

January 11, 2013

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. (Licence ED-2004-0420)
2013 Electricity Distribution Rates Application EB-2012-0161
Draft Rate Order – Schedule K Draft Accounting Orders**

The Draft Rate Order submitted earlier today failed to include draft account orders.

To remedy this omission, we have attached Schedule K, Draft Accounting Orders.

We trust this is satisfactory, but if there any outstanding matters, please contact the undersigned.

Yours truly,

Original signed by

Tom Barrett
Manager, Rate Applications

Schedule K: Draft Accounting Orders

In the approved Settlement Agreement, the parties agreed to the combined deferral and variance account related to Pension and Other Post Retirement Benefits ("P&OPEB"). PowerStream is part of the Ontario Municipal Employees Retirement ("OMERS") plan. Due to the nature of the OMERS plan, PowerStream does not recognize future pension liabilities. Accordingly this account will only relate to Other Post Retirement Benefits.

PowerStream requests Board approval for the following deferral account related to Other Post Retirement Benefits:

- 1508, Other Regulatory Assets, Sub-account P&OPEB Deferral Account.

The purpose of this deferral account is to capture the one-time adjustment of \$1.7 million to the post retirement liability at January 1, 2011 that would under IFRS otherwise result in a charge to retained earnings. This account will also capture the difference between the current period charge under CGAAP and the lower charge under IFRS of \$0.3 million for each of 2011 and 2012. This results in a debit balance of \$1.1 million as of December 31, 2012. This account will also capture differences in 2013 onwards resulting from revaluation of the post retirement liability under IFRS. The disposition of this new deferral account will occur sometime in the future subject to Board review and will be based on recovery over the average remaining service lives of employees.

In the Board Decision dated December 21, 2012, the Board directed PowerStream to record \$9,571,000 credit in the IFRS-CGAAP Transitional PP&E Amounts deferral account. The Board has already approved deferral account 1575 for this purpose.

This PP&E amount will be refunded to customers over the four year period January 1, 2013 to December 31, 2016. This has been accomplished by reducing the 2013 annual revenue requirement by \$2,392,750. The recovery is illustrated in the table below:

Table 1: Account 1575 PP&E Deferral Account Recovery (\$ Millions)

	2013	2014	2015	2016
Opening Balance	(\$9.6)	(\$7.2)	(\$4.8)	(\$2.4)
Refunded	\$2.4	\$2.4	\$2.4	\$2.4
Closing balance	(\$7.2)	(\$4.8)	(\$2.4)	\$0.0

In the Board Decision dated December 21, 2012, the Board directed PowerStream to record a recoverable asset of \$5,300,000 to be recovered over the same period as the PP&E deferral account.

The amount approved for inclusion in this account represents the additional overhead in construction work in progress ("CWIP") under CGAAP at December 31, 2012 that is not in CWIP under IFRS/MIFRS of \$7.2 million that was ordered to be removed from the PP&E deferral account, less a tax benefit of \$1.9 million related to the expensing of these overheads under IFRS.

PowerStream requests Board approval for the establishment of the following deferral account for this purpose:

- 1508, Other Regulatory Assets, Sub-account CGGAP CWIP Differential