

November 23, 2012

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

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Parry Sound Power Corporation  
2013 Distribution Rate Application  
Final Reply Submission to VECC  
Board File No. EB-2012-0159/EB-2012-0344**

Please find enclosed Parry Sound Power Corporation's Final Reply Submission to VECC in the above-noted proceeding. We have also directed a copy of the same to VECC.

If you have any questions, please contact the undersigned.

Yours truly,

Miles Thompson  
Vice President, General Manager  
Parry Sound Power Corporation  
125 William Street  
Parry Sound ON.  
P2A 1V9  
705-746-5866 Extension #24

**Parry Sound Power Corporation (“Parry Sound Power”)  
2013 Rates Application  
Reply Submission**

Parry Sound Power Corporation makes reply submissions on the following matters:

- Prudence Review of Smart Meter Costs;
- Recovery of Smart Meter Costs; and
- Cost Allocation & Calculation of Smart Meter Rate Riders

**PRUDENCE REVIEW OF SMART METER COSTS**

In response to Board Staff IR #12, Parry Sound Power discussed its operational efficiencies and cost savings and its expectation to achieve future savings but the nature and timing of these savings are unclear at this time. VECC and Board Staff advise Parry Sound Power to be prepared to address any operational efficiency further in its next cost of service rebasing application. Parry Sound Power is aware that it should be prepared to discuss efficiencies in detail in its 2015 COS filing.

VECC supports Board Staff’s submissions (Page 9) that smart meter procurement and installations should be allocated based on when and how many smart meters are installed in each year to be in line with standard rate setting treatments for smart meters in other applications and with distribution assets generally in cost of service applications. This has been corrected; please see the reply submission to Board Staff dated November 23, 2012.

VECC takes no issue with the quantum or nature of Parry Sound Power’s costs beyond minimum functionality. However, VECC notes that the capital and OM&A costs beyond minimum functionality shown as actuals in response to VECC IR #4 differ from the values shown in the smart meter recovery model, sheet 2, although total costs beyond minimum functionality are constant. Parry Sound Power’s explanation is that the costs in sheet 2 are correct. The costs in the reply submission take the total costs beyond minimum functionality of \$35,989 and allocate this cost to Capital and OM&A beyond minimum functionality based on the percentage split between Capital and OM&A within minimum functionality. So the actual costs beyond minimum functionality for Capital are \$32,893 and for OM&A is \$3,096 for a total of \$35,989.

**RECOVERY OF SMART METER COSTS**

VECC states that 93.7% of Parry Sound Power’s costs in this smart meter application are audited (\$909,431/\$970,143) and that the audited costs conform to the Board’s Guidelines. Parry Sound takes no issue with this and has no further comments.

**COST ALLOCATION & CALCULATION OF SMART METER RATE RIDERS**

VECC agrees with Board Staff that Parry Sound Power’s allocation of the SMFA revenues and interest in accordance with the overall cost allocation is not consistent with the methodology accepted and approved by the Board to allocate the SMFA revenues and interest collected from each customer class

that receives smart meters, directly to that customer. VECC agrees with the SMFA cost allocation methodology proposed in Board Staff IR # 14 (b) and notes that there is a difference in the SMDRs documented in response to Board Staff IR#14(b) compared to the updated SMDRs documented in response to Board Staff IR #17. The differences in the SMDR is due to IR#14(b) SMDR being calculated using the “Guelph Hydro” method, which uses a direct allocation of SMFA revenues and interest, and a 50:50 allocation of residual SMFA and interest collected from other metered customers to the residential and GS<50 kW classes. Board staff IR #17 SMDR were based on the “PowerStream” method, which indirectly allocates SMFA revenues and interest to each rate class based on the revenue requirement allocation, which is the sum of return, amortization, and OM&A. Parry Sound Power is aware that both Board Staff and VECC prefer the “Guelph Hydro” method proposed in Board Staff IR#14(b) and as such will adopt SMDRs based on that method. The SMDRs are produced in Parry Sound Power’s Second Reply Submission to Board Staff dated November 23, 2012.

VECC IR #5 sought the calculation of class specific rate riders based on full cost causality. Parry Sound Power indicated that it was unable to provide separate smart meter revenue requirement models by rate class because it did not record the costs for smart meters on a class specific basis. VECC accepts that Parry Sound Power does not have the costs by rate class to complete individual models to determine the revenue requirement for each rate class to calculate class specific rate riders based on full costs causality. VECC submits the PowerStream cost allocation methodology is appropriate for SMIRRs but not for SMDRs. As Parry Sound indicated above, the “Guelph Hydro method” will be used for calculating SMDRs and the “PowerStream method” for SMIRRs. See Parry Sound Power’s Second Reply Submission to Board Staff for class-specific SMDRs and SMIRRs, updated bill impacts, and updated Tariff Sheet.

Respectfully submitted this 23<sup>rd</sup> day of November 2012.