

June 24, 2011

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)
2011 Smart Meter Cost Recovery Application – Board File No. EB-2011-0128**

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 in the South was addressed in PowerStream's 2009 forward test year cost of service electricity distribution rate application (EB-2008-0244). The revenue requirement related to smart meters installed in 2008 and 2009 in the South was addressed in PowerStream's 2010 smart meter cost recovery electricity distribution rate application (EB-2010-0209).

PowerStream's smart meter implementation program is substantially complete with only a small number of situations where PowerStream has attempted to install a smart meter but has been unable due to customer refusal, lack of co-operation or technical problems.

PowerStream has stopped collecting smart meter funding adders from customers in both its North and South rate zones.

At this time, PowerStream wishes to address the final recovery of the revenue requirement related to smart meters installed in the PowerStream South rate zone from January 1, 2010 through April 30, 2011 and installed in the PowerStream North rate zone from program inception through April 30, 2011. 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 29, 2011.

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.

In preparing this application PowerStream has also been guided by the Board's Decision on its previous smart meter cost recovery application (EB-2010-0209).

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

- In the North, a Residential customer using 800 kWhs per month will see an increase of \$2.27 (2.0%) on the total monthly bill; and a General Service less than 50 kW customer using 2,000 kWhs per month will see an increase of \$7.44 (2.8%) on the total monthly bill; and
- In the South, a Residential customer using 800 kWhs per month will see a decrease of \$0.13 (0.1%) on the total monthly bill; and a General Service less

than 50 kW customer using 2,000 kWhs per month will see a decrease of \$8.72 (3.4%) on the total monthly bill.

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

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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, 2011.

**POWERSTREAM INC.
2011 SMART METER COST RECOVERY APPLICATION**

FILED: JUNE 24, 2011

Applicant:

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NORTH RATE ZONE

1. SMART METER COST RECOVERY MODEL
2. BILL IMPACT CALCULATIONS

SOUTH RATE ZONE

3. SMART METER COST RECOVERY MODEL
4. BILL IMPACT CALCULATIONS

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 (EB-2008-0335) the amalgamation
9 of PowerStream and Barrie Hydro Distribution Inc. ("Barrie Hydro"). The
10 companies merged on January 1, 2009 but PowerStream continues to operate
11 two separate rate zones corresponding to the pre-amalgamation PowerStream
12 service area ("PowerStream South") and the pre-amalgamation Barrie Hydro
13 Distribution Inc. service area ("PowerStream North"), as approved by the Board
14 in its Decision on the amalgamation. The PowerStream South rate zone (also
15 referred to as the PowerStream South service area) includes the communities of
16 Aurora, Markham, Richmond Hill and Vaughan. The PowerStream North rate
17 zone (or service area) includes the communities of Alliston, Barrie, Beeton,
18 Bradford West Gwillimbury, Penetanguishene, Thornton and Tottenham. The
19 communities in the PowerStream North rate zone were previously served by
20 Barrie Hydro Distribution Inc. ("Barrie Hydro").

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

25 This application is for recovery of costs related to smart meter installations for
26 both the South and North rate zones. There are separate sections for each rate
27 zone covering the specific costs, rate rider calculations and bill impacts for that
28 rate zone.

1 At December 31, 2010, PowerStream had completed installations for over 99%
2 of its residential customers and over 50% of its General Service less than 50 kW
3 (GS<50kW) customers across both of its South and North service areas. This
4 combined total represents 95% of PowerStream's customers mandated to
5 receive smart meters.

6 By April 30, 2011, PowerStream had installed smart meters for virtually all
7 Residential and General Service less than 50 kW customers in both the South
8 and North service areas with the exception of a small number of customer
9 refusals and installation-related technical issues.

10 The costs up to December 31, 2010 have been audited. This application also
11 contains costs for 2011 – actual deferred capital and incremental operating,
12 maintenance and administrative ("OM&A") costs to April 30, 2011 and projected
13 OM&A costs for the rest of 2011. The evidence in this application supports the
14 prudence of these expenditures.

15 PowerStream is currently subject to the Board's 3rd Generation Incentive
16 Regulation Mechanism. Under the Board's Decision on the PowerStream/Barrie
17 Hydro amalgamation, PowerStream is not required to file a cost of service rate
18 application until its 2014 rate application. Deferring the current smart meter-
19 related revenue requirement for recovery at PowerStream's next cost of service
20 application, whether that application is filed in 2013 or sooner, would
21 unnecessarily attract carrying costs; may result in significant future bill impacts
22 for customers in the PowerStream North service area; and will delay credits to
23 customers in the PowerStream South service area.

24 PowerStream has substantially completed the mandated smart meter
25 installations and all smart meter funding adders have ended. PowerStream
26 submits that it is appropriate to recover the revenue requirement related to those
27 smart meters now. Deferring the current smart meter-related revenue
28 requirement for recovery at PowerStream's next cost of service application would

unnecessarily attract carrying costs; may result in significant future bill impacts for customers in the PowerStream North service area; and will delay credits to customers in the PowerStream South service area.

In light of the foregoing, PowerStream is filing this application for the recovery of the revenue requirement related to smart meters installed in its South service area from January 1, 2010 through April 30, 2011, and in its North service area from inception of the smart meter implementation program in 2006 through April 30, 2011.

The two service areas are separate rate zones with different smart meter adders previously collected over the period. The South distribution rates already contain approval of some smart meter costs while the North distribution rates do not contain any approved smart meter costs. Accordingly the rate riders will be calculated separately for each rate zone.

PowerStream has proposed an implementation date of November 1, 2011 in order to coincide with the Board's semi-annual Regulated Price Plan adjustments. In this way, its customers will experience a single bill change in November rather than multiple bill changes over a number of months.

The proposed rate changes will result in the following bill impacts:

- monthly bill increases in the North rate zone of \$2.27 or 2.0% for a typical Residential customer and \$7.44 or 2.8% for a typical General Service less than 50 kW customer; and
- monthly bill decreases in the South rate zone of \$0.13 or 0.1% for a typical Residential customer and \$8.72 or 3.4% for a typical General Service less than 50 kW customer.

In this Application, PowerStream is seeking Board approval of two proposed rate riders, for each rate zone, as described below. PowerStream has used the

1 terminology used by the Board in its Decision in PowerStream's 2010 smart
2 meter cost recovery application (EB-2010-0209):

3 ○ A "Smart Meter Disposition rate rider" that will be in effect for the six months
4 from November 1, 2011 to April 30, 2012. The smart meter disposition rate
5 rider results from a true-up between (a) the smart meter funding adder
6 amount collected up to April 30, 2011, to the extent that has not been trued-
7 up in earlier applications, and (b) the revenue requirement through October
8 31, 2011 related to the smart meters installed through April 30, 2011,
9 excluding those meters in respect of which the revenue requirement was
10 approved in previous applications. The revenue requirement is calculated
11 using Board staff's model and includes the standard elements of operating,
12 maintenance and administrative ("OM&A") expenses, depreciation, interest,
13 PILs and return;

14 ○ A "Smart Meter Incremental Revenue Requirement rate rider" that will be in
15 effect from November 1, 2011 until the implementation date for new rates as
16 determined in PowerStream's next cost of service distribution rate application.
17 The smart meter incremental revenue requirement rate rider is calculated
18 using Board staff's model and is derived from the 2011 revenue requirement
19 associated with the smart meters installed in the North rate zone from
20 inception of the smart meter implementation program in 2006 through April
21 30, 2011 and installed in the South rate zone from January 1, 2010 through
22 April 30, 2011. The revenue requirement includes the standard elements of
23 OM&A expenses, depreciation, interest, PILs and return.

24 All rate rider amounts are fixed monthly charges per metered customer in the
25 applicable customer classes and are in addition to the current approved smart
26 meter incremental revenue requirement rate rider in the South rate zone (EB-
27 2010-0209).

PowerStream does not currently have any smart meter funding rate adders ("SMFA"). The Board approved the termination of the SMFA for the South rate zone in PowerStream's 2010 cost recovery application (EB-2010-0209) effective December 31, 2010. The approved SMFA for the North rate zone expired April 30, 2011 and PowerStream did not apply for a new SMFA in its 2011 Incentive Rate Mechanism application (EB-2010-0110/EB-2010-0365). As the smart meter implementation program is essentially complete, there is no need for SMFAs.

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.

In preparing this application PowerStream has also been guided by the Board's Decision on its previous smart meter cost recovery application (EB-2010-0209).

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

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

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

1 **(a) Authorized Representatives:**

2 Mr. Colin A. Macdonald
3 Vice President, Rates & Regulatory Affairs
4 PowerStream Inc.

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20 **(b) Counsel:**

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1 **Application**

2 This Application is for the both the PowerStream North and South rate zones.

3 PowerStream hereby applies for the recovery of costs related to smart metering
4 in the PowerStream North rate zone through two smart meter-related rate riders
5 to be effective November 1, 2011, as follows:

6 ○ A smart meter disposition rate rider for the difference between the smart
7 meter adder collected from April 1, 2006 to April 30, 2011, at which time
8 funding adders ended, and the revenue requirement related to these smart
9 meters, up to the effective date of the new smart meter incremental revenue
10 requirement rate rider, through a rider of \$0.52 per month per Residential
11 customer and \$1.71 per month per General Service less than 50 kW
12 customer for six months (from November 1, 2011 until April 30, 2012); and

13 ○ A smart meter incremental revenue requirement rate rider for the revenue
14 requirement through October 31, 2011 related to the smart meters installed
15 through April 30, 2011, in the amount of \$1.71 per month per Residential
16 customer and \$5.61 per month per General Service less than 50 kW
17 customer. This rate rider will be in effect until the implementation of new
18 distribution rates arising out of PowerStream's next cost of service distribution
19 rate application; in the Board's Decision approving the amalgamation of
20 PowerStream and Barrie Hydro (EB-2008-0335), PowerStream is required to
21 submit a cost of service filing no later than its application for 2014 distribution
22 rates.

23 PowerStream hereby applies for the recovery of costs related to smart metering
24 in the PowerStream South rate zone through two smart meter-related rate riders
25 to be effective November 1, 2011, as follows:

26 ○ A smart meter disposition rate rider for the difference between the smart
27 meter adder collected from January 1, 2010 to December 31, 2010, at which

time funding adders ended, and the revenue requirement related to these smart meters, up to the effective date of the new smart meter incremental revenue requirement rate rider, through a rider of \$0.19 credit per month per Residential customer and \$12.62 credit per month per General Service less than 50 kW customer. This rate rider will be in effect for six months (from November 1, 2011 until April 30, 2012); and

- A smart meter incremental revenue requirement rate rider for the revenue requirement through October 31, 2011 related to the smart meters installed in 2010 and through April 30, 2011, in the amount of \$0.06 per month per Residential customer and \$4.05 per month per General Service less than 50 kW customer. This rate rider will be in effect until the implementation of new distribution rates arising out of PowerStream's next cost of service distribution rate application; in the Board's Decision approving the amalgamation of PowerStream and Barrie Hydro (EB-2008-0335), PowerStream is required to submit a cost of service filing no later than its application for 2014 rates.

Customer bill impacts arising out of this Application are:

- for the North rate zone monthly bill increases will be \$2.27 or 2.0% for a typical Residential customer and \$7.44 or 2.8% for a typical General Service less than 50 kW customer.
- for the South rate zone monthly bill decreases will be \$0.13 or 0.1% for a typical Residential customer and \$8.72 or 3.4% for a typical General Service less than 50 kW customer,

The impacts are discussed in the sections titled *Rate Change Summary and Bill Impacts*.

PowerStream is not requesting recovery of the stranded meter costs at this time. In its most recent cost of service rate applications (for the 2008 rate year for Barrie Hydro Distribution Inc. and for the 2009 rate year for PowerStream Inc.),

1 stranded meter costs were included in rate base for rate-making purposes, as
2 recommended by the Board in its Decision with Reasons in the Combined
3 Proceeding (EB-2007-0063).

4 No amounts have been included in the actual or projected costs for charges for
5 use of the Provincial Meter Data Management and Repository ("MDM/R"). As the
6 MDM/R costs have not been included in determining revenue requirement and
7 rates, PowerStream understands that these costs would be deferred for future
8 recovery.

9 At page 9 of its Decision on PowerStream's 2010 smart meter cost recovery filing
10 (EB-2010-0209), the Board stated:

11 "In terms of tracking the MDM/R costs it is open to the Applicant to do so
12 should these costs arise in advance of PowerStream's next rate
13 application, but the Board will not establish a formal deferral account at
14 this time."

15 PowerStream understands this to mean that account 1556 will remain open and
16 any costs related to the Provincial MDM/R should be tracked in that account for
17 future disposition. PowerStream anticipates that the Board will address the
18 appropriate approach to the recovery of these costs on a generic basis, as all
19 licensed and rate-regulated distributors involved in smart metering will be
20 affected by MDM/R costs.

1 **Smart Meter Program Status**

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

6 PowerStream installed a further 137,356 smart meters in 2008 and 2009 in its
7 South rate zone. The revenue requirement related to these meters, with a capital
8 cost of \$18.9 million, was approved by the Board for recovery in the
9 PowerStream 2010 Smart Meter Cost Recovery rate application (EB-2010-0209).

10 In 2010 PowerStream completed substantially all (99.2%) smart meter
11 installations for residential customers in both the South and North rate zones.

12 Due to delays in availability of approved 3-phase smart meters, PowerStream
13 was unable to complete the planned installations for the GS<50 kW class in
14 2010. At December 31, 2010, PowerStream had completed smart meter
15 installations for 52.8% of GS<50 kW customers.

16 By April 30, 2011, PowerStream had installed 310,767 smart meters for
17 substantially all (99.2%) of its residential and GS<50kW customers mandated to
18 receive smart meters in the South and North service areas. There remain a small
19 number of situations where PowerStream has attempted but been unable to
20 install a smart meter due to customer refusal, lack of cooperation or technical
21 problems.

22 PowerStream is working with those customers that are refusing or not providing
23 the necessary cooperation to allow installation. PowerStream is also assessing
24 the situations where standard smart meter installations are not possible and is
25 working to resolve the issues and install smart meters.

1 While PowerStream expects to complete many of the smart meter installations
2 for these remaining customers in 2011, it may take a considerable period of time,
3 extending into 2012, to gain acceptance from some customers.

4 PowerStream estimates that it will spend \$500,000 on replacement and repair
5 expenses to customer equipment to resolve technical issues and allow the
6 installation of a smart meter. These costs have been included for recovery in this
7 Application. These types of costs are discussed in the Board's Decision with
8 Reasons dated August 8, 2007 in the Combined Proceeding on smart metering
9 (EB-2007-0063) on page 17 under the title, "Replacement and Repair Costs".
10 These costs are required to allow installation of the smart meter and otherwise
11 would not be required. As the costs relate primarily to customer owned
12 equipment, all labour and materials costs, other than the meter and standard
13 installation cost, are being treated as incremental OM&A costs.

14 Smart meter installation is substantially complete and customers are not currently
15 paying any smart meter funding adders. Consequently, PowerStream submits
16 that it appropriate to seek recovery of these assets and related costs in rates at
17 this time. At page 12 of Guideline 2008-0002, the Board wrote:

18 "The Board also expects that only two applications will need to be made
19 for the recovery of smart meter costs. The first is when the distributor
20 achieves at least 50% penetration of smart meters within its service area.
21 The second is when the distributor installs 100% of the meters. The 50%
22 threshold will assist in managing the workload of interested parties and will
23 help ensure that the distributor has sufficient experience with its smart
24 meter activities to enable it to provide detailed cost information."

25 PowerStream proposes to treat this Application as its request for final disposition
26 of smart meter costs. The capital costs of the remaining meters to be installed
27 after April 30, 2011, will be treated as regular capital additions and included in
28 rate base in the next cost of service rate application.

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

2 PowerStream was one of the thirteen licensed distributors that were authorized
3 by 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 from Sensus
32 Metering Systems Inc. The majority of the residential meters were purchased at
33 essentially the same fixed price in US dollars as the 2007 smart meters approved
34 in the 2009 cost of service application and the 2008 and 2009 smart meters

1 approved in the PowerStream's 2010 Smart Meter Cost Recovery Rate
2 Application (referred to as the "2010 SM EDR", Board file no. EB-2010-0209).
3 Approximately 2% of residential installations required more expensive smart
4 meters. These installations were for larger 400 amp services and for installations
5 where there was a need for a meter with enhanced communication capabilities.

6 PowerStream continued to contract with Sensus Metering Systems Inc. for
7 operation of its Advanced Metering Infrastructure ("AMI") system from 2007 to
8 2009 under the same contract that was filed in confidence during the Combined
9 Proceeding and for 2010 and 2011 under the update to the contract filed in
10 confidence with the 2010 SM EDR.

11 PowerStream has continued the prudence noted by the Board in the 2007
12 Combined Smart Meter Proceeding (EB-2007-0063). PowerStream's average
13 capital cost per meter of \$159.24 in its North rate zone and \$166.67 in its South
14 rate zone compare favourably to the sector average capital cost of \$186.76
15 derived from the "Sector Smart Meter Audit Review Report" issued by the OEB
16 Regulatory Audit and Accounting Group on March 31, 2010 (based on 3,053,931
17 meters with a capital cost of \$570,339,200 as at September 30, 2009). It is to be
18 expected that the industry average will increase as many distributors had not
19 installed the more expensive commercial meters as of September 30, 2009.
20 PowerStream's average cost at April 30, 2011 includes these more expensive
21 meters.

22 The following agreements are being filed with the Board Secretary on a
23 confidential basis:

- 24 ○ Advanced Metering Infrastructure Services Agreement between
25 PowerStream Inc. and Sensus Metering Systems Inc.;
- 26 ○ Residential Smart Meter Pricing from Sensus Metering Systems Inc.;
- 27 ○ Smart Meter Installation Contract between PowerStream Inc. and
28 Olameter Inc.
- 29 ○ Olameter Inc. price quote for the installation of 3-phase meters.

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

17 Accordingly, PowerStream requests that these Agreements be kept confidential.
18 PowerStream is prepared to provide copies of the Agreements to parties' counsel
19 and experts or consultants provided that they have executed the Board's form of
20 Declaration and Undertaking with respect to confidentiality and that they comply
21 with the Practice Direction, subject to PowerStream's right to object to the
22 Board's acceptance of a Declaration and Undertaking from any person. In
23 keeping with the requirements of the Practice Direction, PowerStream is filing
24 confidential unredacted versions of the Agreements under separate cover, in a
25 sealed envelope marked "Confidential".

1 **NORTH RATE ZONE**

2 ***Smart Meter Costs - North***

3 In this Application, PowerStream is seeking recovery of costs related to the
4 69,393 smart meters installed in the PowerStream North service area from the
5 inception of the smart meter implementation program up to April 30 2011.

6 Table 1 below provides a summary of the capital costs.

7 **Table 1: Summary of Smart Meter Capital Costs (North)**

	Residential	GS< 50 kW	Total
Installed Meters:			
Installed meters at Dec 31,2010	63,159	3,301	66,460
Installed Jan 1 to Apr 30, 2011	1,040	1,893	2,933
Installed meters at Apr 30, 2011	64,199	5,194	69,393
Capital Costs:			
Capital costs at Dec 31, 2010	8,232,800	1,766,961	9,999,761
Capital costs Jan 1 to Apr 30, 2011	146,096	904,000	1,050,096
Capital costs at Apr 30, 2011	\$ 8,378,896	\$ 2,670,961	\$ 11,049,857
Capital Cost per Meter:			
Capital cost per meter Dec 31, 2010	\$ 130.35	\$ 535.28	\$ 150.46
Capital cost per meter Jan - Apr, 2011	\$ 140.48	\$ 477.55	\$ 358.03
Capital cost per meter Apr 30, 2011	\$ 130.51	\$ 514.24	\$ 159.24
Installed Meter Capital Costs:			
Installed costs at Dec 31, 2010	6,687,507	1,641,940	\$ 8,329,447
Installed costs Jan 1 to Apr 30, 2011	\$ 109,619	\$ 901,049	\$ 1,010,668
Installed costs at Apr 30, 2011	\$ 6,797,126	\$ 2,542,989	\$ 9,340,115
Installed Cost per Meter:			
Capital cost per meter Dec 31, 2010	\$ 105.88	\$ 497.41	\$ 125.33
Capital cost per meter Jan - Apr, 2011	\$ 105.40	\$ 475.99	\$ 344.59
Capital cost per meter Apr 30, 2011	\$ 105.88	\$ 489.60	\$ 134.60

8 Capital costs to December 31, 2010 of \$10.0 million are actual costs taken from
9 PowerStream's audited financial records as at December 31, 2010. These have
10 been augmented by capital costs to April 30, 2011 of \$1.0 million

11 In Table 1, the bulk of the capital costs (90.5%) are represented by the audited
12 balances as at December 31, 2010. The remaining 9.5% consists of the capital

1 costs incurred from January 1, 2011 to April 30, 2011, plus the accrual discussed
2 below.

3 Table 1 calculates the average installed cost per meter. This is the cost of the
4 meter and its installation. The full capital cost includes other capital costs - mainly
5 communication devices, computers and software used in the Advanced Metering
6 Infrastructure (AMI) that allows communication with the meters and programming
7 changes to the customer billing systems.

8 A comparison of the installed cost per meter, for each of the Residential and
9 GS<50 kW customer classes, shows that the costs for the audited period, to
10 December 31, 2010, and the unaudited period, January 1 to April 30, 2011, are
11 very similar. In fact, PowerStream was able to reduce the average installed cost
12 of the GS<50 kW meters in 2011.

13 PowerStream has accrued \$200,000 for programming of its billing systems to
14 meet new billing requirements, from Measurement Canada and the Ministry of
15 Energy, for register reads on bills and changes in how line losses and billing
16 quantities are presented on the bill. Of this amount, \$45,000 has been allocated
17 to the North rate zone based on the total number of smart meters installed in
18 each rate zone.

19 As noted above, PowerStream has continued the prudence noted by the Board in
20 the 2007 Combined Smart Meter Proceeding (EB-2007-0063). PowerStream's
21 average capital cost per meter of \$159.24 compares favourably to the sector
22 average capital cost of \$186.76 derived from the "Sector Smart Meter Audit
23 Review Report" issued by the OEB Regulatory Audit and Accounting Group on
24 March 31, 2010 (based on 3,053,931 meters with a capital cost of
25 \$570,339,200). It is to be expected that the industry average will increase when it
26 is updated and includes all of the more expensive 3-phase installations.

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
6 per the Smart Meter Funding Adder model that was filed as part of PowerStream
7 – Barrie’s 2010 3rd Generation Incentive Regulation Mechanism (“IRM”) rate
8 application (EB-2009-0245). At that time it was anticipated that the program
9 would be completed in 2010. Due to issues with the availability of approved 3-
10 phase smart meters, installations and actual costs to complete extended to April
11 30, 2011.

Table 2: Comparison of Estimated to Actual Capital Costs (North)

	Estimated	Actual	Under (over)
Number of meters	72,500	69,393	3,107
Installed meter costs	\$ 10,523,985	\$ 9,340,115	\$ 1,183,870
Customer Billing System costs	\$ 162,300	\$ 398,433	\$ (236,133)
Other capital costs	\$ 756,000	\$ 1,311,309	\$ (555,309)
Total capital cost	\$ 11,442,285	\$11,049,857	\$ 392,428
Capital cost per meter	\$ 157.82	\$ 159.24	\$ (1.41)

13 The lower than planned installed meter cost is due to the lower actual number of
14 meters installed compared to estimate and a lower meter cost for 3-phase
15 meters.

16 Customer billing system changes were higher than estimated due to the many
17 changes to the requirements from the Provincial MDM/R.

18 Other capital is comprised of the components of the advanced metering
19 infrastructure (“AMI”), such as radio towers, AMI computer equipment and
20 software, as well as professional and consulting fees for contract negotiation and
21 program management. The estimated amounts did not include any allowance for
22 a portion of the shared costs incurred or to be incurred in the South rate zone.

1 Table 3 below compares the incremental smart meter related OM&A costs from
2 program inception in 2006 to April 30, 2011 with the corresponding estimated
3 OM&A costs per the Smart Meter Funding Adder model that was filed as part of
4 PowerStream - Barrie's 2010 IRM rate application.

5 **Table 3: Comparison of Estimated to Actual OM&A Costs (North)**

	Estimated	Actual	Under (over)
AMI System Operation	\$ 255,900	\$ 178,316	\$ 77,584
Customer Communication	\$ 195,500	\$ 282,957	\$ (87,457)
Change Management	\$ 64,322	\$ 19,627	\$ 44,695
Total	\$ 515,722	\$ 480,900	\$ 34,822

6 Please note that no amounts have been included in actual or projected costs for
7 charges for use of the Provincial MDM/R. However, as discussed on page 11,
8 above, PowerStream anticipates being permitted to recover those costs at a later
9 date.

10 The favourable variance on the AMI operational costs is mainly due to obtaining
11 lower pricing for monthly system monitoring than was available at the time the
12 estimate was prepared.

13 The largest part of the customer communication costs is related to materials and
14 mailings to inform customers about the smart meter program and Time of Use
15 ("TOU") pricing. PowerStream provided thorough and effective communications
16 to ensure customers were aware of how they were being affected by the smart
17 meter program and steps they could take to manage their bill under TOU rates.
18 Communications related to the start of TOU billing involved more effort and cost
19 than was estimated in the fall of 2009. Several mailings were involved. The cost
20 of the entire smart meter communications program is less than \$5 per customer.

21 For purposes of the Smart Meter Disposition rate rider calculation, it is necessary
22 to calculate the revenue requirement up to the effective date of the Smart Meter
23 Incremental Revenue Requirement (SMIRR) rate rider which then provides the

1 revenue requirement to fund the smart meter investment and related incremental
2 OM&A costs.

3 This Application proposes an effective date of November 1, 2011 for the SMIRR
4 rate rider. For purposes of the smart meter disposition rate rider calculation, it is
5 then necessary to calculate the revenue requirement up to October 31, 2011.

6 To determine the 2011 revenue requirement to October 31, 2011, PowerStream
7 has calculated the revenue requirement for the 2011 fiscal year ended December
8 31, 2011 and prorated this amount for the ten months to October 31, 2011.

9 The incremental smart meter related OM&A expenses for 2011 have been
10 calculated based on the actual costs to April 30, 2011 and forecasted costs for
11 the remaining eight months of 2011.

12 Table 4 below summarizes the actual audited 2010 OM&A costs, the actual
13 unaudited 2011 OM&A costs to April 30, 2011, projected total OM&A costs for
14 the rest of 2011 and adjusted 2011 costs for the SMIRR calculation.

15 **Table 4: 2010 - 2011 OM&A Costs (North)**

	Jan. 1 to Dec. 31, 2010 (Actual)	Jan. 1 to Apr. 30, 2011 (Actual)	May 1 to Dec. 31, 2011 (Projected)	Projected 2011 Total	Adjusted 2011
AMI System Operation	\$ 149,164	\$ 29,151	\$ 53,990	\$ 83,141	\$ 80,985
Maintenance	\$ -	\$ -	\$ 145,000	\$ 145,000	\$ 10,000
Customer Communication	\$ 164,565	\$ 112,028	\$ 45,475	\$ 157,503	\$ 26,423
Change Management	\$ 12,120	\$ 7,168	\$ 14,300	\$ 21,468	\$ 21,468
Total	\$ 325,849	\$ 148,347	\$ 258,765	\$ 407,112	\$138,876

16 The forecasted May 1 to December 31, 2011 OM&A for AMI operation and
17 change management is a pro-ration of the actual costs for January 1 to April 30,
18 2011. For customer communications, only the call centre costs have been pro-
19 rated. Other communication costs have been projected as \$28,000 for customer
20 communications related to the rollout of TOU pricing for the GS<50 kW customer
21 class and communicating with the remaining customers who are either refusing

1 or not co-operating to allow installation of the smart meter or having technical
2 problems with installation. The May 1 to December 31, 2011 maintenance costs
3 include \$145,000 for work on customer premises where this is required to
4 accommodate the smart meter installation. See page 12 for further details.

5 PowerStream has considered that some of the OM&A costs incurred during the
6 smart implementation program may change once the program is completed. For
7 purposes of the SMIRR calculation, the 2011 expenses have been adjusted to
8 reflect the expected level of OM&A costs in 2012 and beyond as the smart meter
9 implementation program is substantially completed but customers continue to
10 adjust to smart meters and time of using pricing.

11 It has been assumed that communications costs related to smart meters will
12 cease other than the incremental call centre cost of \$26,423. The modest level of
13 spending in 2011 for call centre costs, and change management (staff training
14 and business process design) is expected to continue at this level for 2012 and
15 beyond until smart meters become an accepted as the industry norm.

1 ***Stranded Meter Costs - North***

2 PowerStream is not seeking disposition of its stranded meter costs at this time.
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 At its next rebasing application, PowerStream will consider disposition of the
7 stranded meter amount taking into account the cost allocation and other rate
8 design implications.

9 As of April 30, 2011, PowerStream had replaced 68,343 conventional meters
10 with Smart Meters in the North rate zone. The net book value of these stranded
11 conventional meters at April 30, 2011 was \$3.4 million. PowerStream continues
12 to amortize the stranded meters over the remaining amortization period and
13 charge this expense to account 5695 "OM&A Contra" for Smart Meters.
14 Proceeds on the stranded meters are captured in account 1555 as an offset to
15 the costs in the deferral account, in accordance with the Board's Guideline 2008-
16 0002 and the Board's January 16, 2007 letter to distributors on stranded meter
17 costs related to the installation of smart meters, reproduced as Appendix B to the
18 Guideline. No interest is accrued on the stranded meter amount.

1 ***Smart Meter Disposition -North***

2 In its 2009 cost of service distribution rate application, PowerStream received
3 approval of its revenue requirement associated with smart meters installed
4 through December 31, 2007 in the South rate zone. The amounts approved in
5 that proceeding were calculated using a model created by Board staff, titled
6 "Actual Smart Meter Cost Recovery Model". This model was used again in the
7 2010 Smart Meter Cost Recovery Application (EB-2010-0209) for the South rate
8 zone.

9 This same model has been updated with the relevant information for smart meter
10 installations and incremental costs for the North rate zone and attached as
11 Appendix 1.

12 The updated model calculates the revenue requirement amount for purposes of
13 the actual cost recovery to October 31, 2011, the proposed effective date of the
14 smart meter incremental revenue requirement rate rider discussed in the next
15 section.

16 Table 5, taken from the model, summarizes the revenue requirement associated
17 with the installed smart meters up to October 31, 2011 and the smart meter
18 funding adder collected over the period May 1, 2006 to April 30, 2011.

19 **Table 5: Smart Meter Costs for Recovery to October 31, 2011 (North)**

a) Revenue Requirement 2006	\$ 960
b) Revenue Requirement 2007	\$ 2,225
c) Revenue Requirement 2008	\$ 5,827
d) Revenue Requirement 2009	\$ 169,160
e) Revenue Requirement 2010	\$ 1,271,804
f) Revenue Requirement 2011 (to Oct 31/11)	\$ 1,663,157
g) Revenue Requirement Total (a+b+c+d+e+f)	\$ 3,113,133
h) Smart Meter Rate Adder collected	\$ (2,801,421)
i) Carrying Cost	\$ (49,597)
j) Smart Meter True-up (g+h+i)	\$ 262,115

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

As shown in Table 5, there is a difference (the "True-up Amount") of \$262,115 between the revenue requirement related to the smart meter costs and the smart meter adder collected from May 1, 2006 to April 30, 2011. PowerStream proposes to recover this amount from customers, by a monthly rate rider of \$0.52 per Residential customer and \$1.71 per GS<50 kW customer, over a six month period from November 1, 2011 to April 30, 2012.

The allocation of the True-up Amount between customer classes has been calculated based on the same proportion resulting from the cost allocation methodology used to calculate the SMIRR rate rider. Please refer to Table 8 in the following section. This is consistent with the Board's Decision on PowerStream's 2010 Smart Meter Cost Recovery Rate Application (EB-2010-0209).

Table 6 shows the calculation of the rate riders for each class:

Table 6 Calculation of Smart Meter disposition rate riders (North)

Customer class	Number of Customers	SMIRR Allocation %	True-up Amount Allocation	Monthly Charge
Residential	64,830	77.0%	\$ 201,871	\$ 0.52
GS<50	5,886	23.0%	\$ 60,245	\$ 1.71
Total	70,716	100.0%	\$ 262,115	

Actual customer numbers at Dec 31/10.

Smart Meter Incremental Revenue Requirement - North

PowerStream is seeking a rate rider to recover the SMIRR associated with the smart meter investments in the North rate zone approved in this Application. The proposed SMIRR rate rider would be in place from November 1, 2011 until this requirement is incorporated into distribution rates in PowerStream's next Cost of Service distribution rate application.

The SMIRR rate rider is derived from the 2011 Adjusted Revenue Requirement of \$1,724,725 as calculated on Sheet 2 (Revenue Requirement) of the Actual Smart Meter Cost Recovery Model for the North rate zone, attached as Appendix 1, and summarized in Table 7 below.

Table 7: Calculation of Revenue Requirement (North)

Rate Base	Amount
Net Fixed Assets	\$ 9,565,720
Working Capital Allowance	\$ 20,831
Total	\$ 9,586,552
Revenue Requirement	
Short Term Interest	\$ 9,318
Long Term Interest	\$ 294,192
Return on Equity	\$ 370,424
OM&A	\$ 138,875
Amortization	\$ 798,186
Grossed-up PILs	\$ 113,730
Total	\$ 1,724,725

PowerStream proposes to recover this amount from customers by a monthly rate rider of \$1.71 per residential customer and \$5.61 per GS<50 kW customer.

The 2011 Adjusted OM&A amounts in the model are being used to calculate the SMIRR used in setting the SMIRR rate riders going forward from November 1, 2011 until new cost of service rates are effective.

In calculating the SMIRR amount, PowerStream has adjusted the 2011 OM&A as discussed in the section on Smart Meter Costs.

1 PowerStream has allocated the SMIRR amount between the Residential and the
2 General Service less than 50 kW customer classes which received the meters as
3 shown in Table 8.

4 **Table 8: Allocation of Revenue Requirement between Customer Classes (North)**

Customer class	Return	Amortization	OM&A	Subtotal	PILS	TOTAL	% of Total
Residential	\$ 509,183	\$ 603,060	\$ 128,480	\$ 1,240,723	\$ 87,590	\$ 1,328,314	77.0%
GS<50	\$ 164,751	\$ 195,126	\$ 10,395	\$ 370,272	\$ 26,140	\$ 396,412	23.0%
Total	\$ 673,935	\$ 798,186	\$ 138,875	\$ 1,610,995	\$ 113,730	\$ 1,724,725	100.0%

5 The revenue requirement has been allocated as follows:

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

13 This is the same methodology used by PowerStream and approved by the Board
14 in its 2010 SM EDR. Table 9 below shows the capital costs and number of
15 meters by customer class used to allocate the different components of the
16 revenue requirement.

17 **Table 9: Capital Cost and Meters by Customer Class (North)**

Customer class	Installed Meter Capital Costs	Other Capital Costs	Total Capital Costs	Allocation Factor	Number of Meters	Allocation Factor
Residential	\$ 6,766,820	\$ 1,581,769	\$ 8,348,589	75.6%	64,199	92.5%
GS<50	\$ 2,573,295	\$ 127,973	\$ 2,701,268	24.4%	5,194	7.5%
Total	\$ 9,340,115	\$ 1,709,742	\$ 11,049,857	100.0%	69,393	100.0%

1 Other capital costs are allocated based on the number of meters since the other
2 AMI capital and billing changes provide a similar benefit at a similar cost for each
3 meter or customer.

4 PowerStream is proposing that the SMIRR rate rider be a monthly fixed charge
5 as shown in Table 10.

6 **Table 10: Calculation of SMIRR Rate Rider (North)**

Customer class	Number of Customers	Revenue Requirement allocation	Monthly Charge
Residential	64,830	\$ 1,328,314	\$ 1.71
GS<50	5,886	\$ 396,412	\$ 5.61
Total	70,716	\$ 1,724,725	

Actual customer numbers at Dec 31/10.

1 ***Rate Change Summary and Bill Impacts - North***

2 Currently there are no Smart Meter adders or rate riders being charged to
3 customers in the North rate zone. Table 11 summarizes the rate changes sought
4 in this Application. All charges shown are monthly fixed charges.

5 **Table 11: Summary of Rate changes (North)**

Rate Rider	Residential	GS<50
Disposition	\$ 0.52	\$ 1.71
SMIRR	\$ 1.71	\$ 5.61
Total	\$ 2.23	\$ 7.32

6 A typical residential customer using 800 kWhs per month will see an increase of
7 \$2.27 or 2.0% on their monthly bill after the impact of taxes and the Ontario
8 Clean Energy Benefit.

9 A General Service less than 50 kW customer using 2,000 kWhs per month will
10 see an increase of \$7.44 or 2.8% on their monthly bill after the impact of taxes
11 and the Ontario Clean Energy Benefit.

12 PowerStream has provided bill impact calculations in respect of the North rate
13 zone at Appendix 2 of this Application.

1 **SOUTH RATE ZONE**

2 ***Smart Meter Costs - South***

3 In this Application, PowerStream is seeking recovery of costs related to the
4 21,725 smart meters installed in the PowerStream South service area from
5 January 1, 2010 up to April 30, 2011. Table 12 below provides a summary of the
6 capital costs.

7 **Table 12: Summary of Smart Meter Capital Costs (South)**

	Residential	GS< 50 kW	Total
Installed Meters:			
Installed meters at Dec 31, 2010	3,202	7,867	11,069
Installed Jan 1 to Apr 30, 2011	1,268	9,388	10,656
Installed meters at Apr 30, 2011	4,470	17,255	21,725
Capital Costs:			
Capital costs at Dec 31, 2010	1,044,802	4,978,420	6,023,222
Capital costs Jan 1 to Apr 30, 2011	345,564	4,863,450	5,209,014
Capital costs at Apr 30, 2011	\$ 1,390,366	\$ 9,841,870	\$ 11,232,236
Capital Cost per Meter:			
Capital cost per meter Dec 31, 2010	\$ 326.30	\$ 632.82	\$ 544.15
Capital cost per meter Jan - Apr, 2011	\$ 272.53	\$ 518.05	\$ 488.83
Capital cost per meter Apr 30, 2011	\$ 311.04	\$ 570.38	\$ 517.02
Installed Meter Capital Costs:			
Installed costs at Dec 31, 2010	866,369	4,289,635	\$ 5,156,004
Installed costs Jan 1 to Apr 30, 2011	\$ 317,296	\$ 4,754,338	\$ 5,071,634
Installed costs at Apr 30, 2011	\$ 1,183,665	\$ 9,043,973	\$ 10,227,638
Installed Cost per Meter:			
Capital cost per meter Dec 31, 2010	\$ 270.57	\$ 545.27	\$ 465.81
Capital cost per meter Jan - Apr, 2011	\$ 250.23	\$ 506.43	\$ 475.94
Capital cost per meter Apr 30, 2011	\$ 264.80	\$ 524.14	\$ 470.78

8 Capital costs to December 31, 2010 of \$6.0 million are actual costs taken from
9 PowerStream's audited financial records as at December 31, 2010. These have
10 been augmented by capital costs to April 30, 2011 of \$5.2 million.

11 Table 12 calculates the average installed cost per meter. This is the cost of the
12 meter and its installation. The full capital cost includes other capital costs - mainly
13 communication devices, computers and software used in the Advanced Metering

1 Infrastructure (AMI) that allows communication with the meters and programming
2 changes to the customer billing systems.

3 A comparison of the installed cost per meter, for each of the Residential and
4 GS<50 kW customer classes, show that the costs for the audited period, to
5 December 31, 2010, and the unaudited period, January 1 to April 30, 2011, are
6 very similar. In fact, PowerStream was able to reduce the average installed cost
7 of the GS<50 kW meters in 2011.

8 The average capital costs per meter in Table 12 reflect that this last phase of the
9 smart meter implementation consists mainly of more expensive 3-phase meters
10 for GS<50 kW customers. In addition, the residential installations remaining in
11 this final phase contain more of the more difficult installations, as well as
12 installations of more expensive residential meters for 400 amp services and
13 network meters to resolve communication issues.

14 Table 13 shows both the approved and currently applied for capital costs for the
15 South rate zone and the resulting average capital cost per installed meter for the
16 program from inception to April 30, 2011.

17 **Table 13: Summary of Total Capital Costs to Date (South)**

	Residential	GS< 50 kW	Total
Meters previously approved	217,036	2,613	219,649
Meters for approval	4,470	17,255	21,725
Total installed smart meters	221,506	19,868	241,374
Capital costs previously approved	\$ 27,204,445	\$ 1,793,817	\$ 28,998,262
Capital costs for approval	\$ 1,390,366	\$ 9,841,870	\$ 11,232,236
Total capital costs	\$ 28,594,811	\$11,635,687	\$ 40,230,498
Average cost per meter	\$ 129.09	\$ 585.65	\$ 166.67
Average cost per meter previously approved	\$ 125.35	\$ 686.50	\$ 132.02

18 Previous applications have resulted in approval of 219,649 installed smart meters
19 along with related AMI assets and billing software development costs totalling
20 \$29.0 million for an average capital cost of \$132.02 per meter (\$125.35 per
21 residential meter and \$686.50 per GS<50 kW meter). The previous smart meter

1 cost recoveries were primarily for residential meters. This phase of the smart
2 meter implementation consists mainly of GS<50 kW installations involving the
3 more expensive 3-phase meters. The inclusion of more of the expensive 3-phase
4 meters has increased the life to date average capital cost per meter to \$166.67.

5 PowerStream South's final average capital cost per meter of \$166.67 compares
6 favourably to the sector average capital cost of \$186.76 derived from the "Sector
7 Smart Meter Audit Review Report" issued by the OEB Regulatory Audit and
8 Accounting Group on March 31, 2010 (based on 3,053,931 meters with a capital
9 cost of \$570,339,200). It is to be expected that the industry average will increase
10 when it is updated and includes more 3-phase installations by all utilities.

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

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

15 PowerStream has accrued \$200,000 for programming of its billing systems to
16 meet new billing requirements, from Measurement Canada and Ministry of
17 Energy and Infrastructure on bills and changes in how line losses and billing
18 quantities are presented on the bill. Of this amount, \$155,000 has been allocated
19 to the South rate zone based on the total number of smart meters installed in
20 each rate zone.

21 Table 14 below compares the actual capital costs for completion of the program
22 in 2010 and to April 30, 2011 to the estimated capital costs for 2010 as per the
23 SMFA model that was filed as part of PowerStream's 2010 IRM rate application.
24 These are comparable since the 2010 SMFA model capital costs were based on
25 anticipated completion by December 31, 2010. The planned completion date was
26 not achieved due to a shortage of Measurement Canada approved 3-phase
27 smart meters.

Table 14: Comparison of 2010 Estimated to Actual Capital Costs (South)

	Estimated	Actual	Under (over)
Number of meters	30,500	21,725	8,775
Installed meter cost	\$ 15,625,405	\$10,227,638	\$ 5,397,767
Customer Billing System costs	\$ 236,000	\$ 634,553	\$ (398,553)
Other capital costs	\$ 152,300	\$ 370,045	\$ (217,745)
Total capital cost	\$ 16,013,705	\$11,232,236	\$ 4,781,469
Capital cost per meter	\$ 525.04	\$ 517.02	\$ 8.02

PowerStream spent \$5.4 million less than was estimated in the 2010 SMFA model to install the remaining smart meters. This favourable variance was due to the lower number of meters required to be installed and lower meter costs for 3-phase meters.

This was partially offset by higher than estimated capital costs for programming of billing systems due to higher than estimated spending on billing system programs to meet the many changes to the requirements from the Provincial MDM/R. The SMFA did not contain any estimated costs for program management, consulting and professional fees for contracts, which was an oversight in calculating the adder. The net result was a lower than estimated average capital cost per meter as shown in the last line of Table 14.

Table 15 below compares the actual 2010 OM&A costs to the estimated OM&A costs for 2010 as per the Smart Meter Funding Adder model that was filed as part of PowerStream's 2010 IRM rate filing.

Table 15: Comparison of Estimated to Actual 2010 OM&A Costs (South)

	Estimated	Actual	Under (over)
AMI System Operation	\$ 954,800	\$ (3,783)	\$ 958,583
Customer Communication	\$ 462,000	\$ 519,626	\$ (57,626)
Change management	\$ 125,000	\$ 40,450	\$ 84,550
Total	\$ 1,541,800	\$ 556,293	\$ 985,507

Note: The actual amounts are net of the 2010 approved costs

Please note that no amounts have been included in actual or projected costs for charges for use of the Provincial MDM/R. However, as discussed on page 11,

1 above, PowerStream anticipates being permitted to recover those costs at a later
2 date.

3 The estimated 2010 OM&A costs were based on costs for all the meters
4 installed/ to be installed in 2008, 2009 and 2010. In December 2010, the Board
5 approved the recovery of OM&A costs of \$734,200 related to the meters installed
6 in 2008 and 2009 (EB-2010-0209). The approved amounts have been removed
7 from the actual OM&A costs in account 1556 for 2010.

8 The favourable variance in the AMI system operation category is due to the
9 removal of costs related to the meters approved in 2010 in the amount of
10 \$391,000 and the absence of any charges for MDM/R costs which were
11 estimated at \$441,000. The shortage of approved 3-phase smart meters resulted
12 in fewer meters installed in 2010 resulting in lower monthly monitoring charges
13 which also contributed to lower costs.

14 For purposes of the smart meter disposition rate rider calculation, it is necessary
15 to calculate the revenue requirement up to the effective date of the SMIRR rate
16 rider which then provides the revenue requirement to fund the smart meter
17 investment and related incremental OM&A costs.

18 This application proposes an effective date of November 1, 2011 for the SMIRR
19 rate rider. For purposes of the smart meter disposition rate rider calculation, it is
20 then necessary to calculate the revenue requirement up to October 31, 2011.

21 To determine the 2011 revenue requirement to October 31, 2011, PowerStream
22 has calculated the revenue requirement for the 2011 fiscal year ended December
23 31, 2011 and prorated this amount for the ten months to October 31, 2011.

24 The incremental smart meter related OM&A expenses for 2011 have been
25 calculated based on the actual costs to April 30, 2011 and forecasted costs for
26 the remaining eight months of 2011.

Table 16 below summarizes the actual 2010 OM&A costs, the actual 2011 OM&A costs to April 30, 2011, projected OM&A costs for the rest of 2011, projected 2011 total OM&A costs and adjusted 2011 OM&A costs for the SMIRR calculation.

Table 16: 2010 - 2011 OM&A Costs (South)

	Jan. 1 to Dec. 31, 2010 (Actual)	Jan. 1 to Apr. 30, 2011 (Actual)	May 1 to Dec. 31, 2011 (Projected)	Projected 2011 Total	Adjusted 2011
AMI System Operation	\$ (795)	\$ 17,913	\$ 25,532	\$ 43,445	\$ 38,298
Maintenance	\$ (2,988)	\$ 8,173	\$ 371,366	\$ 379,539	\$ 26,599
Customer Communication	\$ 519,626	\$ 152,382	\$ 79,025	\$ 231,407	\$ (27,145)
Change management	\$ 40,450	\$ (12,358)	\$ (24,766)	\$ (37,124)	\$ (37,124)
Total	\$ 556,293	\$ 166,110	\$ 451,157	\$ 617,267	\$ 628

Note: The amounts are net of the 2010 approved costs

Total projected 2011 OM&A costs have been used in the Smart Meter Cost Recovery model to calculate the revenue requirement up to October 31, 2011, just prior to the proposed implementation date of the SMIRR rate rider.

The forecasted May 1 to December 31, 2011 OM&A for AMI operation and change management costs is a proration of the January 1 to April 30, 2011 actual costs. For customer communications, only the call centre costs have been prorated. Other communication costs have not been prorated and consist solely of an amount of \$97,000 for customer communications related to the rollout of TOU pricing for the GS<50 kW customer class and communicating with the remaining customers who are either refusing or not co-operating to allow installation of the smart meter. The maintenance costs for May-December 2011 also include \$355,000 in Maintenance for work on customer premises to accommodate the smart meter installation. See page 13 for further details.

PowerStream has considered that some of the incremental OM&A costs incurred during the smart meter implementation program may change once the program is completed. For purposes of the SMIRR calculation, the 2011 expenses have been adjusted to reflect the expected level of OM&A costs in 2012 and beyond

1 as the smart meter implementation program is substantially completed but
2 customers continue to adjust to smart meters and time of use pricing.

3 It has been assumed that communications costs related to smart meters will
4 cease other than the incremental call centre cost of \$88,000. The modest level of
5 spending in 2011 for call centre costs, and change management (staff training
6 and business process design, shown net of the amounts already approved in
7 rates in 2010) is expected to continue at this level for 2012 and beyond until
8 smart meters become an accepted as the industry norm.

9 AMI operational costs are effectively per meter costs and only the portion related
10 to meters in deferral account 1555 are captured in the OM&A deferral account
11 1556.

12 Customer communication and change management costs are not readily
13 distinguishable between those incurred in respect of customers whose meters
14 have already been approved and those customers whose meters have not yet
15 been approved. As well, these costs do not directly correlate to when meters
16 have been installed or approved. For these cost categories, PowerStream has
17 recorded the total cost in account 1556 and reduced this by the amounts already
18 approved in rates for these types of costs. In some cases the approved amounts
19 in rates exceeds the actual or projected cost resulting in negative amounts.

1 ***Stranded Meter Costs - South***

2 PowerStream is not seeking disposition of its stranded meter costs at this time.
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 At its next rebasing application, PowerStream will consider requesting disposition
7 of the stranded meter amount.

8 As of April 30, 2011, PowerStream had replaced 215,693 conventional meters
9 with Smart Meters in the South rate zone. The net book value of the stranded
10 conventional meters at April 30, 2011 was \$11.4 million. PowerStream continues
11 to amortize the stranded meters over the remaining amortization period and
12 charge this expense to account 5695 "OM&A Contra" for Smart Meters.
13 Proceeds on the stranded meters are captured in account 1555 as an offset to
14 the costs in the deferral account, in accordance with the Board's Guideline 2008-
15 0002 and the Board's January 16, 2007 letter to distributors on stranded meter
16 costs related to the installation of smart meters, reproduced as Appendix B to the
17 Guideline. No interest is accrued on the stranded meter amount.

1 ***Smart Meter Disposition - South***

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 in the South rate zone. The amounts approved in that
5 proceeding were calculated using a model created by Board staff, titled "Actual
6 Smart Meter Cost Recovery Model". This model was used again in the 2010
7 Smart Meter Cost Recovery Application (EB-2010-0209) for meters installed in
8 the South rate zone in 2008 and 2009.

9 This same model has been updated, with the relevant information for smart
10 meter installations and incremental costs for smart meters installed from January
11 1, 2010 through April 30, 2011 in the South rate zone, and attached as Appendix
12 3.

13 The updated model calculates the revenue requirement amounts for purposes of
14 the actual cost recovery to October 31, 2011, the proposed effective date of the
15 smart meter incremental revenue requirement rate rider discussed in the next
16 section.

17 Table 17, taken from the model, summarizes the revenue requirement up to
18 October 31, 2011 associated with the installed smart meters from January 1,
19 2010 to April 30, 2011 and the smart meter funding adder collected over the
20 period January 1, 2010 to December 31, 2010, when the adder ended.

21 **Table 17: Smart Meter Costs for Recovery to October 31, 2011 (South)**

a) Revenue Requirement 2010	\$ 1,039,636
b) Revenue Requirement 2011 (to Oct 31/11)	\$ 1,637,891
c) Revenue Requirement Total (a+b)	\$ 2,677,527
d) Smart Meter Rate Adder collected	\$(4,718,561)
e) Carrying Cost	\$ (50,130)
f) Smart Meter True-up (c+d+e)	\$(2,091,164)

1 In the 2010 Smart Meter Cost Recovery Application (EB-2010-0209), the Board
2 approved recovery of costs for smart meters installed in 2008 and 2009 in the
3 South rate zone. This included budgeted OM&A costs for 2010 related to those
4 meters. In this Application, PowerStream has included 2010 OM&A costs related
5 to the meters installed in 2010 and up to April 30, 2011.

6 PowerStream is seeking approval of the smart meter costs in this Application and
7 authorization to transfer the approved amounts from the smart meter deferral
8 accounts to the appropriate fixed asset, revenue and expense accounts.

9 As shown in Table 17, there is a difference of (\$2,091,164), the True-up amount
10 between the revenue requirement related to the smart meter costs and the
11 corresponding smart meter adder collected from January 1, 2010 to December
12 31, 2010. PowerStream proposes to refund this amount to customers by a
13 monthly rate rider of \$0.19 credit per residential customer and \$12.62 credit per
14 GS<50 kW customer over a six month period from November 1, 2011 to April 30,
15 2012.

16 The allocation of the True-up Amount between rate classes has been calculated
17 based on the same proportion resulting from the cost allocation methodology
18 used to calculate the SMIRR rate rider. Please refer to Table 20 in the following
19 section. This is consistent with the Board's Decision on PowerStream's 2010
20 Smart Meter Cost Recovery Rate Application (EB-2010-0209).

21 Table 18 shows the calculation of the rate riders for each class:

22 **Table 18: Calculation of Smart Meter Disposition Rate Riders (South)**

Customer class	Number of Customers	SMIRR Allocation %	True-up Amount Allocation	Monthly Charge
Residential	226,121	12.4%	\$ (258,936)	\$ (0.19)
GS<50	24,190	87.6%	\$ (1,832,228)	\$ (12.62)
Total	250,311	100.0%	\$ (2,091,164)	

Actual customer numbers at Dec 31/10.

1 *Smart Meter Incremental Revenue Requirement (SMIRR) - South*

2 PowerStream is also seeking a rate rider to recover the SMIRR associated with
3 the smart meter investments in the South rate zone approved in this Application.
4 The proposed SMIRR rate rider would be in place from November 1, 2011 until
5 this is incorporated into distribution rates in PowerStream's next Cost of Service
6 distribution rate application.

7 The SMIRR rate rider is derived from the Adjusted 2011 revenue requirement of
8 \$1,342,328 as calculated on Sheet 2 (Revenue Requirement) of the Actual Smart
9 Meter Cost Recovery Model for the South rate zone attached as Appendix 3, and
10 summarized in Table 19.

11 **Table 19: Calculation of Revenue Requirement (South)**

Rate Base	Amount
Net Fixed Assets	\$ 8,020,936
Working Capital Allowance	\$ 94
Total	\$ 8,021,030
Revenue Requirement	
Short Term Interest	\$ 7,796
Long Term Interest	\$ 246,149
Return on Equity	\$ 309,933
OM&A	\$ 628
Amortization	\$ 710,539
Grossed-up PILs	\$ 67,283
Total	\$ 1,342,328

12 PowerStream has allocated this revenue requirement between the Residential
13 and the General Service less than 50 kW customer classes which received the
14 meters covered by the disposition rate rider as shown in Table 20.

1 **Table 20: Allocation of Revenue Requirement between Customer Classes (South)**

Customer class	Return	Amortization	OM&A	Subtotal	PILS	TOTAL	% of Total
Residential	\$ 69,799	\$ 87,953	\$ 129	\$ 157,881	\$ 8,331	\$ 166,212	12.4%
GS<50	\$ 494,080	\$ 622,586	\$ 499	\$ 1,117,164	\$ 58,952	\$ 1,176,116	87.6%
Total	\$ 563,878	\$ 710,539	\$ 628	\$ 1,275,045	\$ 67,283	\$ 1,342,328	100.0%

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 This is the same methodology used by PowerStream and approved by the Board

11 in its 2010 SM EDR. Table 21 below shows the capital costs and number of

12 meters by customer class used to allocate components of the revenue

13 requirement.

14 **Table 21: Capital Costs and Meters by Customer Class (South)**

Customer class	Installed Meter Capital Costs	Other Capital Costs	Total Capital Costs	Allocation Factor	Number of Meters	Allocation Factor
Residential	\$ 1,183,665	\$ 206,700	\$ 1,390,365	12.4%	4,470	20.6%
GS<50	\$ 9,043,973	\$ 797,898	\$ 9,841,871	87.6%	17,255	79.4%
Total	\$ 10,227,638	\$ 1,004,598	\$ 11,232,236	100.0%	21,725	100.0%

15 Other capital costs are allocated based on the number of meters since the other

16 AMI capital and billing changes provide a similar benefit at a similar cost for each

17 meter or customer.

18 PowerStream is proposing that the smart meter disposition rate rider be

19 calculated as a monthly fixed charge as shown in Table 22.

1

Table 22: Calculation of Disposition Rate Rider (South)

Customer class	Number of Customers	Revenue Requirement allocation	Monthly Charge
Residential	226,121	\$ 166,212	\$ 0.06
GS<50	24,190	\$ 1,176,116	\$ 4.05
Total	250,311	\$ 1,342,328	

Actual customer numbers at Dec 31/10.

1 ***Rate Change Summary and Bill Impacts - South***

2 Table 23 summarizes the rate changes sought in this Application. All rate riders
3 shown are monthly fixed charges.

4 **Table 23: Summary of Rate changes (South)**

Rate Rider	Residential	GS<50
Disposition	\$ (0.19)	\$ (12.62)
SMIRR	\$ 0.06	\$ 4.05
Total	\$ (0.13)	\$ (8.57)

5 A typical residential customer using 800 kWhs per month will see a decrease of
6 \$0.13 or 0.1% on their monthly bill after the impact of taxes and the Ontario
7 Clean Energy Benefit.

8 A General Service less than 50 kW customer using 2,000 kWhs per month will
9 see a decrease of \$8.72 or 3.4% on their monthly bill after the impact of taxes
10 and the Ontario Clean Energy Benefit.

11 PowerStream has provided bill impact calculations in respect of the South rate
12 zone at Appendix 4 of this 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 small increases for
6 the North rate zone and decreases for the South rate zone; and it is appropriate
7 that the Board approve these proposed riders at this time, for implementation
8 effective November 1, 2011.

9 Dated at Toronto, Ontario, this 24th day of June, 2011.

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

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

15 _____
16 James C. Sidlofsky
17

PowerStream Inc. - North
Recovery of Costs to Oct 31, 2011

Rate Rider to Recover Smart Meter Costs

Revenue Requirement 2006	\$960
Revenue Requirement 2007	\$2,225
Revenue Requirement 2008	\$5,827
Revenue Requirement 2009	\$169,160
Revenue Requirement 2010	\$1,271,804
Revenue Requirement 2011 (to Oct 31/11)	\$1,663,157
Revenue Requirement Total	<u>\$3,113,133</u>
Smart Meter Rate Adder	(\$2,801,421)
Carrying Cost	<u>(\$49,597)</u>
Smart Meter True-up	<u>\$262,115</u>

2011 Addition to Rate Base (Smart meters installed up to April 30, 2011)

Fixed Assets	
Smart Meters	\$10,651,424
Computer Software	<u>\$398,433</u>
	<u>\$11,049,857</u>
Accumulated Depreciation	
Smart Meters	(\$1,123,538)
Computer Software	<u>(\$234,644)</u>
	<u>(\$1,358,182)</u>
Addition to Net Fixed Assets	<u><u>\$9,691,676</u></u>

2011 Amortization Expense	
Smart Meters	\$677,521
Computer Software	<u>\$120,665</u>
	<u>\$798,186</u>

PowerStream Inc. - North
Recovery of Costs to Oct 31, 2011

Incremental Revenue Requirement Calculation

		2006		2007		2008		2009		2010		2011		2011 Adjusted
Net Fixed Assets		\$ 5,979		\$ 13,866		\$ 37,073		\$ 952,011		\$ 5,642,708		\$ 9,565,720		\$ 9,565,720
OM&A	\$ -		\$ -		\$ -		\$6,704		\$325,849		\$407,110		\$138,875	
WCA	15%	\$ -	15%	\$ -	15%	\$ -	15%	\$ 1,006	15%	\$ 48,877	15%	\$ 61,067	15%	\$ 20,831
Rate Base		\$ 5,979		\$ 13,866		\$ 37,073		\$ 953,016		\$ 5,691,585		\$ 9,626,787		\$ 9,586,552
Deemed ST Debt	0%	\$ -	0%	\$ -	4%	\$ 1,483	4%	\$ 38,121	4%	\$ 227,663	4%	\$ 385,071	4%	\$ 383,462
Deemed LT Debt	60%	\$ 3,588	60%	\$ 8,320	56%	\$ 20,761	56%	\$ 533,689	56%	\$ 3,187,288	56%	\$ 5,391,001	56%	\$ 5,368,469
Deemed Equity	40%	\$ 2,392	40%	\$ 5,547	40%	\$ 14,829	40%	\$ 381,207	40%	\$ 2,276,634	40%	\$ 3,850,715	40%	\$ 3,834,621
ST Interest	0.00%	\$ -	0.00%	\$ -	4.47%	\$ 66	4.47%	\$ 1,704	2.07%	\$ 4,713	2.43%	\$ 9,357	2.43%	\$ 9,318
LT Interest	6.16%	\$ 221	6.16%	\$ 512	6.10%	\$ 1,266	6.10%	\$ 32,555	5.89%	\$ 187,731	5.48%	\$ 295,427	5.48%	\$ 294,192
ROE	9.00%	\$ 215	9.00%	\$ 499	8.57%	\$ 1,271	8.57%	\$ 32,669	9.85%	\$ 224,248	9.66%	\$ 371,979	9.66%	\$ 370,424
		\$ 436		\$ 1,012		\$ 2,604		\$ 66,928		\$ 416,692		\$ 676,763		\$ 673,935
OM&A						\$ -		\$ 6,704		\$ 325,849		\$ 407,110		\$ 138,875
Amortization		\$ 412		\$ 985		\$ 2,653		\$ 90,647		\$ 465,299		\$ 798,186		\$ 798,186
Grossed-up PILs		\$ 111		\$ 229		\$ 570		\$ 4,881		\$ 63,964		\$ 113,730		\$ 113,730
Revenue Requirement		\$ 960		\$ 2,225		\$ 5,827		\$ 169,160		\$ 1,271,804		\$ 1,995,789		\$ 1,724,725

PowerStream Inc. - North
Recovery of Costs to Oct 31, 2011

PILs Calculation

	2006	2007	2008	2009	2010	2011
	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted
INCOME TAX						
Net Income	\$ 215	\$ 499	\$ 1,271	\$ 32,669	\$ 224,248	\$ 371,979
Amortization	\$ 412	\$ 985	\$ 2,653	\$ 90,647	\$ 465,299	\$ 798,186
CCA	(\$495)	(\$1,142)	(\$3,053)	(\$121,838)	(\$562,934)	(\$881,310)
Change in taxable income	\$ 133	\$ 342	\$ 871	\$ 1,478	\$ 126,614	\$ 288,854
Tax Rate	36.12%	36.12%	33.50%	33.00%	31.00%	28.25%
Income Taxes Payable	\$ 48	\$ 123	\$ 292	\$ 488	\$ 39,250	\$ 81,601

ONTARIO CAPITAL TAX

Closing Net Fixed Assets	\$ 11,959	\$ 15,774	\$ 58,372	\$ 1,845,650	\$ 9,439,765	\$ 9,691,676
Less: Exemption	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deemed Taxable Capital	\$ 11,959	\$ 15,774	\$ 58,372	\$ 1,845,650	\$ 9,439,765	\$ 9,691,676
Ontario Capital Tax Rate	0.300%	0.225%	0.225%	0.225%	0.075%	0.000%
Net Amount (Taxable Capital x Rate)	\$36	\$35	\$131	\$4,153	\$7,080	\$0

Gross Up

	PILs Payable	PILs Payable	PILs Payable	PILs Payable	PILs Payable	PILs Payable
Change in Income Taxes Payable	\$48	\$123	\$292	\$488	\$39,250	\$81,601
Change in OCT	\$36	\$35	\$131	\$4,153	\$7,080	\$0
PIL's	\$84	\$159	\$423	\$4,641	\$46,330	\$81,601
	Gross Up 36.12%	Gross Up 36.12%	Gross Up 33.50%	Gross Up 33.00%	Gross Up 31.00%	Gross Up 28.25%
	Grossed Up PILs	Grossed Up PILs	Grossed Up PILs	Grossed Up PILs	Grossed Up PILs	Grossed Up PILs
Change in Income Taxes Payable	75	193	439	728	56,884	113,730
Change in OCT	36	35	131	4,153	7,080	0
PIL's	\$111	\$229	\$570	\$4,881	\$63,964	\$113,730

Average Net Fixed Assets

Net Fixed Assets - Smart Meters

	2006	2007	2008	2009	2010	2011
	Actual	Actual	Actual	Actual	Actual	Actual
Opening Capital Investment	\$ -	\$ 12,371	\$ 17,171	\$ 62,422	\$ 1,761,188	\$ 9,674,206
Capital Investment	\$ 12,371	\$ 4,800	\$ 45,251	\$ 1,698,766	\$ 7,913,018	\$ 977,218
Closing Capital Investment	\$ 12,371	\$ 17,171	\$ 62,422	\$ 1,761,188	\$ 9,674,206	\$ 10,651,424
Opening Accumulated Amortization	\$ -	\$ 412	\$ 1,397	\$ 4,050	\$ 64,837	\$ 446,017
Amortization Year One	\$ 412	\$ 160	\$ 1,508	\$ 56,626	\$ 263,767	\$ 32,574
Amortization Thereafter	\$ -	\$ 825	\$ 1,145	\$ 4,161	\$ 117,413	\$ 644,947
Closing Accumulated Amortization	\$ 412	\$ 1,397	\$ 4,050	\$ 64,837	\$ 446,017	\$ 1,123,538
Opening Net Fixed Assets	\$ -	\$ 11,959	\$ 15,774	\$ 58,372	\$ 1,696,351	\$ 9,228,189
Closing Net Fixed Assets	\$ 11,959	\$ 15,774	\$ 58,372	\$ 1,696,351	\$ 9,228,189	\$ 9,527,886
Average Net Fixed Assets	\$ 5,979	\$ 13,866	\$ 37,073	\$ 877,361	\$ 5,462,270	\$ 9,378,038

Net Fixed Assets - Computer Software

	2006	2007	2008	2009	2010	2011
	Actual	Actual	Actual	Actual	Forecasted	Forecasted
Opening Capital Investment	\$ -	\$ -	\$ -	\$ -	\$ 179,159	\$ 325,555
Capital Investment				\$ 179,159	\$ 146,396	\$ 72,878
Closing Capital Investment	\$ -	\$ -	\$ -	\$ 179,159	\$ 325,555	\$ 398,433
Opening Accumulated Amortization	\$ -	\$ -	\$ -	\$ -	\$ 29,860	\$ 113,979
Amortization Year One	\$ -	\$ -	\$ -	\$ 29,860	\$ 24,399	\$ 12,146
Amortization Thereafter	\$ -	\$ -	\$ -	\$ -	\$ 59,720	\$ 108,518
Closing Accumulated Amortization	\$ -	\$ -	\$ -	\$ 29,860	\$ 113,979	\$ 234,644
Opening Net Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ 149,299	\$ 211,576
Closing Net Fixed Assets	\$ -	\$ -	\$ -	\$ 149,299	\$ 211,576	\$ 163,790
Average Net Fixed Assets	\$ -	\$ -	\$ -	\$ 74,650	\$ 180,438	\$ 187,683
Total closing capital investment	\$ 12,371	\$ 17,171	\$ 62,422	\$ 1,940,347	\$ 9,999,761	\$ 11,049,857
Total Average Fixed Assets	\$ 5,979	\$ 13,866	\$ 37,073	\$ 952,011	\$ 5,642,708	\$ 9,565,720
Total Amortization expense	\$ 412	\$ 985	\$ 2,653	\$ 90,647	\$ 465,299	\$ 798,186

For PILs Calculation

UCC

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Forecasted	2011 Forecasted
Opening UCC	\$ -	\$ 11,876	\$ 15,534	\$ 57,732	\$ 1,683,929	\$ 9,145,712
Capital Additions	\$ 12,371	\$ 4,800	\$ 45,251	\$ 1,698,766	\$ 7,913,018	\$ 977,218
UCC Before Half Year Rule	\$ 12,371	\$ 16,676	\$ 60,785	\$ 1,756,498	\$ 9,596,947	\$ 10,122,930
Half Year Rule (1/2 Additions - Disposals)	\$ 6,186	\$ 2,400	\$ 22,626	\$ 849,383	\$ 3,956,509	\$ 488,609
Reduced UCC	\$ 6,186	\$ 14,276	\$ 38,160	\$ 907,115	\$ 5,640,438	\$ 9,634,321
CCA Rate Class	47					
CCA Rate	8%					
CCA	\$ 495	\$ 1,142	\$ 3,053	\$ 72,569	\$ 451,235	\$ 770,746
Closing UCC	\$ 11,876	\$ 15,534	\$ 57,732	\$ 1,683,929	\$ 9,145,712	\$ 9,352,184

UCC

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Forecasted	2011 Forecasted
Opening UCC	\$ -	\$ -	\$ -	\$ -	\$ 129,890	\$ 164,588
Capital Additions	\$ -	\$ -	\$ -	\$ 179,159	\$ 146,396	\$ 72,878
UCC Before Half Year Rule	\$ -	\$ -	\$ -	\$ 179,159	\$ 276,286	\$ 237,466
Half Year Rule (1/2 Additions - Disposals)	\$ -	\$ -	\$ -	\$ 89,580	\$ 73,198	\$ 36,439
Reduced UCC	\$ -	\$ -	\$ -	\$ 89,580	\$ 203,088	\$ 201,027
CCA Rate Class	50					
CCA Rate	55%					
CCA	\$ -	\$ -	\$ -	\$ 49,269	\$ 111,699	\$ 110,565
Closing UCC	\$ -	\$ -	\$ -	\$ 129,890	\$ 164,588	\$ 126,901
Total CCA	\$ 495	\$ 1,142	\$ 3,053	\$ 121,838	\$ 562,934	\$ 881,310

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

Month	Opening Balance	SM Adder	Revenue Requirement	Closing Balance (excluding Stranded)
May-06	\$0	(\$15,326)	\$120	(\$15,206)
Jun-06	(\$15,206)	(\$15,326)	\$120	(\$30,413)
Jul-06	(\$30,413)	(\$15,326)	\$120	(\$45,619)
Aug-06	(\$45,619)	(\$15,326)	\$120	(\$60,826)
Sep-06	(\$60,826)	(\$15,326)	\$120	(\$76,032)
Oct-06	(\$76,032)	(\$15,326)	\$120	(\$91,239)
Nov-06	(\$91,239)	(\$15,326)	\$120	(\$106,445)
Dec-06	(\$106,445)	(\$15,326)	\$120	(\$121,651)
Jan-07	(\$121,651)	(\$18,005)	\$185	(\$139,471)
Feb-07	(\$139,471)	(\$18,005)	\$185	(\$157,290)
Mar-07	(\$157,290)	(\$18,005)	\$185	(\$175,110)
Apr-07	(\$175,110)	(\$18,005)	\$185	(\$192,929)
May-07	(\$192,929)	(\$18,005)	\$185	(\$210,749)
Jun-07	(\$210,749)	(\$18,005)	\$185	(\$228,568)
Jul-07	(\$228,568)	(\$18,005)	\$185	(\$246,388)
Aug-07	(\$246,388)	(\$18,005)	\$185	(\$264,207)
Sep-07	(\$264,207)	(\$18,005)	\$185	(\$282,027)
Oct-07	(\$282,027)	(\$18,005)	\$185	(\$299,846)
Nov-07	(\$299,846)	(\$18,005)	\$185	(\$317,666)
Dec-07	(\$317,666)	(\$18,005)	\$185	(\$335,485)
Jan-08	(\$335,485)	(\$18,500)	\$486	(\$353,500)
Feb-08	(\$353,500)	(\$18,500)	\$486	(\$371,515)
Mar-08	(\$371,515)	(\$18,500)	\$486	(\$389,529)
Apr-08	(\$389,529)	(\$18,500)	\$486	(\$407,544)
May-08	(\$407,544)	(\$18,500)	\$486	(\$425,559)
Jun-08	(\$425,559)	(\$18,500)	\$486	(\$443,573)
Jul-08	(\$443,573)	(\$18,500)	\$486	(\$461,588)
Aug-08	(\$461,588)	(\$18,500)	\$486	(\$479,603)
Sep-08	(\$479,603)	(\$18,500)	\$486	(\$497,617)
Oct-08	(\$497,617)	(\$18,500)	\$486	(\$515,632)
Nov-08	(\$515,632)	(\$18,500)	\$486	(\$533,647)
Dec-08	(\$533,647)	(\$18,500)	\$486	(\$551,661)
Jan-09	(\$551,661)	(\$49,049)	\$14,097	(\$586,614)
Feb-09	(\$586,614)	(\$49,049)	\$14,097	(\$621,566)
Mar-09	(\$621,566)	(\$49,049)	\$14,097	(\$656,519)
Apr-09	(\$656,519)	(\$49,049)	\$14,097	(\$691,471)
May-09	(\$691,471)	(\$49,049)	\$14,097	(\$726,423)
Jun-09	(\$726,423)	(\$49,049)	\$14,097	(\$761,376)
Jul-09	(\$761,376)	(\$49,049)	\$14,097	(\$796,328)
Aug-09	(\$796,328)	(\$49,049)	\$14,097	(\$831,281)
Sep-09	(\$831,281)	(\$49,049)	\$14,097	(\$866,233)
Oct-09	(\$866,233)	(\$49,049)	\$14,097	(\$901,185)
Nov-09	(\$901,185)	(\$49,049)	\$14,097	(\$936,138)
Dec-09	(\$936,138)	(\$49,049)	\$14,097	(\$971,090)
Jan-10	(\$971,090)	(\$69,461)	\$105,984	(\$934,567)
Feb-10	(\$934,567)	(\$69,461)	\$105,984	(\$898,044)
Mar-10	(\$898,044)	(\$69,461)	\$105,984	(\$861,521)
Apr-10	(\$861,521)	(\$69,461)	\$105,984	(\$824,999)
May-10	(\$824,999)	(\$114,967)	\$105,984	(\$833,982)
Jun-10	(\$833,982)	(\$114,967)	\$105,984	(\$842,966)
Jul-10	(\$842,966)	(\$114,967)	\$105,984	(\$851,949)
Aug-10	(\$851,949)	(\$114,967)	\$105,984	(\$860,933)
Sep-10	(\$860,933)	(\$114,967)	\$105,984	(\$869,916)
Oct-10	(\$869,916)	(\$114,967)	\$105,984	(\$878,900)
Nov-10	(\$878,900)	(\$114,967)	\$105,984	(\$887,883)
Dec-10	(\$887,883)	(\$114,967)	\$105,984	(\$896,867)
Jan-11	(\$896,867)	(\$113,645)	\$166,316	(\$844,196)
Feb-11	(\$844,196)	(\$113,645)	\$166,316	(\$791,524)
Mar-11	(\$791,524)	(\$113,645)	\$166,316	(\$738,853)
Apr-11	(\$738,853)	(\$113,645)	\$166,316	(\$686,182)
May-11	(\$686,182)	\$0	\$166,316	(\$519,866)
Jun-11	(\$519,866)	\$0	\$166,316	(\$353,551)
Jul-11	(\$353,551)	\$0	\$166,316	(\$187,235)
Aug-11	(\$187,235)	\$0	\$166,316	(\$20,919)
Sep-11	(\$20,919)	\$0	\$166,316	\$145,397
Oct-11	\$145,397	\$0	\$166,316	\$311,712
Total		(\$2,801,421)	\$3,113,133	

2006	(\$122,611)	\$960
2007	(\$216,059)	\$2,225
2008	(\$222,003)	\$5,827
2009	(\$588,589)	\$169,160
2010	(\$1,197,581)	\$1,271,804
2011	(\$454,578)	\$1,663,157
	(\$2,801,421)	\$3,113,133

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Table Staff 16-2: Account 1555 – Interest

Month	Opening Balance (excluding Stranded)	Days	Rate	Interest	To Date
May-06	\$0	31	4.1400%	\$0	\$0
Jun-06	(\$15,206)	30	4.1400%	(\$52)	(\$52)
Jul-06	(\$30,413)	31	4.5900%	(\$119)	(\$170)
Aug-06	(\$45,619)	31	4.5900%	(\$178)	(\$348)
Sep-06	(\$60,826)	30	4.5900%	(\$229)	(\$578)
Oct-06	(\$76,032)	31	4.5900%	(\$296)	(\$874)
Nov-06	(\$91,239)	30	4.5900%	(\$344)	(\$1,218)
Dec-06	(\$106,445)	31	4.5900%	(\$415)	(\$1,633)
Jan-07	(\$121,651)	31	4.5900%	(\$474)	(\$2,107)
Feb-07	(\$139,471)	28	4.5900%	(\$491)	(\$2,599)
Mar-07	(\$157,290)	31	4.5900%	(\$613)	(\$3,212)
Apr-07	(\$175,110)	30	4.5900%	(\$661)	(\$3,872)
May-07	(\$192,929)	31	4.5900%	(\$752)	(\$4,624)
Jun-07	(\$210,749)	30	4.5900%	(\$795)	(\$5,419)
Jul-07	(\$228,568)	31	4.5900%	(\$891)	(\$6,311)
Aug-07	(\$246,388)	31	4.5900%	(\$961)	(\$7,271)
Sep-07	(\$264,207)	30	4.5900%	(\$997)	(\$8,268)
Oct-07	(\$282,027)	31	5.1400%	(\$1,231)	(\$9,499)
Nov-07	(\$299,846)	30	5.1400%	(\$1,267)	(\$10,766)
Dec-07	(\$317,666)	31	5.1400%	(\$1,387)	(\$12,152)
Jan-08	(\$335,485)	31	5.1400%	(\$1,461)	(\$13,613)
Feb-08	(\$353,500)	29	5.1400%	(\$1,440)	(\$15,053)
Mar-08	(\$371,515)	31	5.1400%	(\$1,617)	(\$16,670)
Apr-08	(\$389,529)	30	4.0800%	(\$1,303)	(\$17,973)
May-08	(\$407,544)	31	4.0800%	(\$1,408)	(\$19,381)
Jun-08	(\$425,559)	30	4.0800%	(\$1,423)	(\$20,804)
Jul-08	(\$443,573)	31	3.3500%	(\$1,259)	(\$22,063)
Aug-08	(\$461,588)	31	3.3500%	(\$1,310)	(\$23,373)
Sep-08	(\$479,603)	30	3.3500%	(\$1,317)	(\$24,690)
Oct-08	(\$497,617)	31	3.3500%	(\$1,412)	(\$26,102)
Nov-08	(\$515,632)	30	3.3500%	(\$1,416)	(\$27,517)
Dec-08	(\$533,647)	31	3.3500%	(\$1,514)	(\$29,032)
Jan-09	(\$551,661)	31	2.4500%	(\$1,148)	(\$30,180)
Feb-09	(\$569,676)	28	2.4500%	(\$1,103)	(\$31,282)
Mar-09	(\$587,690)	31	2.4500%	(\$1,293)	(\$32,575)
Apr-09	(\$605,705)	30	1.0000%	(\$540)	(\$33,115)
May-09	(\$623,719)	31	1.0000%	(\$587)	(\$33,702)
Jun-09	(\$641,733)	30	1.0000%	(\$597)	(\$34,299)
Jul-09	(\$659,747)	31	0.5500%	(\$356)	(\$34,655)
Aug-09	(\$677,761)	31	0.5500%	(\$372)	(\$35,027)
Sep-09	(\$695,775)	30	0.5500%	(\$376)	(\$35,403)
Oct-09	(\$713,789)	31	0.5500%	(\$405)	(\$35,807)
Nov-09	(\$731,803)	30	0.5500%	(\$407)	(\$36,215)
Dec-09	(\$749,817)	31	0.5500%	(\$437)	(\$36,652)
Jan-10	(\$767,831)	31	0.5500%	(\$454)	(\$37,106)
Feb-10	(\$785,845)	28	0.5500%	(\$394)	(\$37,500)
Mar-10	(\$803,859)	31	0.5500%	(\$419)	(\$37,920)
Apr-10	(\$821,873)	30	0.5500%	(\$389)	(\$38,309)
May-10	(\$839,887)	31	0.5500%	(\$385)	(\$38,694)
Jun-10	(\$857,901)	30	0.5500%	(\$377)	(\$39,071)
Jul-10	(\$875,915)	31	0.8900%	(\$637)	(\$39,709)
Aug-10	(\$893,929)	31	0.8900%	(\$644)	(\$40,353)
Sep-10	(\$911,943)	30	0.8900%	(\$630)	(\$40,982)
Oct-10	(\$929,957)	31	1.2000%	(\$887)	(\$41,869)
Nov-10	(\$947,971)	30	1.2000%	(\$867)	(\$42,736)
Dec-10	(\$965,985)	31	1.2000%	(\$905)	(\$43,641)
Jan-11	(\$983,999)	31	1.4700%	(\$1,120)	(\$44,760)
Feb-11	(\$1,001,013)	28	1.4700%	(\$952)	(\$45,712)
Mar-11	(\$1,019,027)	31	1.4700%	(\$988)	(\$46,701)
Apr-11	(\$1,037,041)	30	1.4700%	(\$893)	(\$47,593)
May-11	(\$1,055,055)	31	1.4700%	(\$857)	(\$48,450)
Jun-11	(\$1,073,069)	30	1.4700%	(\$628)	(\$49,078)
Jul-11	(\$1,091,083)	31	1.4700%	(\$441)	(\$49,520)
Aug-11	(\$1,109,097)	31	1.4700%	(\$234)	(\$49,753)
Sep-11	(\$1,127,111)	30	1.4700%	(\$25)	(\$49,779)
Oct-11	(\$1,145,125)	31	1.4700%	\$182	(\$49,597)

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POWERSTREAM NORTH

MONTHLY CHARGES FOR TYPICAL RESIDENTIAL CUSTOMERS (RPP, TOU) (800 KWH CONSUMPTION)

Residential				1-May-11	1-Nov-11
	kWh	800	Loss factor	1.0565	1.0565

	As of May 01, 2011			As of Nov 01, 2011			Bill Impact Nov 2011 to May 2011	
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%
Monthly Service Charge	1	\$ 15.37	\$ 15.37	1	\$ 17.60	\$ 17.60	\$ 2.23	1.8%
Distribution (kWh)	800	\$ 0.0139	\$ 11.12	800	\$ 0.0139	\$ 11.12	\$ -	0.0%
Distribution (kW)	-	\$ -	\$ -	-	\$ -	\$ -	\$ -	0.0%
LRAM / SSM adder	800	\$ 0.0004	\$ 0.32	800	\$ 0.0004	\$ 0.32	\$ -	0.0%
Regulatory Assets (kWh)	800	\$ -	\$ -	800	\$ -	\$ -	\$ -	0.0%
Regulatory Assets (kW)	-	\$ -	\$ -	-	\$ -	\$ -	\$ -	0.0%
Sub-Total			\$ 26.81			\$ 29.04	\$ 2.23	1.8%
Other Charges	845	\$ 0.0135	\$ 11.34	845	\$ 0.0135	\$ 11.34	\$ -	0.0%
Transmission charges	845	\$ 0.0120	\$ 10.14	845	\$ 0.0120	\$ 10.14	\$ -	0.0%
Commodity Off Peak (kWh)	541	\$ 0.059	\$ 31.91	541	\$ 0.059	\$ 31.91	\$ -	0.0%
Commodity Mid Peak (kWh)	152	\$ 0.089	\$ 13.54	152	\$ 0.089	\$ 13.54	\$ -	0.0%
Commodity On Peak (kWh)	152	\$ 0.107	\$ 16.28	152	\$ 0.107	\$ 16.28	\$ -	0.0%
Total Bill before Taxes			\$ 110.03			\$ 112.26	\$ 2.23	1.8%
Total Bill Including Taxes			\$ 124.33			\$ 126.85	\$ 2.52	2.0%
Less OCEB 10%			\$ (12.43)			\$ (12.69)	\$ (0.25)	-0.2%
Total Bill			\$ 111.90			\$ 114.17	\$ 2.27	2.0%

POWERSTREAM NORTH
MONTHLY CHARGES FOR TYPICAL GS<50 CUSTOMERS - 2-TIERED CONSUMPTION
(2,000 KWH CONSUMPTION)

			1-May-11	1-Nov-11
kWh	2000	Loss factor	1.0565	1.0565
		Tier 1 Threshold	750	750

	As of April 30, 2010			As of Nov 01, 2011			Bill Impact May 2010 to Apr 2010	
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%
Monthly Service Charge	1	\$ 16.40	\$ 16.40	1	\$ 23.72	\$ 23.72	\$ 7.32	2.5%
Distribution (kWh)	2,000	\$ 0.0167	\$ 33.40	2,000	\$ 0.0167	\$ 33.40	\$ -	0.0%
Distribution (kW)		\$ -	\$ -	-	\$ -	\$ -	\$ -	0.0%
LRAM / SSM adder	2,000	\$ 0.0001	\$ 0.20	2,000	\$ 0.0001	\$ 0.20	\$ -	0.0%
Regulatory Assets (kWh)	2,000		\$ -	2,000		\$ -	\$ -	0.0%
Regulatory Assets (kW)	-		\$ -	-		\$ -	\$ -	0.0%
Sub-Total			\$ 50.00			\$ 57.32	\$ 7.32	2.5%
Other Charges	2,113	\$ 0.0135	\$ 27.98	2,113	\$ 0.0135	\$ 27.98	\$ -	0.0%
Transmission charges	2,113	\$ 0.0109	\$ 23.03	2,113	\$ 0.0109	\$ 23.03	\$ -	0.0%
Cost of Power Commodity (kWh)	750	\$ 0.068	\$ 51.00	750	\$ 0.068	\$ 51.00	\$ -	0.0%
Cost of Power Commodity (kWh)	1,363	\$ 0.079	\$ 107.68	1,363	\$ 0.079	\$ 107.68	\$ -	0.0%
Total Bill before Taxes			\$ 259.69			\$ 267.01	\$ 7.32	2.5%
Total Bill Including Taxes			\$ 293.45			\$ 301.72	\$ 8.27	2.8%
less OCEB	10%		\$ (29.35)			\$ (30.17)	\$ (0.83)	6.7%
Total Bill			\$ 264.11			\$ 271.55	\$ 7.44	2.8%

PowerStream Inc. - South
Actual Smart Meter Cost Recovery Model

Smart Meter Costs to October 31, 2011 for recovery:

Revenue Requirement 2010	\$1,039,636
Revenue Requirement 2011	\$1,637,891
Revenue Requirement Total	\$2,677,527
Smart Meter Rate Adder	(\$4,718,561)
Carrying Cost	(\$50,130)
Smart Meter True-up	<u>(\$2,091,164)</u>

2011 Addition to Rate Base *(Smart Meters installed in 2010 and up to April 30, 2011)*

Fixed Assets

Smart Meters	\$10,597,683
Computer Software	\$634,553
	<u>\$11,232,236</u>
Accumulated Depreciation	
Smart Meters	(\$729,429)
Computer Software	(\$232,633)
	<u>(\$962,063)</u>

Addition to Net Fixed Assets **\$10,270,173**

2011 Amortization Expense

Smart Meters	\$541,343
Computer Software	\$169,196
	<u>\$710,539</u>

PowerStream Inc. - South
Actual Smart Meter Cost Recovery Model

Incremental Revenue Requirement Calculation

		2010		2011		2011 Adjusted	Notes
Net Fixed Assets		\$ 2,885,849		\$ 8,020,936		\$ 8,020,936	
OM&A	\$ 549,590		\$ 617,267		\$ 628		
Working Capital Allowance	15%	\$ 82,439	15%	\$ 92,590	15%	\$ 94	
Rate Base		\$ 2,968,288		\$ 8,113,526		\$ 8,021,030	
Deemed ST Debt	4%	\$ 118,732	4%	\$ 324,541	4%	\$ 320,841	
Deemed LT Debt	56%	\$ 1,662,241	56%	\$ 4,543,574	56%	\$ 4,491,777	
Deemed Equity	40%	\$ 1,187,315	40%	\$ 3,245,410	40%	\$ 3,208,412	
ST Interest	2.07%	\$ 2,458	2.43%	\$ 7,886	2.43%	\$ 7,796	
LT Interest	5.89%	\$ 97,906	5.48%	\$ 248,988	5.48%	\$ 246,149	
ROE	9.85%	\$ 116,951	9.66%	\$ 313,507	9.66%	\$ 309,933	
		\$ 217,314		\$ 570,381		\$ 563,878	
OM&A		\$ 549,590		\$ 617,267		628	
Amortization		\$ 251,524		\$ 710,539		\$ 710,539	
Grossed-up PILs		\$ 21,208		\$ 67,283		\$ 67,283	
Revenue Requirement		\$ 1,039,636		\$ 1,965,469		\$ 1,342,328	

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

PILs Calculation

	2010	2011
	Forecasted	Forecasted
INCOME TAX		
Net Income	\$ 116,951	\$ 313,507
Amortization	\$ 251,524	\$ 710,539
CCA	-\$ 330,375	-\$ 853,159
Change in taxable income	\$ 38,099	\$ 170,886
Tax Rate	31.00%	28.25%
Income Taxes Payable	\$ 11,811	\$ 48,275

ONTARIO CAPITAL TAX

Closing Net Fixed Assets	\$ 5,454,512	\$ 9,868,254
Less: Exemption	\$ -	\$ -
Deemed Taxable Capital	\$ 5,454,512	\$ 9,868,254
Ontario Capital Tax Rate	0.075%	0.000%
Net Amount (Taxable Capital x Rate)	\$ 4,091	\$ -

Gross Up

	PILs Payable	PILs Payable
Change in Income Taxes Payable	\$ 11,811	\$ 48,275
Change in OCT	\$ 4,091	\$ -
PIL's	\$ 15,902	\$ 48,275

Gross Up	Gross Up
31.00%	28.25%

	Grossed Up PILs	Grossed Up PILs
Change in Income Taxes Payable	\$ 17,117	\$ 67,283
Change in OCT	\$ 4,091	\$ -
PIL's	\$ 21,208	\$ 67,283

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

Average Net Fixed Assets

Net Fixed Assets - meters

	2009	2010	2011
	Actual	Actual	Actual
Opening Capital Investment	\$ -	\$ -	\$ 5,642,599
Capital Investment		\$ 5,642,599	\$ 4,955,084
Closing Capital Investment	\$ -	\$ 5,642,599	\$ 10,597,683
Opening Accumulated Amortization	\$ -	\$ -	\$ 188,087
Amortization Year One	15 years \$ -	\$ 188,087	\$ 165,169
Amortization Thereafter	\$ -	\$ -	\$ 376,173
Closing Accumulated Amortization	\$ -	\$ 188,087	\$ 729,429
Opening Net Fixed Assets	\$ -	\$ -	\$ 5,454,512
Closing Net Fixed Assets	\$ -	\$ 5,454,512	\$ 9,868,254
Average Net Fixed Assets	\$ -	\$ 2,727,256	\$ 7,661,383

Net Fixed Assets - software

	2009	2010	2011
	Actual	Actual	Actual
Opening Capital Investment	\$ -	\$ -	\$ 380,623
Capital Investment		\$ 380,623	\$ 253,930
Closing Capital Investment	\$ -	\$ 380,623	\$ 634,553
Opening Accumulated Amortization	\$ -	\$ -	\$ 63,437
Amortization Year One	3 years \$ -	\$ 63,437	\$ 42,322
Amortization Thereafter	\$ -	\$ -	\$ 126,874
Closing Accumulated Amortization	\$ -	\$ 63,437	\$ 232,633
Opening Net Fixed Assets	\$ -	\$ -	\$ 317,186
Closing Net Fixed Assets	\$ -	\$ 317,186	\$ 401,920
Average Net Fixed Assets	\$ -	\$ 158,593	\$ 359,553

Totals

Closing Capital Investment	\$ -	\$ 6,023,222	\$ 11,232,236
Average Net Fixed Assets	\$ -	\$ 2,885,849	\$ 8,020,936
Amorization Expense	\$ -	\$ 251,524	\$ 710,539

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

UCC

		2009 Actual	2010 Actual	2011 Actual
Opening UCC		\$ -	\$ -	\$ 5,416,895
Capital Additions		\$ -	\$ 5,642,599	\$ 4,955,084
UCC Before Half Year Rule		\$ -	\$ 5,642,599	\$ 10,371,979
Half Year Rule (1/2 Additions - Disposals)		\$ -	\$ 2,821,300	\$ 2,477,542
Reduced UCC		\$ -	\$ 2,821,300	\$ 7,894,437
CCA Rate Class	47			
CCA Rate	8%			
CCA		\$ -	\$ 225,704	\$ 631,555
Closing UCC		\$ -	\$ 5,416,895	\$ 9,740,424

UCC

		2009 Actual	2010 Actual	2011 Actual
Opening UCC		\$ -	\$ -	\$ 275,952
Capital Additions		\$ -	\$ 380,623	\$ 253,930
UCC Before Half Year Rule		\$ -	\$ 380,623	\$ 529,882
Half Year Rule (1/2 Additions - Disposals)		\$ -	\$ 190,312	\$ 126,965
Reduced UCC		\$ -	\$ 190,312	\$ 402,917
CCA Rate Class	50			
CCA Rate	55%			
CCA		\$ -	\$ 104,671	\$ 221,604
Closing UCC		\$ -	\$ 275,952	\$ 308,278
Total CCA		\$ -	\$ 330,375	\$ 853,159

Meters installed cost details:
 Residential

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

Month	Opening Balance	SM Adder	Revenue Requirement	Closing Balance (excluding Stranded)
Jan-10	\$0	(\$268,522)	\$86,636	(\$181,886)
Feb-10	(\$181,886)	(\$239,202)	\$86,636	(\$334,451)
Mar-10	(\$334,451)	(\$264,455)	\$86,636	(\$512,270)
Apr-10	(\$512,270)	(\$256,458)	\$86,636	(\$682,092)
May-10	(\$682,092)	(\$461,241)	\$86,636	(\$1,056,696)
Jun-10	(\$1,056,696)	(\$461,241)	\$86,636	(\$1,431,300)
Jul-10	(\$1,431,300)	(\$461,241)	\$86,636	(\$1,805,904)
Aug-10	(\$1,805,904)	(\$461,241)	\$86,636	(\$2,180,508)
Sep-10	(\$2,180,508)	(\$461,241)	\$86,636	(\$2,555,113)
Oct-10	(\$2,555,113)	(\$461,241)	\$86,636	(\$2,929,717)
Nov-10	(\$2,929,717)	(\$461,241)	\$86,636	(\$3,304,321)
Dec-10	(\$3,304,321)	(\$461,241)	\$86,636	(\$3,678,925)
Jan-11	(\$3,678,925)	\$0	\$163,789	(\$3,515,136)
Feb-11	(\$3,515,136)	\$0	\$163,789	(\$3,351,347)
Mar-11	(\$3,351,347)	\$0	\$163,789	(\$3,187,558)
Apr-11	(\$3,187,558)	\$0	\$163,789	(\$3,023,769)
May-11	(\$3,023,769)	\$0	\$163,789	(\$2,859,980)
Jun-11	(\$2,859,980)	\$0	\$163,789	(\$2,696,190)
Jul-11	(\$2,696,190)	\$0	\$163,789	(\$2,532,401)
Aug-11	(\$2,532,401)	\$0	\$163,789	(\$2,368,612)
Sep-11	(\$2,368,612)	\$0	\$163,789	(\$2,204,823)
Oct-11	(\$2,204,823)	\$0	\$163,789	(\$2,041,034)
Nov-11	(\$2,041,034)	\$0		(\$2,041,034)
Dec-11	(\$2,041,034)	\$0		(\$2,041,034)
Jan-12	(\$2,041,034)	\$0		(\$2,041,034)
Feb-12	(\$2,041,034)	\$0		(\$2,041,034)
Mar-12	(\$2,041,034)	\$0		(\$2,041,034)
Apr-12	(\$2,041,034)	\$0		(\$2,041,034)
May-12	(\$2,041,034)	\$0		(\$2,041,034)
Jun-12	(\$2,041,034)	\$0		(\$2,041,034)
Jul-12	(\$2,041,034)	\$0		(\$2,041,034)
Aug-12	(\$2,041,034)	\$0		(\$2,041,034)
Sep-12	(\$2,041,034)	\$0		(\$2,041,034)
Oct-12	(\$2,041,034)	\$0		(\$2,041,034)
Total		(\$4,718,561)	\$2,677,527	(\$2,041,034)

2010	(\$4,718,561)	\$1,039,636
2011	\$0	\$1,637,891
	<u>(\$4,718,561)</u>	<u>\$2,677,527</u>

PowerStream Inc. - South Actual Smart Meter Cost Recovery Model

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	(181,886)	28	0.5500%	(77)	(77)
Mar-10	(334,451)	31	0.5500%	(156)	(233)
Apr-10	(512,270)	30	0.5500%	(232)	(465)
May-10	(682,092)	31	0.5500%	(319)	(783)
Jun-10	(1,056,696)	30	0.5500%	(478)	(1,261)
Jul-10	(1,431,300)	31	0.8900%	(1,082)	(2,343)
Aug-10	(1,805,904)	31	0.8900%	(1,365)	(3,708)
Sep-10	(2,180,508)	30	0.8900%	(1,595)	(5,303)
Oct-10	(2,555,113)	31	1.2000%	(2,604)	(7,907)
Nov-10	(2,929,717)	30	1.2000%	(2,890)	(10,797)
Dec-10	(3,304,321)	31	1.2000%	(3,368)	(14,164)
Jan-11	(3,678,925)	31	1.4700%	(4,593)	(18,757)
Feb-11	(3,515,136)	28	1.4700%	(3,964)	(22,721)
Mar-11	(3,351,347)	31	1.4700%	(4,184)	(26,905)
Apr-11	(3,187,558)	30	1.4700%	(3,851)	(30,757)
May-11	(3,023,769)	31	1.4700%	(3,775)	(34,532)
Jun-11	(2,859,980)	30	1.4700%	(3,455)	(37,987)
Jul-11	(2,696,190)	31	1.4700%	(3,366)	(41,354)
Aug-11	(2,532,401)	31	1.4700%	(3,162)	(44,515)
Sep-11	(2,368,612)	30	1.4700%	(2,862)	(47,377)
Oct-11	(2,204,823)	31	1.4700%	(2,753)	(50,130)

POWERSTREAM SOUTH**MONTHLY CHARGES FOR TYPICAL RESIDENTIAL CUSTOMERS (RPP, TOU)
(800 KWH CONSUMPTION)**

				1-May-11	1-Nov-11
kWh	800	Loss factor		1.0299	1.0299

	As of May 01, 2011			As of Nov 01, 2011			Bill Impact Nov 2011 to May 2011	
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%
Monthly Service Charge	1	\$ 13.33	\$ 13.33	1	\$ 13.20	\$ 13.20	\$ (0.13)	-0.1%
Distribution (kWh)	800	\$ 0.0132	\$ 10.56	800	\$ 0.0132	\$ 10.56	\$ -	0.0%
Distribution (kW)	-		\$ -	-	\$ -	\$ -	\$ -	0.0%
LRAM / SSM adder	800	\$ 0.0002	\$ 0.16	800	\$ 0.0002	\$ 0.16	\$ -	0.0%
Regulatory Assets (kWh)	800	\$ -	\$ -	800	\$ -	\$ -	\$ -	0.0%
Regulatory Assets (kW)	-	\$ -	\$ -	-	\$ -	\$ -	\$ -	0.0%
Sub-Total			\$ 24.05			\$ 23.92	\$ (0.13)	-0.1%
Other Charges	824	\$ 0.0135	\$ 11.21	824	\$ 0.0135	\$ 11.21	\$ -	0.0%
Transmission charges	824	\$ 0.0090	\$ 7.42	824	\$ 0.0090	\$ 7.42	\$ -	0.0%
Commodity Off Peak (kWh)	527	\$ 0.059	\$ 31.11	527	\$ 0.059	\$ 31.11	\$ -	0.0%
Commodity Mid Peak (kWh)	148	\$ 0.089	\$ 13.20	148	\$ 0.089	\$ 13.20	\$ -	0.0%
Commodity On Peak (kWh)	148	\$ 0.107	\$ 15.87	148	\$ 0.107	\$ 15.87	\$ -	0.0%
Total Bill before Taxes			\$ 102.85			\$ 102.72	\$ (0.13)	-0.1%
Total Bill Including Taxes			\$ 116.22			\$ 116.07	\$ (0.15)	-0.1%
Less OCEB 10%			\$ (11.62)			\$ (11.61)	\$ 0.01	-0.1%
Total Bill			\$ 104.60			\$ 104.47	\$ (0.13)	-0.1%

POWERSTREAM SOUTH

MONTHLY CHARGES FOR TYPICAL GS<50 CUSTOMERS - 2-TIERED CONSUMPTION (2,000 KWH CONSUMPTION)

			1-May-11	1-Nov-11
kWh	2000	Loss factor	1.0299	1.0299
		Tier 1 Threshold	750	750

	As of May 01, 2011			As of Nov 01, 2011			Bill Impact Nov 2011 to May 2011	
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%
Monthly Service Charge	1	\$ 29.83	\$ 29.83	1	\$ 21.26	\$ 21.26	\$ (8.57)	-3.0%
Distribution (kWh)	2,000	\$ 0.0114	\$ 22.80	2,000	\$ 0.0114	\$ 22.80	\$ -	0.0%
Distribution (kW)		\$ -	\$ -	-	\$ -	\$ -	\$ -	0.0%
LRAM / SSM adder	2,000	\$ 0.0001	\$ 0.20	2,000	\$ 0.0001	\$ 0.20	\$ -	0.0%
Regulatory Assets (kWh)	2,000	\$ -	\$ -	2,000	\$ -	\$ -	\$ -	0.0%
Regulatory Assets (kW)	-	\$ -	\$ -	-	\$ -	\$ -	\$ -	0.0%
Sub-Total			\$ 52.83			\$ 44.26	\$ (8.57)	-3.0%
Other Charges	2,060	\$ 0.0135	\$ 27.64	2,060	\$ 0.0135	\$ 27.64	\$ -	0.0%
Transmission charges	2,060	\$ 0.0081	\$ 16.68	2,060	\$ 0.0081	\$ 16.68	\$ -	0.0%
Cost of Power Commodity (kWh)	750	\$ 0.0680	\$ 51.00	750	\$ 0.0680	\$ 51.00	\$ -	0.0%
Cost of Power Commodity (kW)	1,310	\$ 0.0790	\$ 103.47	1,310	\$ 0.0790	\$ 103.47	\$ -	0.0%
Total Bill before Taxes			\$ 251.63			\$ 243.06	\$ (8.57)	-3.0%
Total Bill Including Taxes			\$ 284.34			\$ 274.65	\$ (9.68)	-3.4%
less OCEB 10%			\$ (28.43)			\$ (27.47)	\$ 0.97	-3.4%
Total Bill			\$ 255.90			\$ 247.19	\$ (8.72)	-3.4%