Collus PowerStream
P.O. Box 189, 43 Stewart Road
Collingwood ON L9Y 3Z5
Phone: (705) 445-1800
Operations Department Fax: (705) 445-0791
Finance Department Fax: (705) 445-8267
www.colluspowerstream.ca

October 15, 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
Reply Submission

In accordance with the Board's Decision and Procedure Order No. 3, in the above noted proceeding, Collus PowerStream has prepared the attached submission in response to the submissions of October 11, 2013 of Board Staff and the Vulnerable Energy Consumers Coalition.

This document has been sent by e-mail to the Parties and Board Staff and has been filed on RESS.

If you have any questions please do not hesitate to contact the undersigned at 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

Collus PowerStream notes that there is only one issue raised in the submission by Board staff ("Staff"). The one issue raised is regarding the draft accounting order for the deferral account in respect of the model F and G smart meters ("FG Meters") that must be removed from service well before the normal end of life. The only issue raised by Staff is whether carrying charge interest should be recorded on the costs in the deferral account.

The Vulnerable Energy Consumers Coalition ("VECC") agreed with Staff on the issue of carrying charge interest based on similarity to stranded meters. VECC also submitted that any disposal or mitigation revenues (for example insurance or manufacture rebate) associated with the FG Meters should also be recorded in the deferral account.

Collus PowerStream has no objection to expanding the definition of the deferral account, which includes sales proceeds, to include insurance claims or refund of the cost by the manufacturer, as submitted by VECC. Collus PowerStream notes however that neither of these situations applies in its circumstances.

This leaves only the issue of whether carrying charge interest should apply to the deferral account.

Staff and VECC submit that the situation for the FG Meters is the same as the stranded conventional meters ("stranded meters") that arose when those meters were removed from service before their normal end of life due to replacement by smart meters.

Staff cites the direction in the Board's letter of January 16, 2007 ("Board's Letter") that there will be no carrying charges recorded on the stranded conventional meters cost recorded in account 1555 as a return on these assets continues in rates until rebasing. Staff submits that this principle should apply in this case and that no carrying charge interest should apply to the costs in the deferral account for the FG Meters removed from service.

Collus PowerStream submits that there are significant differences between the stranded meters situation and the FG Meters situation and that due to these differences the principle applied for the stranded meters does not apply to the FG Meters taken out of service.

In the Board's Letter, the reason given why interest should not apply to stranded meters is based on the fact that the stranded meters remained in rates. This is clearly not the case for the

2013 FG Meters removed from service. The costs for FG Meters, to be removed in 2013, have been removed from rate base and are not factored into the 2013 rates. As these costs are not factored into rates, the rationale in the Board's Letter for denying carrying charge interest clearly does not apply to the costs of the 2013 FG meters removed from service.

In respect of the FG meters to be replaced after 2013, the situation also differs significantly from the stranded meters situation with respect to the rate treatment of the replacement meters.

In the stranded meter situation the costs of the replacement meters (i.e., smart meters) were being captured in the smart meter deferral accounts for recovery and interest was being applied to these balances. At the same time the cost of the meters removed from service remained in rates. Later Board guidance directed Distributors to continue to record depreciation against the stranded meter costs as depreciation on stranded meters was in current rates. This made sense as depreciation on the replacement smart meters was being recorded in the smart meter deferral accounts for recovery.

The situation for the FG Meters replacement is completely different as the costs of the replacement meters are not being captured in a deferral account. For each replaced meter there is only depreciation and return for one meter in rates and unlike the original smart meters there is no depreciation or return being captured in deferral accounts on the new replacement meters for future rate recovery.

In their submissions, Staff and VECC have accepted the evidence provided that the amounts in rates are suitable for the recovery of return and depreciation on the new replacement meters as the new costs are very close to the costs being removed. On that basis they have accepted that the costs of the FG Meters removed from service should not continue to be depreciated.

Collus PowerStream submits that similar to depreciation, that the return in rates applies to the replacement meters and that there is no return in rates on the meters removed from service. Collus PowerStream submits that as there is no return in current rates for the FG Meters to be replaced in 2013, 2014 or 2015, carrying charge interest should apply to the in the deferral account. Collus PowerStream notes that the acquisition and costs of the FG meters were prudent at the time (EB-2007-0063, EB-2012-0017).

All of which is respectfully submitted -