

Hydro Ottawa Limited  
3025 Albion Road North, PO Box 8700  
Ottawa, Ontario K1G 3S4  
Tel.: (613) 738-6400  
Fax: (613) 738-6403  
www.hydroottawa.com

Hydro Ottawa limitée  
3025, chemin Albion Nord, C.P. 8700  
Ottawa (Ontario) K1G 3S4  
Tél. : (613) 738-6400  
Télec. : (613) 738-6403  
www.hydroottawa.com



October 24, 2013

Kirsten Walli, Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto ON M4P 1E4

Dear Ms. Walli,

Re: EB-2013 – 0143 Hydro Ottawa Limited 2014 IRM Rate Application

Please find enclosed two (2) copies of Hydro Ottawa Limited's Responses to Board Staff's Interrogatories related to the 2014 IRM Rate Application (EB-2013-0143).

Should you have any questions, please contact the undersigned at (613) 738-5499 ext 7499 or via email at [janescott@hydroottawa.com](mailto:janescott@hydroottawa.com).

Yours truly,

*Original signed by*

Jane Scott  
Manager, Rates and Revenue



## Interrogatory #1

Ref: IRM Rate Generator Sheet 6 – Billing Determinants

Board staff is unable to reconcile the Metered kWh amount entered for the Residential class with the 2012 amount contained in the Board's RRR data for Hydro Ottawa.

Rate Class	Unit	Metered kWh	Metered kW	Billed kWh for Non-RPP Customers	Estimated kW for Non-RPP Customers
RESIDENTIAL	\$/kWh	2,302,248,794		162,230,270	0
GENERAL SERVICE LESS THAN 50 KW	\$/kWh	702,625,952		113,986,478	0
GENERAL SERVICE 50 TO 1,499 KW	\$/kW	2,982,426,722	7,288,884	2,818,820,686	6,889,040
GENERAL SERVICE 1,500 TO 4,999 KW	\$/kW	870,903,316	1,864,369	893,442,150	1,912,619
LARGE USE	\$/kW	646,432,433	1,178,836	653,121,488	1,191,034
UNMETERED SCATTERED LOAD	\$/kWh	17,594,132			0
STANDBY POWER GENERAL SERVICE 50 TO 1,499 KW	\$/kW				0
STANDBY POWER GENERAL SERVICE 1,500 TO 4,999 KW	\$/kW		97,000		0
STANDBY POWER GENERAL SERVICE LARGE USE	\$/kW				0
SENTINEL LIGHTING	\$/kW		167		0
STREET LIGHTING	\$/kW	44,699,159	123,332	46,059,819	127,086
microFIT					
<b>Total</b>		<b>7,566,930,508</b>	<b>10,552,588</b>	<b>4,687,660,891</b>	<b>10,119,779</b>

- Please explain the difference between the 2,302,248,794 amount shown above and the amount of 2,302,188,900 in the Board's RRR data.
- If changes are required, please confirm the amounts and Board staff will make any necessary corrections to the model.

## Response

- The difference between the 2,302,248,794 shown in our application and the amount of 2,302,188,900 contained in the Board's RRR data is that Sentinel Lights were reported separately in the RRR.
- Please correct the model to show 2,303,188,900 Metered kWh for Residential and 59,894 Metered kWh for Sentinel Lighting. Thank you.



## **Interrogatory #2**

Ref: IRM Generator Sheet 6 – Billing Determinants

At the top of page 6 in the model, applicants are instructed not to enter data for the microFIT class. Board staff notes that Hydro Ottawa has included microFIT data in the worksheet.

- a) Was this microFIT data entered in error? If not. Please explain why it was included in the worksheet. If it is an error, Board staff will make the necessary corrections to the model.

## **Response**

- a) As instructed, no data was entered by Hydro Ottawa for microFIT on page 6 of the model. It is unclear what Board Staff is referring to when they say it was included.



### Interrogatory #3

Ref: RTSR Workform Sheet 4

Rate Class	Unit	Non-Loss Adjusted Metered kWh	Non-Loss Adjusted Metered kW	Applicable Loss Factor	Load Factor	Loss Adjusted Billed kWh	Billed kW
Residential	kWh	2,302,188,900		1.0358		2,384,607,263	-
General Service Less Than 50 kW	kWh	702,625,952		1.0358		727,779,961	-
General Service 50 to 1,499 kW	kW	2,982,426,722	7,288,884		56.08%	2,982,426,722	7,288,884
General Service 1,500 to 4,999 kW	kW	870,903,316	1,864,369		64.03%	870,903,316	1,864,369
Large Use	kW	646,432,433	1,178,836		75.16%	646,432,433	1,178,836
Unmetered Scattered Load	kWh	17,594,132		1.0358		18,224,002	-
Standby Power General Service 50 to 1,499 kW	kW					-	-
Standby Power General Service 1,500 to 4,999 kW	kW					-	-
Standby Power General Service Large Use	kW					-	-
Sentinel Lighting	kW	59,894	167		49.16%	59,894	167
Street Lighting	kW	44,699,159	123,332		49.68%	44,699,159	123,332

- a) Please confirm that the data entered in columns “Non-Loss Adjusted Metered kWh” and “Non-Loss Adjusted Metered kW” are not adjusted by Hydro Ottawa’s Board-approved loss factor.

### **Response**

- a) The data entered in columns “Non-Loss Adjusted Metered kWh” and “Non-Loss Adjusted Metered kW” are not adjusted by Hydro Ottawa’s Board-approved loss factor.



#### **Interrogatory #4**

Ref: RTSR Workform Sheet 5

In its 2013 IRM proceeding, Hydro Ottawa's final RTSR model was adjusted to incorporate its Low Voltage Switchgear Credit on Sheet 5. The 2014 RTSR model contains input cells for Low Voltage Switchgear Credit; however these have mistakenly been labelled as Transformer Allowance Credit.

- a) Please confirm that the amounts entered at row 95 on sheet 5 of the RTSR model represent Hydro Ottawa's Low Voltage Switchgear Credit.
- b) If this is not the case, please provide the appropriate Low Voltage Switchgear Credit amounts and Board staff will make the necessary corrections to the model.

#### **Response**

- a) The amounts entered at row 95 on sheet 5 of the RTSR model represent Hydro Ottawa's Low Voltage Switchgear Credit.
- b) No changes are needed.



## **Interrogatory #5**

Ref: Exhibit B1, Tab 1, Schedule 1, page 7

Ref: Attachment C: Letter to the Board July 3, 2013

Hydro Ottawa is requesting inclusion of de-recognition of its Rex 1 meters in its proposed variance account for Losses on De-recognition of Assets.

- a) Hydro Ottawa states that the Rex 1 meters replaced or to be replaced from 2012 to 2015 total \$1,499,000. Please provide the total number of meters to be replaced in each year by rate class.
- b) Please provide the estimated cost of the Rex 2 meters and the proposed timeline for replacement.
- c) Board staff notes that Hydro Ottawa's letter to the Board at Attachment C indicates a total value of meters to be recovered of \$2.5 million, while its forecast balance in the proposed variance account for meters is \$1.5 million. Please explain the difference between these amounts.
- d) Board staff notes that Hydro Ottawa has replaced \$747 thousand to the end of June, 2013, and forecasts a total of \$872 thousand in meter replacements for the year-end 2013. Hydro Ottawa has forecast \$335 thousand and \$295 thousand for 2014 and 2015 respectively. Please explain Hydro Ottawa's strategy regarding the pace of replacements.
- e) Has Hydro Ottawa considered waiting to replace the meters until crews update a service or otherwise come in contact with a device? How often and under what circumstances would it be expected that Hydro Ottawa crews would replace a service or come in contact with a device?
- f) Please provide an estimate of the cost of de-recognition of Rex 1 meters for 2013, 2014 and 2015 under a replacement scenario as described in part e), above.

## **Response**

- a) Please see the following table for the total number of Rex 1 meters replaced in 2011 and 2012 or to be replaced in 2013-2015. Please note that Table 2 in Exhibit B1, Tab 1, Schedule 1, represents the estimated losses on de-recognition of these meters. The expectation is that the number of meters to be replaced by class will be in the same proportion as the split between Residential and General Service ("GS") < 50 kW classes for installed Smart Meters, i.e. 92% Residential and 8% GS < 50 kW.



	2011	2012	2013	2014	2015
# of Rex 1 meters replaced/to be replaced	1,158	212	8,808	3,867	3,867

- b) The estimated cost of the Rex 2 meters is \$296 installed and the proposed schedule to 2020 for replacement is as per the de-recognition of the Rex 1 as shown in the response to VECC Interrogatory #2 b).
- c) Hydro Ottawa's letter to the Board at Attachment C indicates a total value of meters to be recovered of \$2.5 million. This represents the estimated loss on disposal over the period 2013-2020. The forecast balance for the proposed variance account is \$1.5 million. These two amounts are not the same because Hydro Ottawa is only proposing to record in the variance account the amounts for the years 2013-2015. For 2016 Hydro Ottawa intends to submit a cost of service application, at which time we will include the remaining Rex 1 meters to be derecognized in our revenue requirement.
- d) Hydro Ottawa's strategy regarding the pace of replacements is as follows: Metering retires Rex 1 meters and replaces them with Rex 2 meter as they come into the Meter Shop or are taken out of service. This occurs only as part of a regular meter removal (e.g. temporary service), meter change (e.g. service consolidations) or meter check (e.g. meter pull for socket inspection) where additional labour would not be required to conduct the change. Management has decided that when staff comes in contact with the Rex a meters, those meters will be upgraded through the replacement with Rex 2 meters because the Rex 2 meters provide additional memory and features. Employees are not proactively upgrading the Rex 1 meters through the course of a targeted program.
- e) Yes, Hydro Ottawa does wait to replace the meters at a time when crews update a service or otherwise come in contact with a device. This is our strategy as described above in part d).
- f) The estimated loss on - de-recognition of Rex 1 meters for 2013, 2014 and 2015 under a replacement scenario as described in part e), is shown in Exhibit B1, Tab 1, Schedule 1, page 7, Table 2.



## **Interrogatory #6**

Ref: Exhibit B1, Tab 1, Schedule 1, page 7

- a) Please provide a breakdown of the different types of failures for both Rex 1 and Rex 2 meters.
- b) Please calculate a failure rate for each type of meter based on the data provided in the response to a) above.
- c) Please calculate the cost of replacement for Rex 1 meters for 2013, 2014 and 2015, assuming that the replacements occur only upon meter failure.

## **Response**

- a) Non-conformance reports do not delineate between Rex 1 and Rex 2 failure rates. The Rex 1 meter failure rate is comparable to that of the Rex 2 meter. The table below provides a list of 2013 Year to Date Non-conformance, which is expected to be typical for years going forward.

<b>Reason</b>	<b>2013 (YTD) Non-Conformance</b>
No display confirmed	26
Observed no display/tested OK	17
Missing segments	12
Sealing issue	2
Accuracy	2
No registration	125
Error codes	144
Faulty Radio Frequency	23
Programming error	13
Assembly	2
Intermittent operation	3
Chip error minor	3
Chip error major	4
Hi-Cap communication issues - modem	5

- b) As explained above, it is not possible to determine the failure rate for each type of meter; however, the 381 non-conformances indicated above are part of a total population of over 290,000 installed smart meters; so the failure rate is approximately 0.13%. However, it is important to note that this request for a



deferral account for replacing Rex 1 meters is not based on the observed failures of the Rex 1 meters but on consideration of the extended features of the Rex 2 meters that enhance the data capability when data collection is not possible. The Rex 2 meters reduce the chances of lost data due to the longer data retention periods.

- c) Using a failure rate of 0.13% from part b) above, the average cost to install a Rex 2 meter of \$296 from the response to Board Staff Interrogatory #1 b), and the number of Rex 1 meters that were in the field at the beginning of 2013 as per the response to VECC Interrogatory # 2 b), the estimated cost of replacement for Rex 1 meters for 2013, 2014 and 2015, **assuming that the replacements occur only upon meter failure** would be as follows:

Year	Number of Rex 1 meters remaining in field at start of year	Failures (at 0.13%)	Cost @ \$296
2013	216,460	281	\$83,176
2014	216,179	281	\$83,176
2015	215,898	281	\$83,176



## **Interrogatory #7**

Ref: Exhibit B1, Tab 1, Schedule 1, page 7

Hydro Ottawa's evidence at B1, Tab 1 states that the early de-recognition of the Rex 1 meters is primarily due to their limited memory retention of 23 days, and that replacement is necessary to ensure that significant data is not lost due to this limited memory. Hydro Ottawa states that the Rex 2 meters have a memory retention of 230 days.

- a) With the adoption of TOU data available from smart meters and with integration with the provincial MDM/R please indicate the frequency (e.g., daily, hourly, etc.) with which the usage data is read from a smart meter through Hydro Ottawa's AMI system.
- b) Please indicate the delay (e.g., one day) of a customer's consumption data as available on Hydro Ottawa's myHydroLink website at:  
<https://www.hydroottawa.com/account/>.
- c) Please explain why Hydro Ottawa considers the 23 day retention period of the Rex 1 meters to be "limited memory" and what is the significance and benefit of having the smart meter memory record consumption for a period of up to 230 days.

## **Response**

- a) With the adoption of TOU data available from smart meters and with integration with the provincial MDM/R, the frequency with which the usage data is read from a smart meter through Hydro Ottawa's AMI system is as follows:

The Daily Read Schedule runs once daily starting at 12:30 a.m. and is designed to return register readings and interval data from all of our meters (including Rex 1 meters) for the previous twenty four hour period. This schedule typically recovers 24 interval reads, 1 or 5 register readings depending on the type of meter, voltages, statuses, alarms, events, etc.

In addition to the above, the Rex 1 Register Schedule also runs once daily starting at 1:30 p.m. and is designed to return register readings from all Rex 1 meters. This schedule was added when Elster implemented End of Interval Snapshot which increases the number of register readings for the Rex 2 meters. The additional register readings were required to support complex validation of the interval data. The Rex 1 meters were unable to supply End of Interval Snapshots in the same manner as the Rex 2 meters so the additional schedule was required.

- b) Ideally, there is only one day delay in posting data collected in the field to the MyHydroLink website. Data collected before 5:00 a.m. may be posted on the



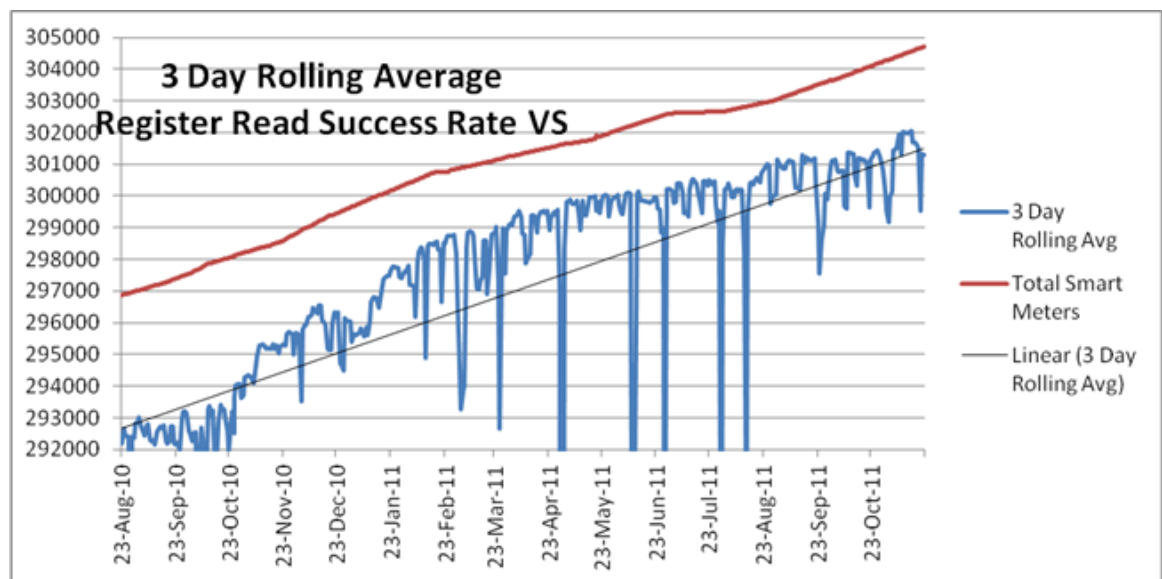
same day. Note that the website does provide the following cautions to customers:

“Recent consumption data is unbilled usage and has not yet been validated by the provincial Meter Data Management and Repository (MDM/R). Once validated consumption data has been obtained, the values may change.”

“Occasionally there may be communication difficulties between the meter and Hydro Ottawa's meter data collectors. Metering data is stored within the Smart Meter and may be collected once the connection is re-established.”

- c) Hydro Ottawa considers the 23 day retention period of the Rex 1 meters to be “limited memory” because there is the risk that staff will not be able to properly identify and follow up on communication problems from the field within that time period and the data will be lost. As a result the customer’s consumption would have to be estimated. With over 313,000 meter points in a city the size of Ottawa, there is neither the bandwidth nor the staff to address data collection issues in the field concurrently. The bandwidth that Hydro Ottawa uses, 900 MHz RF, is not as reliable as cell phone communications and in Ottawa, with its mixture of rural (with great distances) and inner city (with concrete and steel bunkers that limit the penetration of RF signals) there are numerous premises where data is not collected from every meter every day.

The following graph illustrates that even after three days, the number of successful reads (the blue line is significantly less than the total number of meters.





Based on the daily read schedule outlined above, there are tens of thousands of meters not read every day and there are meters that do not get read for multiple days. The significance and benefit of having the smart meter memory record consumption for a period of up to 230 days is that if a communication problem is identified, then there is sufficient time to ensure that an employee can get into the field to identify and fix the problem without the risk of losing data.

Through the chart Metering establishes that there is latency in the reads system. Some parties may consider that a data request with a smart meter is equal to a cell phone call and this is not the case. Further to communications latency in the Local Area Network between node meters are serviceability issues with the Wide Area Network when gate keepers fail to communicate and restoration times may be extended beyond the 23 day period.

Metering reacts quickly to gatekeeper failures yet serviceability challenges related to replacement parts, challenging work sites, gatekeeper memory or performance issues, poor cellular coverage, dropped calls, private property access issues or latency times in the Bell or wireless carriers service chain can delay the restoration of a gatekeeper collector network of connected nodes. There are between 600 – 1000 nodes per gatekeeper. It has been found with some nodes that even with a replaced gatekeeper the node meters may take upwards of a week to re-establish themselves to the gatekeeper.

Responding to communications challenges has become a primary function for Metering where traditionally the effort of the work group was related to the meter accuracy and equitable metering for the customer and the utility. Maintaining a network of 1,370+ gatekeepers and 313,000+ connected smart meter nodes in a time of increasing customer expectations is a challenge.



### **Interrogatory #8**

Ref: Exhibit B1, Tab1, Schedule 1, page 7

Hydro Ottawa states that another factor influencing the decision to replace the meters is the absence of “last gasp” functionality for outage restoration.

- a) Please confirm that Hydro Ottawa has a SCADA system, and describe how it operates to enable Hydro Ottawa to detect and respond quickly and efficiently to service outages.
- b) Please describe the incremental benefits and cost savings of the “last gasp” functionality of the Rex 2 meters to Hydro Ottawa’s outage management procedures.

### **Response**

- a) Hydro Ottawa does have a SCADA system and uses its geographic information system to support outage restoration. SCADA is most effective with larger system outages where system telemetry can be leveraged to restore power during regional and neighbourhood disruptions.
- b) After the larger outages have been restored, last gasp technology aids utilities to pin point those customers not restored as part of the broader problems that have been remediated. Last gasp speeds the restoration process and identifies customers without service that are sleeping, at work or on holidays so are unable to contact us directly.



### **Interrogatory #9**

- a) Are the Rex 1 smart meters fully functional and accurate?
- b) If so, please explain why Hydro Ottawa considers it necessary to replace fully functional and accurate devices prior to failure or end of useful life.
- c) Please explain why Hydro Ottawa considers this to be an appropriate cost to fully recover from ratepayers.
- d) If a Rex 1 smart meter fails before end of life and is replaced by a Rex 2 meter, is Hydro Ottawa proposing that the NBV of the failed meter be written off or recorded for recovery through the proposed DVA? How, in the past, did Hydro Ottawa account for failed meters?

### **Response**

- a) The Rex 1 smart meters are approved for legal trade in Canada and provide a register read that is accurate. However, the meters are not fully functional compared to meters currently being delivered in 2013 that are more feature rich and capable of greater memory retention and other advanced features. The meters installed in 2006 are now eight years old and replacing them over time allows Hydro Ottawa to upgrade technology and continuously improve operations and customer service.
- b) Further to the response provided above in part a), Hydro Ottawa considers it necessary and prudent to replace functional and accurate devices prior to failure or end of useful life because of the lack of functionality in the Rex 1 meters. As described in the response to Board Staff Interrogatory #7, the lack of memory in the Rex 1 significantly affects our ability to ensure that we are able to recover actual data once we respond to the multitude of communication problems we encounter. In addition, as described in the response to Board Staff Interrogatory #8, replacing the Rex 1 meters with Rex 2 meters enables customers to have the benefit that comes from Hydro Ottawa being able to identify a failed meter through the last gasp functionality. Hydro Ottawa believes that it is operating prudently in that it is replacing the Rex 1 meters as they are being visited in the field for other reasons.
- c) Hydro Ottawa believes this to be an appropriate cost to fully recover from ratepayers because Hydro Ottawa was part of the first phase of the Government's Smart Meter initiative and participated in a joint buying group for the Elster Rex 1 meters. The procurement of the smart meters for this first phase was reviewed in the Smart Meter Combined Proceeding, EB-2007-0063. The Decision with Reasons for this proceeding was issued August 7, 2007 and stated "the Board finds that the purchasing decisions of the thirteen utilities involved in this



proceeding have been implemented with the necessary due diligence. The terms of contracts each has concluded with suppliers, including pricing, are prudent.”<sup>1</sup> Hydro Ottawa proceeded to install the Rex 1 meters; however only through operational in-the-field experience did Hydro Ottawa learn of the lack of functionality of the Rex 1 meters and the issues that could affect customers that had this type of meter installed. Hydro Ottawa believes that all customers want to be provided with the level of service that the Rex 2 meter provides and therefore it is appropriate to recover this cost from the rate payers.

- d) Yes, Hydro Ottawa is proposing that the NBV of a Rex 1 smart meter that fails before end of life and is replaced by a Rex 2 meter would be recorded for recovery through the proposed variance account, in the same manner that Hydro Ottawa is proposing that other pooled assets that are removed before the end of their service life be recorded in the variance account. In the past, under CGAAP, this write off would have been absorbed by the pool of similar assets.

---

<sup>1</sup> Ontario Energy Board, Decision with Reasons, EB-2007-0063, August 7, 2007, p.20



## **Interrogatory #10**

Ref: Exhibit B1, Tab 1, Schedule 1, Pages 3, 6, 7  
Addendum to Report of the Board, page 23, (EB-2008-0408)

Hydro Ottawa is requesting the approval of a variance account, with a variance from \$0, for 2013-2015 for the de-recognition of assets that would have been pooled under CGAAP.

- a) Please explain whether Hydro Ottawa's auditors have considered the issue of gains/losses on the de-recognition of pooled assets. If yes, please comment.
- b) Have the 2011 and 2012 losses presented in Table 1 been recognized in Hydro Ottawa's 2012 audited financial statements?
- c) Per the Addendum to the Report to the Board, utilities can apply for a variance account "if they can demonstrate the probability of significant ongoing volatility". Please explain how the gains/losses from the de-recognition of assets meets this criteria.

## **Response**

- a) Hydro Ottawa's auditors did not raise any issues with regards to gains and losses on the de-recognition of pooled assets included in our December 31, 2012 financial statements. Hydro Ottawa's financial statements for the year ended December 31, 2012 have been audited by our Auditors, and in their opinion the financial statements present fairly, in all material respects, the financial position of Hydro Ottawa.
- b) Yes, the 2011 and 2012 losses presented in Table 2 have been recognized in Hydro Ottawa's 2012 audited financial statements.
- c) The ability to demonstrate the probability of significant ongoing volatility for the gains and losses from the de-recognition of previously pooled assets is difficult for the same reasons that it was difficult to forecast the amount to include in the revenue requirement in 2012. In the past under CGAAP, when a pooled asset was removed from service before the end of its useful life, the gain or loss would be absorbed by the pool and not recorded separately. As a result, Hydro Ottawa does not have a good historical record of annual net gains and losses on which to forecast the amount gains and losses. Currently, in rates is an effective gain and loss estimate of \$0. As the evidence has shown, there is a significant and material variance from this estimate in the 2013 forecast results. This is the reason that Hydro Ottawa is asking for the variance account.



With time and additional actual results for the de-recognition of previously pooled assets, Hydro Ottawa will be able to provide a better forecast of the annual impact and therefore the volatility of the forecast will be reduced.



## **Interrogatory #11**

Ref: Exhibit B1, Tab 1, Schedule 1, Pages 3, 6, 7

In Table 2, Hydro Ottawa has included the de-recognition of Rex 1 meters in the request for the variance account. Hydro Ottawa indicated that the de-recognition of the Rex 1 meters is more appropriate related to the transition to International Financial Reporting Standards (“IFRS”):

- a) Please explain whether and how the de-recognition of Rex 1 meters is related to Hydro Ottawa’s transition to IFRS for regulatory accounting purposes.
- b) Please explain why Hydro Ottawa has included the de-recognition of Rex 1 meters in the same variance account requested for the de-recognition of pooled assets instead of treating it as a Z-factor.
- c) Please explain whether the Rex 1 meters are considered stranded assets.
- d) Please indicate the proposed rate setting and regulatory accounting treatments for the Rex 2 meters.
- e) What are the proposed rate setting and regulatory accounting treatments for the Rex 1 and replacement Rex 2 meters if the variance account request is denied.
- f) Please provide a Draft Accounting Order for the proposed variance account.

## **Response**

- a) De-recognition of Rex 1 meters is related to Hydro Ottawa’s transition to IFRS for regulatory accounting purposes. The APH has been updated to recognize IFRS as its basis and requires the recording of like assets by vintage and the accounting of a gain or loss on de-recognition. The previous APH was based on CGAAP which permitted the grouped basis of accounting with no requirement to de-recognize.
- b) Hydro Ottawa has included the de-recognition of Rex 1 meters in the same variance account requested for the de-recognition of pooled assets, however we acknowledge that it would be appropriate for the Rex 1 meters that are removed from the field due to the identified deficiencies (not failure) to be recorded in a subaccount, Please see the response to Energy Probe’s Interrogatory #1 for an explanation of why Hydro Ottawa believes this treatment is preferable to a Z-factor.
- c) Hydro Ottawa’s understanding of the term ‘stranded’ assets is that which is used by the Ontario Energy Board with respect to the dumb meters which were replaced by smart meters. In that situation, the meters that were removed from service were still useable and in some cases were sold to other utilities to be



installed in the field. In this case, Hydro Ottawa does not believe that the Rex 1 meters should be reused and therefore would not qualify as 'stranded'.

- d) The proposed rate settling and regulatory accounting treatment for the Rex 2 meters will be as follows: the Rex 2 meters will be added to net fixed assets in the year in which they are installed and then when Hydro Ottawa brings forward an application for rebasing; these assets would flow into the rate base.
- e) The proposed rate setting and regulatory accounting treatment for the Rex 1 meters if the variance account request is to not include them in rates for 2013 to 2015 and then in 2016, when Hydro Ottawa rebases, include them in the forecast for gains and losses on de-recognition of assets.

The proposed rate setting and regulatory accounting treatment for the installed Rex 2 meters, if the variance account request is denied, is as described above in part d).

- f) Please see the attached Draft Accounting Order for the proposed variance account (account number xxxx to be assigned by the Board).



## **Hydro Ottawa Limited Draft Accounting Order**

Hydro Ottawa Limited shall establish the following variance account and subaccount to record the amounts identified for the period 2013 to 2015 for the de-recognition of assets that previously under CGAAP would have been pooled. Carrying charges will be determined by applying the Board approved rate to the opening monthly balances record in the accounts (exclusive of accumulated interest) from January 1, 2013 to the month prior to the disposition of the balances in rates. The amounts recorded shall be brought forward for disposition in Hydro Ottawa Limited's next Cost of Service rates application.

1. Variance Account xxxx, for the de-recognition of previously pooled assets, with the exception of those included in the subaccount below.

Accounting entry:

Debit Account: (either 4355, Gain on Disposition of Utility and Other Property or 4360, Loss on Disposition of Utility and Other Property)

Credit Variance Account: xxxx

2. Variance Subaccount xxxx for the de-recognition of Rex 1 meters that were removed from the field due to identified deficiencies.

Accounting entry:

Debit Account: (either 4355, Gain on Disposition of Utility and Other Property or 4360, Loss on Disposition of Utility and Other Property)

Credit Variance Subaccount: xxxx