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December 14, 2010

Ontario Energy Board  
P.O. Box 2319  
27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, Ontario  
M4P 1E4

**Attention: Ms. Kirsten Walli, Board Secretary**

Dear Ms Walli:

**Re: May 1, 2011 Cost of Service Board Staff Interrogatory #40  
Interrogatory Response/ EB-2010-0144**

Pursuant to WNH's letter of December 10, 2010, WNH is attaching two copies of its Interrogatory Response to Board Staff Interrogatory #40.

WNH has filed an electronic copy of this document via the Board's web portal RESS.

If there are any questions, please contact Albert Singh at 519-888-5542, [asingh@wnhydro.com](mailto:asingh@wnhydro.com) or myself, Rene Gatien at 519-888-5544, [rgatien@wnhydro.com](mailto:rgatien@wnhydro.com).

Yours truly,

*Original Signed By*

Albert P. Singh, MBA, CGA  
Vice-President, Finance and CFO

Board Staff Interrogatories

**40. Stranded Meter Costs**

**Regarding the regulatory ratemaking treatment of stranded meter costs, some distributors have transferred the cost of stranded meters from Account 1860, Meters, to “Sub-account Stranded Meter Costs” of Account 1555, while in some cases distributors have left these costs in Account 1860. Depending on which treatment the applicant has chosen, please provide the information under the two scenarios (a) and b)) below, as applicable to the applicant.**

- a) If the stranded meter costs were transferred to “Sub-account Stranded Meter Costs” of Account 1555, answer the following questions:**

Not Applicable

- i. Please describe the accounting treatment followed by the applicant on stranded meter costs for financial accounting and reporting purposes.**
- ii. Please provide the amount of the pooled residual net book value of the removed from service stranded meters, less any sale proceeds and contributed capital, which were transferred to this sub-account as of December 31, 2009.**
- iii. Since transferring the removed stranded meter costs to the sub-account, was the recording of depreciation expenses continued in order to reduce the net book value through accumulated depreciation? If so, please provide the total depreciation expense amount for the period from the time the stranded meters were transferred to the sub-account to December 31, 2009.**
- iv. If no depreciation expenses were recorded to reduce the net book value of stranded meters through accumulated depreciation, please provide the total depreciation expense amount that would have been applicable for the period from the time the stranded meters were transferred to the sub-account to December 31, 2009.**
- v. Were carrying charges recorded for the stranded meter cost balances in the sub-account, and if so, please provide the total carrying charges recorded to December 31, 2009.**
- vi. Please provide the estimated amount of the pooled residual net book value of the removed from service meters, less any sale proceeds and contributed capital, at the time when smart meters will have been fully deployed (e.g., as of December 31, 2010). If the smart meters have been fully deployed, please provide the actual amount.**
- vii. Please describe how the applicant intends to recover in rates stranded meter costs including the proposed accounting treatment, the proposed disposition period, and the associated bill impacts.**
- viii. In the outlined format of the table shown below (after b.), Summary of Stranded Meter Cost, please provide the data to derive the total “Residual Net Book Value” amounts for each year.**

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**b) If the stranded meter costs remained recorded in Account 1860, Meters, please answer the following questions:**

**i. Please describe the accounting treatment followed by the applicant on stranded meter costs for financial accounting and reporting purposes.**

WNH has not removed stranded meter costs from Account 1860, Meters, they have been treated as pooled/grouped assets and continued to depreciate.

**ii. Please provide the amount of the pooled residual net book value of removed from service stranded meters, less any sale proceeds and contributed capital as of December 31, 2009.**

The amount of pooled residual net book value of removed from service stranded meters, less any sale proceeds and contributed capital as of December 31, 2009 is estimated at \$548,891.

**iii. Was the recording of depreciation expenses continued in order to reduce the net book value through accumulated depreciation? If so, provide the total depreciation expense amount for the period from the time the meters became stranded to December 31, 2009.**

WNH continued to record depreciation on the stranded meters. The depreciation expense amount for the period from the time the meters became stranded to December 31, 2009 is estimated at \$74,873.

**iv. If no depreciation expenses were recorded to reduce the net book value of stranded meters through accumulated depreciation, provide the total depreciation expense amount that would have been applicable for the period from the time the meters became stranded to December 31, 2009.**

Not applicable.

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- v. ***Please provide the estimated amount of the pooled residual net book value of the removed from service meters, less any sale proceeds and contributed capital, at the time when smart meters will have been fully deployed (e.g., as of December 31, 2010). If the smart meters have been fully deployed, please provide the actual amount.***

The amount of estimated pooled residual net book value of the removed from service meters, less any sale proceeds and contributed capital, at the time when smart meters are estimated to be fully deployed is \$1,892,704.

- vi. ***Please describe how the applicant intends to recover in rates stranded meter costs including the proposed accounting treatment, the proposed disposition period, and the associated bill impacts.***

WNH notes that at the Society of Ontario Adjudicators and Regulators Conference on June 9 and 10, 2010, Board Staff stated that a policy regarding the treatment of stranded meters would be forthcoming shortly. WNH is awaiting this direction. WNH, however, would recommend a recovery of the stranded meter costs over a four year disposition period, which is consistent with WNH's proposed disposition period of its deferral and variance accounts. WNH is of the understanding that the removal of stranded meters from its accounting records would parallel the IFRS treatment. WNH would propose that it would be appropriate to recover the stranded meters at the time that WNH requests disposition of its Smart Meter Variance Accounts.

- viii. ***In the outlined format of the table shown below, Summary of Stranded Meter Cost, please provide the data to derive the total "Residual Net Book Value" amounts for each year.***

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**Summary the Residual Net Book Value of Stranded Meter Costs**

Year	Gross Asset (A)	Accumulated Amortization (B)	Net Asset (C = A-B)	Proceeds on Disposition (D)	Contributed Capital (E)	Residual Net Book Value (F + C-D_E)
2006						
2007						
2008						
2009						
2010 (1)						
Total						

(1) For 2010, please indicate whether the amounts provided are on a forecast or *actual basis*

WNH has provided a Summary of Estimated Stranded Meter Costs in the table below.

**Table IR # 40 (b) (viii)**  
**Summary of the Estimated Residual Net Book Value of Stranded Meter Costs**

Year	Gross Asset (A)	Accumulated Amortization (B)	Net Asset (C=A-B)	Proceeds on Disposition (D)	Contributed Capital (E)	Residual Net Book Value (F+C-D-E)
2006						
2007						
2008	208,352	113,138	95,214			95,214
2009	1,455,119	1,001,172	453,947	269		453,678
2010 Forecast <sup>1</sup>	2,830,497	1,859,120	971,377		6,579	964,798
2011 Forecast <sup>2</sup>	1,027,384	648,368	379,015			379,015
<b>Total</b>	<b>5,521,352</b>	<b>3,621,799</b>	<b>1,899,553</b>	<b>269</b>	<b>6,579</b>	<b>1,892,704</b>

<sup>1</sup> 2010 - Residential Estimate to December 31, 2010, GS<50 to December 3, 2010

<sup>2</sup> GS<50 Estimate December 4, 2010 to March 31, 2011