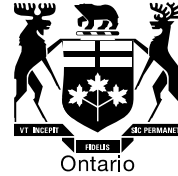


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BY EMAIL

January 16, 2007

To: All Electricity Local Distribution Companies

Re: Stranded Meter Costs Related to the Installation of Smart Meters

On June 13, 2006 the Board issued instructions for the use of variance accounts 1555 and 1556 related to smart meter capital costs and operating expenses. Stranded meter costs were not discussed in that earlier guidance since the smart metering initiative regulations were not issued at the time.

The Board reminds distributors that the functional specification for the advance metering infrastructure ("smart meters") is referenced in O.Reg 425/06 under the *Electricity Act, 1998*, and therefore, the smart metering initiative applies to residential and small general service consumers where the metering of demand is not required.

The Board has approved the use of a new account to record the stranded costs associated with conventional or accumulation meters removed at the time of installation of smart meters. The distributor must have owned these stranded meters prior to January 1, 2006 in accordance with s.28.4 of the *Ontario Energy Board Act, 1998*. Distributors that are currently part of the government's smart metering initiative as referenced in O.Reg. 427/06 and O.Reg. 428/06 under the *Electricity Act, 1998*, will be allowed to record stranded meter costs in this account.

Distributors will report the stranded meter costs in a new sub-account: Smart Meter Capital and Recovery Offset Variance Account 1555, sub-account Stranded Meter Costs. Stranded meter costs are defined as the pooled residual net book value cost of removed meters, less any net sale proceeds when received. Disposition of these costs will be determined in a future proceeding of the Board. Records must also be kept of the type and number of each meter to support the stranded meter costs.

The Board reminds distributors that a return on these assets, or stranded costs, is already embedded in current rates and will continue until the distributor's rates are rebased. Therefore, it would be inappropriate that an interest carrying charge would apply for 2006 or 2007 on this sub-account.

Questions regarding the smart meter accounts should be directed to Duncan Skinner at 416-440-8127. The Board's toll free number is 1-888-632-6273.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary