April 30, 2012

For illustrative purposes, this has been prepared in a similar manner as the 2010 recovery.

2011 Addition to Rate Base (Smart Meters installed in 2010)

Fixed Assets

Smart Meters	\$10,407,704
Computer Software	\$162,492
	<u>\$10,570,196</u>

Accumulated Depreciation

Smart Meters	(\$346,923)
Computer Software	(\$27,082)
	<u>(\$374,005)</u>

Addition to Net Fixed Assets \$10,196,191

2010 Amortization Expense

Smart Meters	\$346,923
Computer Software	\$27,082
	<u>\$374,005</u>

2011 Amortization Expense

Smart Meters	\$693,847
Computer Software	\$54,164
	<u>\$748,011</u>

PowerStream Inc.
Actual Smart Meter Cost Recovery Model - GS <50 kW Class

Incremental Revenue Requirement Calculation

		2009		2010		2011	
Net Fixed Assets		\$	-	\$	5,098,095	\$	9,822,185
OM&A		\$	-	\$	48,333	\$	48,333
Working Capital Allowance	15%	\$	-	15%	7,250	15%	7,250
Rate Base		\$	-	\$	5,105,345	\$	9,829,435
Deemed ST Debt	4%	\$	-	4%	204,214	4%	393,177
Deemed LT Debt	56%	\$	-	56%	2,858,993	56%	5,504,484
Deemed Equity	40%	\$	-	40%	2,042,138	40%	3,931,774
ST Interest	1.33%	\$	-	2.07%	4,227	2.07%	8,139
LT Interest	5.89%	\$	-	5.89%	168,395	5.89%	324,214
ROE	8.01%	\$	-	9.85%	201,151	9.85%	387,280
		\$	-	\$	373,773	\$	719,633
OM&A				\$	48,333	\$	48,333
Amortization		\$	-	\$	374,005	\$	748,011
Grossed-up PILs		\$	-	\$	78,866	\$	128,862
Revenue Requirement		\$	-	\$	874,977	\$	1,644,839

PowerStream Inc.
Actual Smart Meter Cost Recovery Model - GS <50 kW Class

PILs Calculation

	2009 Actual	2010 Actual	2011 Forecasted
INCOME TAX			
Net Income	\$ -	\$ 201,151	\$ 387,280
Amortization	\$ -	\$ 374,005	\$ 748,011
CCA	\$ -	-\$ 460,993	-\$ 864,105
Change in taxable income	\$ -	\$ 114,163	\$ 271,185
Tax Rate	33.50%	33.00%	31.00%
Income Taxes Payable	\$ -	\$ 37,674	\$ 84,067

ONTARIO CAPITAL TAX

Closing Net Fixed Assets	\$ -	\$ 10,060,781	\$ 9,366,934
Less: Exemption	\$ -	\$ -	\$ -
Deemed Taxable Capital	\$ -	\$ 10,060,781	\$ 9,366,934
Ontario Capital Tax Rate	0.225%	0.225%	0.075%
Net Amount (Taxable Capital x Rate)	\$ -	\$ 22,637	\$ 7,025

Gross Up

	PILs Payable	PILs Payable	PILs Payable
Change in Income Taxes Payable	\$ -	\$ 37,674	\$ 84,067
Change in OCT	\$ -	\$ 22,637	\$ 7,025
PIL's	\$ -	\$ 60,310	\$ 91,093

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	\$ -	\$ 56,229	\$ 121,837
Change in OCT	\$ -	\$ 22,637	\$ 7,025
PIL's	\$ -	\$ 78,866	\$ 128,862

PowerStream Inc.
Actual Smart Meter Cost Recovery Model - GS <50 kW Class

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Average Net Fixed Assets

Net Fixed Assets - meters

	2009 Actual	2010 Actual	2011 Forecasted
Opening Capital Investment	\$ -	\$ -	\$ 10,407,704
Capital Investment	\$ -	\$ 10,407,704	
Closing Capital Investment	\$ -	\$ 10,407,704	\$ 10,407,704
Opening Accumulated Amortization	\$ -	\$ -	\$ 346,923
Amortization Year One	15 years \$ -	\$ 346,923	\$ -
Amortization Thereafter	\$ -	\$ -	\$ 693,847
Closing Accumulated Amortization	\$ -	\$ 346,923	\$ 1,040,770
Opening Net Fixed Assets	\$ -	\$ -	\$ 10,060,781
Closing Net Fixed Assets	\$ -	\$ 10,060,781	\$ 9,366,934
Average Net Fixed Assets	\$ -	\$ 5,030,390	\$ 9,713,857

Net Fixed Assets - software

	2009 Actual	2010 Actual	2011 Forecasted
Opening Capital Investment	\$ -	\$ -	\$ 162,492
Capital Investment		\$ 162,492	
Closing Capital Investment	\$ -	\$ 162,492	\$ 162,492
Opening Accumulated Amortization	\$ -	\$ -	\$ 27,082
Amortization Year One	3 years \$ -	\$ 27,082	\$ -
Amortization Thereafter	\$ -	\$ -	\$ 54,164
Closing Accumulated Amortization	\$ -	\$ 27,082	\$ 81,246
Opening Net Fixed Assets	\$ -	\$ -	\$ 135,410
Closing Net Fixed Assets	\$ -	\$ 135,410	\$ 81,246
Average Net Fixed Assets	\$ -	\$ 67,705	\$ 108,328

Totals

Average Net Fixed Assets	\$ -	\$ 5,098,095	\$ 9,822,185
Amorization Expense	\$ -	\$ 374,005	\$ 748,011
Capital Investment	\$ -	\$ 10,570,196	\$ -

PowerStream Inc.
Actual Smart Meter Cost Recovery Model - GS <50 kW Class
For PILs Calculation

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UCC

	2009 Forecasted	2010 Forecasted	2011 Forecasted
Opening UCC	\$ -	\$ -	\$ 9,991,396
Capital Additions	\$ -	\$ 10,407,704	\$ -
UCC Before Half Year Rule	\$ -	\$ 10,407,704	\$ 9,991,396
Half Year Rule (1/2 Additions - Disposals)	\$ -	\$ 5,203,852	\$ -
Reduced UCC	\$ -	\$ 5,203,852	\$ 9,991,396
CCA Rate Class	47		
CCA Rate	8%		
CCA	\$ -	\$ 416,308	\$ 799,312
Closing UCC	\$ -	\$ 9,991,396	\$ 9,192,084

UCC

	2009 Forecasted	2010 Forecasted	2011 Forecasted
Opening UCC	\$ -	\$ -	\$ 117,807
Capital Additions	\$ -	\$ 162,492	\$ -
UCC Before Half Year Rule	\$ -	\$ 162,492	\$ 117,807
Half Year Rule (1/2 Additions - Disposals)	\$ -	\$ 81,246	\$ -
Reduced UCC	\$ -	\$ 81,246	\$ 117,807
CCA Rate Class	50		
CCA Rate	55%		
CCA	\$ -	\$ 44,685	\$ 64,794
Closing UCC	\$ -	\$ 117,807	\$ 53,013
Total CCA	\$ -	\$ 460,993	\$ 864,105

PowerStream Inc.**Actual Smart Meter Cost Recovery Model - GS <50 kW Class****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-10	\$0	\$0	\$72,915	\$72,915
Feb-10	\$72,915	\$0	\$72,915	\$145,830
Mar-10	\$145,830	\$0	\$72,915	\$218,744
Apr-10	\$218,744	\$0	\$72,915	\$291,659
May-10	\$291,659	(\$43,434)	\$72,915	\$321,140
Jun-10	\$321,140	(\$43,506)	\$72,915	\$350,549
Jul-10	\$350,549	(\$43,578)	\$72,915	\$379,886
Aug-10	\$379,886	(\$43,649)	\$72,915	\$409,151
Sep-10	\$409,151	(\$43,721)	\$72,915	\$438,345
Oct-10	\$438,345	(\$43,793)	\$72,915	\$467,466
Nov-10	\$467,466	(\$12,117)	\$72,915	\$528,264
Dec-10	\$528,264	(\$12,137)	\$72,915	\$589,041
Jan-11	\$589,041	(\$12,157)	\$137,070	\$713,954
Feb-11	\$713,954	(\$12,177)	\$137,070	\$838,847
Mar-11	\$838,847	(\$12,197)	\$137,070	\$963,720
Apr-11	\$963,720	(\$12,217)	\$137,070	\$1,088,573
May-11	\$1,088,573	\$0	\$137,070	\$1,225,643
Jun-11	\$1,225,643	\$0	\$137,070	\$1,362,713
Jul-11	\$1,362,713	\$0	\$137,070	\$1,499,783
Aug-11	\$1,499,783	\$0	\$137,070	\$1,636,853
Sep-11	\$1,636,853	\$0	\$137,070	\$1,773,923
Oct-11	\$1,773,923	\$0	\$137,070	\$1,910,993
Total		(\$334,683)	\$2,245,676	\$1,910,993

2010	(\$285,936)	\$874,977
2011	(\$48,748)	\$1,370,699
	<u>(\$334,683)</u>	<u>\$2,245,676</u>

Jan to Apr 2010 Smart Meter adder included in 2010 application

PowerStream Inc.**Actual Smart Meter Cost Recovery Model - GS <50 kW Class****Table Staff 16-2: Account 1555 – Interest**

Month	Opening Balance (excluding Stranded)	Days	Rate	Interest	To Date
Jan-10	0	31	0.5500%	0	0
Feb-10	72,915	28	0.5500%	31	31
Mar-10	145,830	31	0.5500%	68	99
Apr-10	218,744	30	0.5500%	99	198
May-10	291,659	31	0.5500%	136	334
Jun-10	321,140	30	0.5500%	145	479
Jul-10	350,549	31	0.8900%	265	744
Aug-10	379,886	31	0.8900%	287	1,031
Sep-10	409,151	30	0.8900%	299	1,331
Oct-10	438,345	31	0.8900%	331	1,662
Nov-10	467,466	30	0.8900%	342	2,004
Dec-10	528,264	31	0.8900%	399	2,403
Jan-11	589,041	31	0.8900%	445	2,848
Feb-11	713,954	28	0.8900%	487	3,336
Mar-11	838,847	31	0.8900%	634	3,970
Apr-11	963,720	30	0.8900%	705	4,675
May-11	1,088,573	31	0.8900%	823	5,498
Jun-11	1,225,643	30	0.8900%	897	6,394
Jul-11	1,362,713	31	0.8900%	1,030	7,424
Aug-11	1,499,783	31	0.8900%	1,134	8,558
Sep-11	1,636,853	30	0.8900%	1,197	9,755
Oct-11	1,773,923	31	0.8900%	1,341	11,096

PowerStream Inc.
Actual Smart Meter Cost Recovery Model - All Metered Customers
Projected Final based on 2010 Planned Installations

Rate Rider to Recover Actual Smart Meter Costs to December 31, 2010

Revenue Requirement 2010	\$1,281,116
Revenue Requirement 2011 (to Oct 31, 2011)	\$1,795,300
Revenue Requirement Total	\$3,076,416
Smart Meter Rate Adder	(\$3,478,990)
Carrying Cost	(\$13,632)
Smart Meter True-up	(\$416,206)

Metered Customers 247,585

Rate Rider to Recover Smart Meter Costs (0.28)

Recovery period November 1, 2011 to April 30, 2012

For illustrative purposes, this has been prepared in a similar manner as the 2010 recovery.

2011 Addition to Rate Base (Smart Meters installed in 2010)

Fixed Assets

Smart Meters	\$11,650,793
Computer Software	\$236,000
	<u>\$11,886,793</u>

Accumulated Depreciation

Smart Meters	(\$388,360)
Computer Software	(\$39,333)
	<u>(\$427,693)</u>

Addition to Net Fixed Assets \$11,459,100

2010 Amortization Expense

Smart Meters	\$388,360
Computer Software	\$39,333
	<u>\$427,693</u>

2011 Amortization Expense

Smart Meters	\$776,720
Computer Software	\$78,667
	<u>\$855,386</u>

PowerStream Inc.
Actual Smart Meter Cost Recovery Model - All Metered Customers

Incremental Revenue Requirement Calculation

		2009		2010		2011	
Net Fixed Assets		\$	-	\$	5,729,550	\$	11,031,407
OM&A		\$	-	\$	343,500	\$	343,500
Working Capital Allowance	15%	\$	-	15%	51,525	15%	51,525
Rate Base		\$	-	\$	5,781,075	\$	11,082,932
Deemed ST Debt	4%	\$	-	4%	231,243	4%	443,317
Deemed LT Debt	56%	\$	-	56%	3,237,402	56%	6,206,442
Deemed Equity	40%	\$	-	40%	2,312,430	40%	4,433,173
ST Interest	1.33%	\$	-	2.07%	4,787	2.07%	9,177
LT Interest	5.89%	\$	-	5.89%	190,683	5.89%	365,559
ROE	8.01%	\$	-	9.85%	227,774	9.85%	436,668
		\$	-	\$	423,244	\$	811,404
OM&A				\$	343,500	\$	343,500
Amortization		\$	-	\$	427,693	\$	855,386
Grossed-up PILs		\$	-	\$	86,679	\$	144,070
Revenue Requirement		\$	-	\$	1,281,116	\$	2,154,360

PowerStream Inc.
Actual Smart Meter Cost Recovery Model - All Metered Customers

PILs Calculation

	2009 Actual	2010 Actual	2011 Forecasted
INCOME TAX			
Net Income	\$ -	\$ 227,774	\$ 436,668
Amortization	\$ -	\$ 427,693	\$ 855,386
CCA	\$ -	-\$ 530,932	-\$ 988,886
Change in taxable income	\$ -	\$ 124,536	\$ 303,168
Tax Rate	33.50%	33.00%	31.00%
Income Taxes Payable	\$ -	\$ 41,097	\$ 93,982

ONTARIO CAPITAL TAX

Closing Net Fixed Assets	\$ -	\$ 11,262,433	\$ 10,485,714
Less: Exemption	\$ -	\$ -	\$ -
Deemed Taxable Capital	\$ -	\$ 11,262,433	\$ 10,485,714
Ontario Capital Tax Rate	0.225%	0.225%	0.075%
Net Amount (Taxable Capital x Rate)	\$ -	\$ 25,340	\$ 7,864

Gross Up

	PILs Payable	PILs Payable	PILs Payable
Change in Income Taxes Payable	\$ -	\$ 41,097	\$ 93,982
Change in OCT	\$ -	\$ 25,340	\$ 7,864
PIL's	\$ -	\$ 66,437	\$ 101,846

	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	\$ -	\$ 61,338	\$ 136,206
Change in OCT	\$ -	\$ 25,340	\$ 7,864
PIL's	\$ -	\$ 86,679	\$ 144,070

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Average Net Fixed Assets

Net Fixed Assets - meters

	2009 Actual	2010 Actual	2011 Forecasted
Opening Capital Investment	\$ -	\$ -	\$ 11,650,793
Capital Investment	\$ -	\$ 11,650,793	
Closing Capital Investment	\$ -	\$ 11,650,793	\$ 11,650,793
Opening Accumulated Amortization	\$ -	\$ -	\$ 388,360
Amortization Year One	15 years \$ -	\$ 388,360	\$ -
Amortization Thereafter	\$ -	\$ -	\$ 776,720
Closing Accumulated Amortization	\$ -	\$ 388,360	\$ 1,165,079
Opening Net Fixed Assets	\$ -	\$ -	\$ 11,262,433
Closing Net Fixed Assets	\$ -	\$ 11,262,433	\$ 10,485,714
Average Net Fixed Assets	\$ -	\$ 5,631,217	\$ 10,874,073

Net Fixed Assets - software

	2009 Actual	2010 Actual	2011 Forecasted
Opening Capital Investment	\$ -	\$ -	\$ 236,000
Capital Investment		\$ 236,000	
Closing Capital Investment	\$ -	\$ 236,000	\$ 236,000
Opening Accumulated Amortization	\$ -	\$ -	\$ 39,333
Amortization Year One	3 years \$ -	\$ 39,333	\$ -
Amortization Thereafter	\$ -	\$ -	\$ 78,667
Closing Accumulated Amortization	\$ -	\$ 39,333	\$ 118,000
Opening Net Fixed Assets	\$ -	\$ -	\$ 196,667
Closing Net Fixed Assets	\$ -	\$ 196,667	\$ 118,000
Average Net Fixed Assets	\$ -	\$ 98,333	\$ 157,333

Totals

Average Net Fixed Assets	\$ -	\$ 5,729,550	\$ 11,031,407
Amorization Expense	\$ -	\$ 427,693	\$ 855,386
Capital Investment	\$ -	\$ 11,886,793	\$ -

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UCC

	2009 Forecasted	2010 Forecasted	2011 Forecasted
Opening UCC	\$ -	\$ -	\$ 11,184,761
Capital Additions	\$ -	\$ 11,650,793	\$ -
UCC Before Half Year Rule	\$ -	\$ 11,650,793	\$ 11,184,761
Half Year Rule (1/2 Additions - Disposals)	\$ -	\$ 5,825,397	\$ -
Reduced UCC	\$ -	\$ 5,825,397	\$ 11,184,761
CCA Rate Class	47		
CCA Rate	8%		
CCA	\$ -	\$ 466,032	\$ 894,781
Closing UCC	\$ -	\$ 11,184,761	\$ 10,289,980

UCC

	2009 Forecasted	2010 Forecasted	2011 Forecasted
Opening UCC	\$ -	\$ -	\$ 171,100
Capital Additions	\$ -	\$ 236,000	\$ -
UCC Before Half Year Rule	\$ -	\$ 236,000	\$ 171,100
Half Year Rule (1/2 Additions - Disposals)	\$ -	\$ 118,000	\$ -
Reduced UCC	\$ -	\$ 118,000	\$ 171,100
CCA Rate Class	50		
CCA Rate	55%		
CCA	\$ -	\$ 64,900	\$ 94,105
Closing UCC	\$ -	\$ 171,100	\$ 76,995
Total CCA	\$ -	\$ 530,932	\$ 988,886

PowerStream Inc.**Actual Smart Meter Cost Recovery Model - All Metered Customers****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-10	\$0	\$0	\$106,760	\$106,760
Feb-10	\$106,760	\$0	\$106,760	\$213,519
Mar-10	\$213,519	\$0	\$106,760	\$320,279
Apr-10	\$320,279	\$0	\$106,760	\$427,039
May-10	\$427,039	(\$451,490)	\$106,760	\$82,309
Jun-10	\$82,309	(\$452,237)	\$106,760	(\$263,168)
Jul-10	(\$263,168)	(\$452,984)	\$106,760	(\$609,392)
Aug-10	(\$609,392)	(\$453,730)	\$106,760	(\$956,363)
Sep-10	(\$956,363)	(\$454,477)	\$106,760	(\$1,304,081)
Oct-10	(\$1,304,081)	(\$455,224)	\$106,760	(\$1,652,545)
Nov-10	(\$1,652,545)	(\$125,959)	\$106,760	(\$1,671,745)
Dec-10	(\$1,671,745)	(\$126,165)	\$106,760	(\$1,691,150)
Jan-11	(\$1,691,150)	(\$126,372)	\$179,530	(\$1,637,992)
Feb-11	(\$1,637,992)	(\$126,578)	\$179,530	(\$1,585,039)
Mar-11	(\$1,585,039)	(\$126,784)	\$179,530	(\$1,532,294)
Apr-11	(\$1,532,294)	(\$126,990)	\$179,530	(\$1,479,754)
May-11	(\$1,479,754)	\$0	\$179,530	(\$1,300,224)
Jun-11	(\$1,300,224)	\$0	\$179,530	(\$1,120,694)
Jul-11	(\$1,120,694)	\$0	\$179,530	(\$941,164)
Aug-11	(\$941,164)	\$0	\$179,530	(\$761,634)
Sep-11	(\$761,634)	\$0	\$179,530	(\$582,104)
Oct-11	(\$582,104)	\$0	\$179,530	(\$402,574)
Total		(\$3,478,990)	\$3,076,416	(\$402,574)

2010	(\$2,972,266)	\$1,281,116
2011	(\$506,724)	\$1,795,300
	<u>(\$3,478,990)</u>	<u>\$3,076,416</u>

Jan to Apr 2010 Smart Meter adder included in 2010 application

PowerStream Inc.**Actual Smart Meter Cost Recovery Model - All Metered Customers****Table Staff 16-2: Account 1555 – Interest**

Month	Opening Balance (excluding Stranded)	Days	Rate	Interest	To Date
Jan-10	0	31	0.5500%	0	0
Feb-10	106,760	28	0.5500%	45	45
Mar-10	213,519	31	0.5500%	100	145
Apr-10	320,279	30	0.5500%	145	290
May-10	427,039	31	0.5500%	199	489
Jun-10	82,309	30	0.5500%	37	526
Jul-10	(263,168)	31	0.8900%	(199)	327
Aug-10	(609,392)	31	0.8900%	(461)	(133)
Sep-10	(956,363)	30	0.8900%	(700)	(833)
Oct-10	(1,304,081)	31	0.8900%	(986)	(1,819)
Nov-10	(1,652,545)	30	0.8900%	(1,209)	(3,027)
Dec-10	(1,671,745)	31	0.8900%	(1,264)	(4,291)
Jan-11	(1,691,150)	31	0.8900%	(1,278)	(5,569)
Feb-11	(1,637,992)	28	0.8900%	(1,118)	(6,688)
Mar-11	(1,585,039)	31	0.8900%	(1,198)	(7,886)
Apr-11	(1,532,294)	30	0.8900%	(1,121)	(9,007)
May-11	(1,479,754)	31	0.8900%	(1,119)	(10,125)
Jun-11	(1,300,224)	30	0.8900%	(951)	(11,076)
Jul-11	(1,120,694)	31	0.8900%	(847)	(11,924)
Aug-11	(941,164)	31	0.8900%	(711)	(12,635)
Sep-11	(761,634)	30	0.8900%	(557)	(13,192)
Oct-11	(582,104)	31	0.8900%	(440)	(13,632)