

January 10th, 2008

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St., Suite 2700
Toronto, ON, M4P 1E4

Dear Ms. Walli:

Re 2008 Incentive Regulation (2008 IRM) Rate Application: EB-2007-0850

In accordance with Procedural Order No. 1, dated December 20th, 2007, PowerStream Inc. ("PowerStream") submits its responses to the interrogatories from Board staff.

Yours truly,

Original signed by

Paula Conboy
Director of Regulatory Affairs and Government Relations

1. Please indicate if the costs associated with the new smart meter adder of \$1.41 per metered customer per month relate only to meeting the minimum functionality set out in Ontario Regulation 425/06. If any of the costs are associated with functionality exceeding the minimum functionality set out in Ontario Regulation 425/06, please provide a breakdown in accordance with Appendix A to the EB-2007-0063 Decision with Reasons, clearly separating costs associated with the minimum functionality from those relating to functionality that goes beyond the minimum requirements.

Yes, the costs associated with the new smart meter adder of \$1.41 relate only to meeting the minimum functionality set out in Ontario Regulation 425 / 06.

2. If PowerStream Inc. is applying for funding of costs related to functionality that exceeds Ontario Regulation 425/06 in terms of minimum functionality, please justify why any of those costs should be considered for funding.

PowerStream is not applying for funding of costs related to functionality that exceeds minimum functionality.

3. Sheet 3 of the smart meter model dated November 23, 2007, shows planned capital expenditures of \$426,800 on computer hardware and \$190,200 on computer software for 2008. These are 72% and 59% higher, respectively, than the planned capital expenditures for the same items shown in the model filed as part of your 2007 IRM application (EB-2007-0573). Please explain what the drivers behind these increases are.

The total estimated capital costs for 2008 are \$6,433,200 which includes computer hardware, software and the cost of the smart meters themselves. The estimate of capital costs is unchanged from our 2007 IRM application (EB-2007-0573). What has changed is PowerStream's understanding of *where* the costs are best classified. This has occurred as we gain experience in the Smart Meter Initiative and following the experience garnered in the Combined Proceeding EB-2007-0064. As a result, PowerStream has reclassified some costs as software, where they were previously deemed to be hardware.

PowerStream 2008 SMART Meter Capital Costs:

	2007 IRM	Change, \$	2008 IRM
	Details As per Appendix A		As per Sheet 3 of SM model
Smart Meter	\$6,064,800	(248,600)	5,816,200
Computer Hardware	248,400	178,400	426,800
Computer Software	120,000	70,200	190,200
Total	\$6,433,200	0	\$6,433,200

Please note that the total capital costs shown for 2008 in the model used for our 2007 IRM application (EB-2007-0573) was not based on PowerStream's actual estimated capital costs. Rather the Board's model used by PowerStream derived annual capital costs for 2008, 2009 and 2010 based on 2007 unit cost.

The difference between costs shown on "software" and "hardware" is due to the reclassification only, as shown in the tables below.

Hardware costs	2008 Forecast	% increase
AMCC Computer hardware	\$178,200	
Other costs (licences, system testing)	70,200	
Total as per 2007 IRM model	248,400	
Other costs reclassified as software	(70,200)	
Hardware costs previously included in "other unit cost"	248,600	
Total as per 2008 IRM model	\$426,800	72%

Software costs	2008 Forecast	% increase
AMCC Computer software	\$120,000	
Total as per 2007 IRM model	120,000	
Other costs reclassified as software	70,200	
Total as per 2008 IRM model	\$190,200	59%

4. The total operating expenses remained consistent across the file dated November 23, 2007, and the model filed as part of your 2007 IRM application (EB-2007-0573), except for 2008 where there is a difference of about \$625,000 (double the amount shown in the earlier file).

a. Please explain.

The total operating expenses for 2008 in the 2007 IRM model are \$632,000; the total operating expenses in 2008 IRM model are \$1,257,648. Two main factors are driving the cost increase in 2008:

1. IESO charges for MDM/R are estimated at \$500,000, based on a planning assumption of \$0.40 per Service Delivery Point (SDP) per month. Based on the PowerStream's SMART meter's deployment program the monthly average of SDP in 2008 is 125,000; the charge for 10 months of service is \$500,000.
2. The variance of \$125,648 is mainly due to the change in estimated incremental AMI expenses. Due to the delay in implementation of MDM/R the manual readings of meters will be done for a longer period than initially planned, therefore the estimated savings in reading services and network operations for 2008 are lower.

b. It appears that most of the difference described above, but not all, is due to the inclusion of "IESO charges for MDM/R service". Please explain why this amount was included in 2008, and why it was included in 2008 only.

IESO charges for MDM/R services represent part of the SMART meter implementation cost, related to meeting minimum functionality mandated in Ontario Regulation 425/06. In order for the funding to be sufficient, PowerStream maintains that this amount should be included in the calculation of 2008 rate adder. Without the inclusion of such funding PowerStream may not have the funds necessary to pay the IESO for the MDM/R services in 2008.

PowerStream only included an estimate for 2008 as the Company is seeking approval of rates for 2008 only and anticipates more accurate cost estimates for funding requests in 2009 when it applies for rebasing in 2009.

c. Please recalculate your proposed rate adder for the May 1, 2008, to April 30, 2009, without the "estimated \$500,000 for 2008" for the "IESO charges for the MDM/R service."

The proposed rate adder without estimated \$500,000 for the IESO charges would be \$1.21, as per attached SMART meter model.

5. You entered the descriptor for the legacy General Service 50 to 4,999 kW as “(formerly Time of Use)”. Your current 2007 Board approved Tariff of Rates and Charges shows this descriptor as being “— Legacy”.

We agree that the description should read “- Legacy”, as per current 2007 Board Approved Tariff.

6. Monthly Rates and Charges for Large Use

a. A review of your current 2007 Board approved Tariff of Rates and Charges indicates that the “Retail Transmission Rate – Network Service Rate” on row 206 should include the descriptor “- Interval Metered”.

We agree that the description should include the descriptor “- Interval Metered”.

b. A review of your current 2007 Board approved Tariff of Rates and Charges indicates that the “Retail Transmission Rate – Line and Transformation Connection Service Rate” on row 207 should include the descriptor “- Interval Metered”.

We agree that the description should include the descriptor “- Interval Metered”.

7. Monthly Rates and Charges for Unmetered Scattered Load

A review of your current 2007 Board approved Tariff of Rates and Charges indicates that the Service Charge should include the descriptor “(per connection)”.

We agree that the description should include the descriptor “(per connection) ”.

8. Monthly Rates and Charges for Street Lighting

A review of your current 2007 Board approved Tariff of Rates and Charges indicates that the Service Charge should include the descriptor “(per connection)”.

We agree that the description should include the descriptor “(per connection)”.

SMART METER RATE CALCULATION MODEL

Sheet 1 Utility Information Sheet

Legend:	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

IRM 2007 EB Number: EB-2007-0573

EDR 2006 RP Number: RP-2005-0020

EDR 2006 EB Number: EB-2005-0409

Date of Submission: January 10, 2008

Revision: 2

Version: 1.0

Contact Information

Name: Tom Barrett

Title: Manager, Rate Applications

Phone Number: 905-417-6900 ext. 8166

E-Mail Address: tom.barrett@powerstream.ca

PowerStream Inc.**EB-2007-0573****Thursday, January 10, 2008****Sheet 2. Smart Meter Capital Cost and Operational Expense Data****Smart Meter Unit Installation Plan:***assume calendar year installation*

	2006	2007 Actual To April	2007 Forecast To December	2008	2009	2010	Total
Planned number of Residential smart meters to be installed		-	80,000	50,000	50,000	19,367	199,367
Planned number of General Service Less Than 50 kW smart meters						23,765	
Planned number of General Service Greater Than 50 kW smart meters						3,134	3,134
Planned Meter Installation (Residential and Less Than 50 kW only)	-	-	80,000	50,000	50,000	46,266	226,266
Planned Meter Installation Completed before January 1, 2008		-	80,000	130,000	180,000	226,266	

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)****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)****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**

	2006	2007	2007 Forecast	2008	2009	2010	Total
Smart Meter			\$ 6,112,800	\$ 3,820,500	\$ 3,820,500	\$ 10,551,849	\$ 24,305,649
Smart Meter			\$ 2,546,620	\$ 1,727,300	\$ 1,727,300	\$ 3,707,120	\$ 9,708,340
Comp. Hard.							\$ -
Comp. Soft.							\$ -
Total	\$ -	\$ -	\$ 8,659,420	\$ 5,547,800	\$ 5,547,800	\$ 14,258,969	\$ 34,013,989
Smart Meter			\$ 268,400	\$ 268,400	\$ 268,400	\$ 144,200	\$ 949,400
Smart Meter							\$ -
Smart Meter							\$ -
Total	\$ -	\$ -	\$ 268,400	\$ 268,400	\$ 268,400	\$ 144,200	\$ 949,400
Comp. Hard.			\$ 178,200	\$ 178,200	\$ 178,200		\$ 534,600
Comp. Soft.			\$ 232,200	\$ 70,200	\$ 56,700	\$ 27,000	\$ 386,100
Comp. Soft.							\$ -
Total	\$ -	\$ -	\$ 410,400	\$ 248,400	\$ 234,900	\$ 27,000	\$ 920,700

PowerStream Inc.**EB-2007-0573****Thursday, January 10, 2008****Sheet 2. Smart Meter Capital Cost and Operational Expense Data****1.4 WIDE AREA NETWORK (WAN)****1.4.1 Activation Fees**

Comp. Soft.

2006	2007	2007 Forecast	2008	2009	2010	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.

2006	2007	2007 Forecast	2008	2009	2010	Total
						\$ -

1.5.2 AMI Interface to CIS

Comp. Soft.

2006	2007	2007 Forecast	2008	2009	2010	Total
		\$ 690,000	\$ 120,000	\$ 106,500	\$ 93,000	\$ 1,009,500

1.5.3 Professional Fees

Comp. Hard.

2006	2007	2007 Forecast	2008	2009	2010	Total
		\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 200,000

1.5.4 Integration

Comp. Hard.

2006	2007	2007 Forecast	2008	2009	2010	Total
		\$ 48,600	\$ 48,600	\$ 48,600	\$ 48,560	\$ 194,360

1.5.5 Program Management

Comp. Hard.

2006	2007	2007 Forecast	2008	2009	2010	Total
		\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 600,000

1.5.6 Other AMI Capital

Comp. Hard.

2006	2007	2007 Forecast	2008	2009	2010	Total
		\$ 108,000		\$ 108,000		\$ 216,000

3. LDC Assumptions and Data

Total Other AMI Capital Costs Related To Minimum Functionality

\$ -	\$ -	\$ 1,046,600	\$ 368,600	\$ 463,100	\$ 341,560	\$ 2,219,860
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Total Capital Costs

\$ -	\$ -	\$ 10,384,820	\$ 6,433,200	\$ 6,514,200	\$ 14,771,729	\$ 38,103,949
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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

2006	2007	2007 Forecast	2008	2009	2010	Total
	\$ -	\$ 50,000	\$ 75,000	\$ 100,000	\$ 125,000	\$ 350,000
\$ -	\$ -	\$ 50,000	\$ 75,000	\$ 100,000	\$ 125,000	\$ 350,000

2.2 ADVANCED METERING REGIONAL COLLECTOR (AMRC) (includes LAN)**2.2.1 Maintenance**

2006	2007	2007 Forecast	2008	2009	2010	Total
			\$ 13,500	\$ 13,500	\$ 13,500	\$ 40,500

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

\$ -	\$ -	\$ -	\$ 13,500	\$ 13,500	\$ 13,500	\$ 40,500
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2.3 ADVANCED METERING CONTROL COMPUTER (AMCC)**2.3.1 Hardware Maintenance**

may include server support, etc.

2.3.2 Software Maintenance

may include maintenance support, etc.

Total Advanced Metering Control Computer (AMCC)

2006	2007	2007 Forecast	2008	2009	2010	Total
						\$ -
						\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

2006	2007	2007 Forecast	2008	2009	2010	Total
	\$ -	\$ 160,000	\$ 185,648	\$ 260,000	\$ 350,000	\$ 264,352
\$ -	\$ -	\$ 160,000	\$ 185,648	\$ 260,000	\$ 350,000	\$ 264,352

PowerStream Inc.**EB-2007-0573****Thursday, January 10, 2008****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	2006	2007	2007 Forecast	2008	2009	2010	Total
			\$ 150,000				\$ 150,000
2.5.2 Customer Communication <i>may include project communication, etc.</i>	2006	2007	2007 Forecast	2008	2009	2010	Total
		\$ -	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 1,000,000
2.5.3 Program Management	2006	2007	2007 Forecast	2008	2009	2010	Total
							\$ -
2.5.4 Change Management <i>may include training, etc.</i>	2006	2007	2007 Forecast	2008	2009	2010	Total
		\$ -	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 300,000
2.5.5 Administration Cost	2006	2007	2007 Forecast	2008	2009	2010	Total
				\$ 13,500	\$ 13,500	\$ 13,500	\$ 40,500
2.5.6 Other AMI Expenses	2006	2007	2007 Forecast	2008	2009	2010	Total
		\$ -	\$ 145,000	\$ 145,000	\$ 145,000	\$ 145,000	\$ 580,000
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Total 2.5 Other AMI OM&A Costs Related To Minimum Functionality	\$ -	\$ -	\$ 620,000	\$ 483,500	\$ 483,500	\$ 483,500	\$ 2,070,500
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Total O M & A Costs	\$ -	\$ -	\$ 830,000	\$ 757,648	\$ 337,000	\$ 272,000	\$ 2,196,648

PowerStream Inc.**EB-2007-0573****Thursday, January 10, 2008****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

2006 EDR Data Information**Deemed Debt** (from 2006 EDR Sheet "3-2 COST OF CAPITAL (Input)" Cell C 18)**Deemed Equity** (from 2006 EDR Sheet "3-2 COST OF CAPITAL (Input)" Cell C 19)**Weighted Debt Rate** (from 2006 EDR Sheet "3-2 COST OF CAPITAL (Input)" Cell C 25)**Proposed ROE** (from 2006 EDR Sheet "3-2 COST OF CAPITAL (Input)" Cell E 32)**Weighted Average Cost of Capital****Working Capital Allowance %****2006 EDR Total Metered Customers****Residential****General Service Less Than 50 kW****Other Metered Customers****Sum of Residential, General Service, and Large User***(from 2006 EDR Sheet "7-1 ALLOCATION - Base Rev. Req." Cells H16 thru H93)***Smart Meter Rate Adders****2006 EDR Smart Meter Rate Adder****2007 EDR Smart Meter Rate Adder****2008 EDR Smart Meter Rate Adder****2009 EDR Smart Meter Rate Adder****2010 EDR Smart Meter Rate Adder****2006 EDR Tax Rate****Corporate Income Tax Rate***(from 2006 PILs Sheet "Test Year PILs, Tax Provision" Cell D 14)***Capital Data:**

Smart Meter

Computer Hardware

Computer Software

Tools & Equipment

Other Equipment

Total Capital Costs**LDC Amortization Policy:**Smart Meter Amortization Rate *Enter Amortization Policy*Computer Hardware Amortization Rate *Enter Amortization Policy*Computer Software Amortization Rate *Enter Amortization Policy*Tools & Equipment Amortization Rate *Enter Amortization Policy*Other Equipment Amortization Rate *Enter Amortization Policy***Operating Expense Data:**

2.1 Advanced Metering Communication Device (AMCD)

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

2.3 Advanced Metering Control Computer (AMCC)

2.4 Wide Area Network (WAN)

2.5 Other AMI OM&A Costs Related To Minimum Functionality

Total O M & A Costs

Per Meter Cost Split:

Smart meter including installation

Computer Hardware Costs

Computer Software Costs

Tools & Equipment

Other Equipment

Smart meter incremental operating expenses

Total Smart Meter Capital Costs per meter

60%
40%
6.16%
9.00%
7.30%

15.00%

187,044
20,678
3,340

211,062

	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	\$ -	\$ -
2009 EDR Smart Meter Rate Adder	\$ -	\$ -
2010 EDR Smart Meter Rate Adder	\$ -	\$ -

32.16%

	2006 Actual	2007 Actual	2007 Estimate	2008	2009	2010	Total
Smart Meter	\$ -	\$ -	\$ 8,927,820	\$ 5,816,200	\$ 5,816,200	\$ 14,403,169	\$ 34,963,389
Computer Hardware	\$ -	\$ -	\$ 534,800	\$ 426,800	\$ 534,800	\$ 248,560	\$ 1,744,960
Computer Software	\$ -	\$ -	\$ 922,200	\$ 190,200	\$ 163,200	\$ 120,000	\$ 1,395,600
Tools & Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Capital Costs	\$ -	\$ -	\$ 10,384,820	\$ 6,433,200	\$ 6,514,200	\$ 14,771,729	\$ 38,103,949

	Amortization	CCA Class	CCA Rate
Smart Meter Amortization Rate	15 Years	47	8 %
Computer Hardware Amortization Rate	5 Years	45	45 %
Computer Software Amortization Rate	3 Years	45	45 %
Tools & Equipment Amortization Rate	10 Years	8	20 %
Other Equipment Amortization Rate	10 Years	8	20 %

	2006 Actual	2007 Actual	2007 Estimate	2008	2009	2010	Total
2.1 Advanced Metering Communication Device (AMCD)	\$ -	\$ -	\$ 50,000	\$ 75,000	\$ 100,000	\$ 125,000	\$ 350,000
2.2 Advanced Metering Regional Collector (AMRC) (includes LAN)	\$ -	\$ -	\$ -	\$ 13,500	\$ 13,500	\$ 13,500	\$ 40,500
2.3 Advanced Metering Control Computer (AMCC)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2.4 Wide Area Network (WAN)	\$ -	\$ -	\$ 160,000	\$ 185,648	\$ 260,000	\$ 350,000	\$ 264,352
2.5 Other AMI OM&A Costs Related To Minimum Functionality	\$ -	\$ -	\$ 620,000	\$ 483,500	\$ 483,500	\$ 483,500	\$ 2,070,500
Total O M & A Costs	\$ -	\$ -	\$ 830,000	\$ 757,648	\$ 337,000	\$ 272,000	\$ 2,196,648

	Per Meter	Installed	Investment	% of Invest
Smart meter including installation	\$ 154.52	226,266	\$ 34,963,389	87%
Computer Hardware Costs	\$ 7.71	226,266	\$ 1,744,960	4%
Computer Software Costs	\$ 6.17	226,266	\$ 1,395,600	3%
Tools & Equipment	\$ -	226,266	\$ -	0%
Other Equipment	\$ -	226,266	\$ -	0%
Smart meter incremental operating expenses	\$ 9.71	226,266	\$ 2,196,648	5%
Total Smart Meter Capital Costs per meter	\$ 178.11		\$ 40,300,597	100%

PowerStream Inc.**EB-2007-0573****Thursday, January 10, 2008****Sheet 4. Smart Meter Rate Calc****Smart Meter Rate Calculation****Average Asset Values**

Net Fixed Assets Smart Meters	\$ 4,315,113	
Net Fixed Assets Computer Hardware	\$ 240,660	
Net Fixed Assets Computer Software	\$ 384,250	
Net Fixed Assets Tools & Equipment	\$ -	
Net Fixed Assets Other Equipment	\$ -	
Total Net Fixed Assets	\$ 4,940,023	\$ 4,940,023

Working Capital

Operation Expense	\$ 830,000	
Working Capital 15 %	\$ 124,500	\$ 124,500

Smart Meters included in Rate Base

\$ 5,064,523

Return on Rate Base

Deemed Debt (3. LDC Assumptions and Data)

Deemed Equity (3. LDC Assumptions and Data)

60%	\$ 3,038,714
40%	\$ 2,025,809
	\$ 5,064,523

60%	\$ 7,542,836
40%	\$ 5,028,557
	\$ 12,571,393

60%	\$ 10,459,674
40%	\$ 6,973,116
	\$ 17,432,791

60%	\$ 15,507,384
40%	\$ 10,338,256
	\$ 25,845,640

Weighted Debt Rate (3. LDC Assumptions and Data)

Proposed ROE (3. LDC Assumptions and Data)

6.16%	\$ 187,185
9.00%	\$ 182,323
	\$ 369,508

6.16%	\$ 464,639
9.00%	\$ 452,570
	\$ 917,209

6.16%	\$ 644,316
9.00%	\$ 627,580
	\$ 1,271,896

6.16%	\$ 955,255
9.00%	\$ 930,443
	\$ 1,885,698

Return on Rate Base

\$ 369,508 \$ 369,508

\$ 917,209 \$ 917,209

\$ 1,271,896 \$ 1,271,896

\$ 1,885,698 \$ 1,885,698

Operating Expenses

Incremental Operating Expenses(3. LDC Assumptions and Data)

\$ 830,000

\$ 757,648

\$ 337,000

\$ 272,000

Amortization Expenses

Amortization Expenses - Smart Meters

Amortization Expenses - Computer Hardware

Amortization Expenses - Computer Software

Amortization Expenses - Tools & Equipment

Amortization Expenses - Other Equipment

\$ 297,594
\$ 53,480
\$ 153,700
\$ -
\$ -

\$ 789,061
\$ 149,640
\$ 339,100
\$ -
\$ -

\$ 1,176,808
\$ 245,800
\$ 398,000
\$ -
\$ -

\$ 1,850,787
\$ 324,136
\$ 445,200
\$ -
\$ -

Total Amortization Expenses

\$ 504,774

\$ 1,277,801

\$ 1,820,608

\$ 2,620,123

Revenue Requirement Before PILs

\$ 1,704,282

\$ 2,952,658

\$ 3,429,504

\$ 4,777,821

Calculation of Taxable Income

Incremental Operating Expenses

Depreciation Expenses

Interest Expense

-\$ 830,000
-\$ 504,774
-\$ 187,185

-\$ 757,648
-\$ 1,277,801
-\$ 464,639

-\$ 337,000
-\$ 1,820,608
-\$ 644,316

-\$ 272,000
-\$ 2,620,123
-\$ 955,255

Taxable Income For PILs

\$ 182,323

\$ 452,570

\$ 627,580

\$ 930,443

Grossed up PILs (5. PILs)

\$ 29,182

\$ 121,124

\$ 286,786

\$ 535,551

Revenue Requirement Before PILs

\$ 1,704,282

\$ 2,952,658

\$ 3,429,504

\$ 4,777,821

Grossed up PILs (5. PILs)

\$ 29,182

\$ 121,124

\$ 286,786

\$ 535,551

Revenue Requirement for Smart Meters

\$ 1,733,463

\$ 3,073,782

\$ 3,716,291

\$ 5,313,372

2007 Smart Meter Rate Adder

Revenue Requirement for Smart Meters

2006 EDR Total Metered Customers (3. LDC Assumptions and Data)

Annualized amount required per metered customer

Number of months in year

\$ 1,733,463
\$ 211,062
\$ 8.21
12

\$ 3,073,782
\$ 211,062
\$ 14.56
12

\$ 3,716,291
\$ 211,062
\$ 17.61
12

\$ 5,313,372
\$ 211,062
\$ 25.17
12

2007 Smart Meter Rate Adder

\$ 0.68

\$ 1.21

\$ 1.47

\$ 2.10

PowerStream Inc.**EB-2007-0573****Thursday, January 10, 2008****Sheet 5. PILs****PILs Calculation**

	2007 Estimate		2008		2009		2010	
INCOME TAX								
Net Income	\$	182,323	\$	452,570	\$	627,580	\$	930,443
Amortization	\$	504,774	\$	1,277,801	\$	1,820,608	\$	2,620,123
CCA - Class 47 (8%) Smart Meters	-\$	357,113	-\$	918,305	-\$	1,310,136	-\$	2,014,100
CCA - Class 45 (45%) Computers	-\$	327,825	-\$	646,954	-\$	651,700	-\$	598,411
CCA - Class 8 (20%) Other Equipment	\$	-	\$	-	\$	-	\$	-
Change in taxable income	\$	2,159	\$	165,113	\$	486,353	\$	938,055
Tax Rate (3. LDC Assumptions and Data)		32.16%		32.16%		32.16%		32.16%
Income Taxes Payable	\$	694	\$	53,100	\$	156,411	\$	301,679

ONTARIO CAPITAL TAX								
Smart Meters	\$	8,630,226	\$	13,657,365	\$	18,296,757	\$	30,849,139
Computer Hardware	\$	481,320	\$	758,480	\$	1,047,480	\$	971,904
Computer Software	\$	768,500	\$	619,600	\$	384,800	\$	59,600
Tools & Equipment	\$	-	\$	-	\$	-	\$	-
Other Equipment	\$	-	\$	-	\$	-	\$	-
Rate Base	\$	9,880,046	\$	15,035,445	\$	19,729,037	\$	31,880,643
Less: Exemption	\$	-	\$	-	\$	-	\$	-
Deemed Taxable Capital	\$	9,880,046	\$	15,035,445	\$	19,729,037	\$	31,880,643
Ontario Capital Tax Rate		0.285%		0.285%		0.285%		0.285%
Net Amount (Taxable Capital x Rate)	\$	28,158	\$	42,851	\$	56,228	\$	90,860

Gross Up

	PILs Payable	PILs Payable	PILs Payable	PILs Payable
Change in Income Taxes Payable	\$ 694	\$ 53,100	\$ 156,411	\$ 301,679
Change in OCT	\$ 28,158	\$ 42,851	\$ 56,228	\$ 90,860
PIL's	\$ 28,852	\$ 95,951	\$ 212,639	\$ 392,538

	Gross Up 32.16%	Gross Up 32.16%	Gross Up 32.16%	Gross Up 32.16%
	Grossed Up PILs	Grossed Up PILs	Grossed Up PILs	Grossed Up PILs
Change in Income Taxes Payable	\$ 1,024	\$ 78,273	\$ 230,559	\$ 444,691
Change in OCT	\$ 28,158	\$ 42,851	\$ 56,228	\$ 90,860
PIL's	\$ 29,182	\$ 121,124	\$ 286,786	\$ 535,551

PowerStream Inc.**EB-2007-0573****Thursday, January 10, 2008****Sheet 6. SM Avg Net Fixed Assets & UCC****Smart Meter Average Net Fixed Assets****Net Fixed Assets - Smart Meters**

	2007 Estimate	2008	2009	2010
Opening Capital Investment	\$ -	\$ 8,927,820.00	\$ 14,744,020.00	\$ 20,560,220.00
Capital Investment (3. LDC Assumptions and Data)	\$ 8,927,820.00	\$ 5,816,200.00	\$ 5,816,200.00	\$ 14,403,169.00
Closing Capital Investment	\$ 8,927,820.00	\$ 14,744,020.00	\$ 20,560,220.00	\$ 34,963,389.00
Opening Accumulated Amortization	\$ -	\$ 297,594.00	\$ 1,086,655.33	\$ 2,263,463.33
Amortization Year 1 (15 Years Straight Line)	\$ 297,594.00	\$ 789,061.33	\$ 1,176,808.00	\$ 1,850,786.97
Closing Accumulated Amortization	\$ 297,594.00	\$ 1,086,655.33	\$ 2,263,463.33	\$ 4,114,250.30
Opening Net Fixed Assets	\$ -	\$ 8,630,226.00	\$ 13,657,364.67	\$ 18,296,756.67
Closing Net Fixed Assets	\$ 8,630,226.00	\$ 13,657,364.67	\$ 18,296,756.67	\$ 30,849,138.70
Average Net Fixed Assets	\$ 4,315,113.00	\$ 11,143,795.33	\$ 15,977,060.67	\$ 24,572,947.68

Net Fixed Assets - Computer Hardware

	2007 Estimate	2008	2009	2010
Opening Capital Investment	\$ -	\$ 534,800.00	\$ 961,600.00	\$ 1,496,400.00
Capital Investment (3. LDC Assumptions and Data)	\$ 534,800.00	\$ 426,800.00	\$ 534,800.00	\$ 248,560.00
Closing Capital Investment	\$ 534,800.00	\$ 961,600.00	\$ 1,496,400.00	\$ 1,744,960.00
Opening Accumulated Amortization	\$ -	\$ 53,480.00	\$ 203,120.00	\$ 448,920.00
Amortization Year 1 (5 Years Straight Line)	\$ 53,480.00	\$ 149,640.00	\$ 245,800.00	\$ 324,136.00
Closing Accumulated Amortization	\$ 53,480.00	\$ 203,120.00	\$ 448,920.00	\$ 773,056.00
Opening Net Fixed Assets	\$ -	\$ 481,320.00	\$ 758,480.00	\$ 1,047,480.00
Closing Net Fixed Assets	\$ 481,320.00	\$ 758,480.00	\$ 1,047,480.00	\$ 971,904.00
Average Net Fixed Assets	\$ 240,660.00	\$ 619,900.00	\$ 902,980.00	\$ 1,009,692.00

Net Fixed Assets - Computer Software

	2007 Estimate	2008	2009	2010
Opening Capital Investment	\$ -	\$ 922,200.00	\$ 1,112,400.00	\$ 1,275,600.00
Capital Investment (3. LDC Assumptions and Data)	\$ 922,200.00	\$ 190,200.00	\$ 163,200.00	\$ 120,000.00
Closing Capital Investment	\$ 922,200.00	\$ 1,112,400.00	\$ 1,275,600.00	\$ 1,395,600.00
Opening Accumulated Amortization	\$ -	\$ 153,700.00	\$ 492,800.00	\$ 890,800.00
Amortization Year 1 (3 Years Straight Line)	\$ 153,700.00	\$ 339,100.00	\$ 398,000.00	\$ 445,200.00
Closing Accumulated Amortization	\$ 153,700.00	\$ 492,800.00	\$ 890,800.00	\$ 1,336,000.00
Opening Net Fixed Assets	\$ -	\$ 768,500.00	\$ 619,600.00	\$ 384,800.00
Closing Net Fixed Assets	\$ 768,500.00	\$ 619,600.00	\$ 384,800.00	\$ 59,600.00
Average Net Fixed Assets	\$ 384,250.00	\$ 694,050.00	\$ 502,200.00	\$ 222,200.00

PowerStream Inc.**EB-2007-0573****Thursday, January 10, 2008****Sheet 6. SM Avg Net Fixed Assets & UCC****Net Fixed Assets - Tools & Equipment**

Net Fixed Assets - Tools & Equipment	2007 Estimate		2008		2009		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	\$	-	\$	-	\$	-	\$	-

Net Fixed Assets - Other Equipment

Net Fixed Assets - Other Equipment	2007 Estimate		2008		2009		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-2007-0573****Thursday, January 10, 2008****Sheet 6. SM Avg Net Fixed Assets &UCC****For PILs Calculation****UCC - Smart Meters**

CCA Class 47 (8%)

	2007 Estimate	2008	2009	2010
Opening UCC	\$ -	\$ 8,570,707.20	\$ 13,468,602.62	\$ 17,974,666.41
Capital Additions	\$ 8,927,820.00	\$ 5,816,200.00	\$ 5,816,200.00	\$ 14,403,169.00
UCC Before Half Year Rule	\$ 8,927,820.00	\$ 14,386,907.20	\$ 19,284,802.62	\$ 32,377,835.41
Half Year Rule (1/2 Additions - Disposals)	\$ 4,463,910.00	\$ 2,908,100.00	\$ 2,908,100.00	\$ 7,201,584.50
Reduced UCC	\$ 4,463,910.00	\$ 11,478,807.20	\$ 16,376,702.62	\$ 25,176,250.91
CCA Rate Class 47	8.0%	8.0%	8.0%	8.0%
CCA	\$ 357,112.80	\$ 918,304.58	\$ 1,310,136.21	\$ 2,014,100.07
Closing UCC	\$ 8,570,707.20	\$ 13,468,602.62	\$ 17,974,666.41	\$ 30,363,735.34

UCC - Computer Equipment

CCA Class 45 (45%)

	2007 Estimate	2008	2009	2010
Opening UCC	\$ -	\$ 1,129,175.00	\$ 1,099,221.25	\$ 1,145,521.69
Capital Additions Computer Hardware	\$ 534,800.00	\$ 426,800.00	\$ 534,800.00	\$ 248,560.00
Capital Additions Computer Software	\$ 922,200.00	\$ 190,200.00	\$ 163,200.00	\$ 120,000.00
UCC Before Half Year Rule	\$ 1,457,000.00	\$ 1,746,175.00	\$ 1,797,221.25	\$ 1,514,081.69
Half Year Rule (1/2 Additions - Disposals)	\$ 728,500.00	\$ 308,500.00	\$ 349,000.00	\$ 184,280.00
Reduced UCC	\$ 728,500.00	\$ 1,437,675.00	\$ 1,448,221.25	\$ 1,329,801.69
CCA Rate Class 45	45%	45%	45%	45%
CCA	\$ 327,825.00	\$ 646,953.75	\$ 651,699.56	\$ 598,410.76
Closing UCC	\$ 1,129,175.00	\$ 1,099,221.25	\$ 1,145,521.69	\$ 915,670.93

UCC - General Equipment

CCA Class 8 (20%)

	2007 Estimate	2008	2009	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%	20%
CCA	\$ -	\$ -	\$ -	\$ -
Closing UCC	\$ -	\$ -	\$ -	\$ -