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October 1, 2013

Board Secretary  
Ontario Energy Board  
PO Box 2319  
27th Floor 2300 Yonge Street  
Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli

**RE: Collus PowerStream Corp. (License ED-2002-0518)**  
**2013 Electricity Distribution Rates Application EB-2012-0116**  
**Settlement Proposal - Draft Accounting Order**

Collus PowerStream Corp. filed a Settlement Proposal on September 30, 2013, wherein the Parties agreed to a deferral account to capture the unrecovered costs of smart meters that need to be replaced before their normal end of life.

Attached is the draft accounting order that provides details on the proposed operation of the deferral account.

If you have any questions please do not hesitate to contact the undersigned at [gmcallister@collus.com](mailto:gmcallister@collus.com) or (705)445-1800 ext. 2274.

Yours truly,

*Original signed by Glen McAllister*

Glen McAllister, B.Sc., CMA  
Manager, Billing & Regulatory  
Collus PowerStream

## Draft Accounting Order

For greater clarity, this accounting order is intended to reflect the Board's Decision in EB-2012-0116. Collus PowerStream Corp. ("Collus PowerStream") shall establish effective immediately deferral account 1508, Other Regulatory Assets, Sub-account Stranded Assets Net Book Value.

The purpose of the deferral account is to record the cost of smart meters net of their accumulated depreciation (i.e. "NBV") that must be removed from service prematurely before the end of their expected service life and replaced with new meters. This account will also be used to record any sale proceeds on the meters removed from service.

In the approved Settlement Agreement, the Parties agreed to a deferral account to record the costs of the Sensus ICON model F and model G smart meters ("FG Meters") to be removed from service in 2013 and subsequent years.

The F and G models are the earlier models of the Sensus ICON smart meter. These meters were considered in the Combined Proceeding on authorized discretionary metering activities (EB-2007-0063) and the Board determined that the procurement process leading to the purchase of these meters was appropriate and that the meters conformed to the minimum requirements.

The FG Meters are exhibiting communication issues that are causing severe operational issues and are unable to meet new requirements such as data encryption. It has been determined that replacement of the FG Meters is the most cost effective approach to solve these issues. Due to supplier concessions, the installed cost of the new meters will be very similar to the NBV of the older FG Meters being replaced.

The Parties also agreed that the new replacement smart meters should be treated as regular fixed asset additions. No special deferral account treatment has been proposed for the replacement meters.

The replacement meters for 2013 have been included in the calculation of rates. The NBV of FG Meters to be replaced in 2013 has been removed from rates, i.e. deducted from rate base and related depreciation expense removed from the revenue requirement.

From a rates perspective, replacement of the FG Meters in 2014 onwards, results in taking out the cost of the FG Meters at their NBV and recording it in Account 1508, Other Regulatory Assets, Sub-account Stranded Assets Net Book Value. At the same time a similar cost for the new meters is being added in service. The values of the replaced meters and new meter additions will result in a net effect that will be very slight. As such, for 2014 onwards, there will be no material differences between the meters that will be removed from service but remaining in rate base and the new meter additions in service. Accordingly, the amount in rates for the removed meters is appropriate for the recovery of the cost of the new meters in service but not yet included

in rate base. In the next cost of service application adjustments will be made to the rate base for the exclusion of the removed meters (which are recorded in Account 1508, Other Regulatory Assets, sub-account Stranded Assets Net Book Value) and inclusion of the new in-service meter additions at their net book value. The following table summarizes the number of units to be replaced, the forecast cost of the installed replacement units and the NBV of the meters when taken out of service.

Year	Units replaced	Cost of new replacement meters	NBV of Meters taken out of service
2013 rebasing	1,500	\$ 166,250	\$ 184,500
2014	1,500	\$ 166,250	\$ 166,500
2015	1,631	\$ 181,041	\$ 161,469
Subtotal post rebasing replacements	3,131	\$ 347,291	\$ 327,969
Total	4,631	\$ 513,541	\$ 512,469

The NBV of the smart meters removed from service is recorded in Account 1508, no depreciation expenses will be recorded on these meters after they have been removed from service. Records will be maintained to support the entries in this account.

Carrying charges will be recorded monthly on the opening principal balance in this account at the Board's prescribed rates.

The disposition of the balance in Sub-account Stranded Assets Net Book Value will occur in the next cost of service application or as directed by the Board in the future.

Sample accounting entries:

- a) To record the NBV of smart meters taken out of service prematurely in account 1508 for recovery.

Debit 1508 Other Regulatory Assets, Sub-account Stranded Assets NBV  
 Credit 1860 Meters  
 Credit 2105 Accumulated depreciation