Ontario

ONTARIO ENERGY BOARD

STAFF SUBMISSION

2009 ELECTRICITY DISTRIBUTION RATES

Rideau St. Lawrence Distribution Inc.

EB-2008-0210

January 29, 2009

INTRODUCTION

Rideau St. Lawrence Distribution Inc. ("RSL") submitted an application on November 6, 2008, seeking approval for changes to the rates that RSL charges for electricity distribution, to be effective May 1, 2009. The application is based on the 2009 3rd Generation Incentive Regulation Mechanism ("2009 3rd Gen. IRM"). On December 23, 2008, Board Staff filed interrogatories. On January 19, 2009, RSL responded to these interrogatories.

The purpose of this document is to provide the Ontario Energy Board (the "Board") with the submissions of Board staff based on its review of the evidence submitted by RSL.

SMART METERS

Background

RSL has provided evidence that it is authorized under paragraph 8 of section 1(1) of O.Reg 427/06 to conduct smart meter activities within its service area. RSL has also indicated that it intends to install smart meters in 2009.

RSL has requested an amount of $1.00 in a smart meter funding adder to support RSL's deployment of its smart metering program. RSL states in its manager's summary that the total capital budget:

"includes an allocation for an Operational Data Store (ODS) required for testing, validation and network functionality. This is similar to a temporary MDMR. Some of the ODS functionality might be interpreted as SME functions, but the ODS should be considered a requirement in order to ensure that AMI regulatory requirements can be met while deploying the Smart Meter network."

RSL believes that the ODS system is necessary to meet Advanced Metering Infrastructure (“AMI”) regulatory requirements set out by the Ontario Ministry of Energy in Ontario Regulation 425/06, “Criteria and Requirements for Meters and Metering Equipment, Systems and Technology,” which refers to a document titled, “Functional Specification for An Advanced Metering Infrastructure Version – 2” dated July 5, 2007 (the “AMI Specification”).

RSL refers to the minimum performance requirements of the AMI system found in Section 2.3 of the AMI Specification and states that “these performance requirements can not be monitored through the [Advance Metering Control Computer] as the AMI head end system performs no validation of data quality.” Consequently, RSL states that an ODS system is required to act as a temporary meter data management / meter data repository (“MDMR”), until the time when RSL has been activated on the centralized MDMR system administered by the Smart Metering Entity (“SME”).

Discussion and Submission

Board staff notes that the $1.00 smart meter funding adder is a tool designed to provide advanced funding, thus mitigating the expected rate impact of smart meter costs when recovery of these costs will be approved by the Board. Approval of a smart meter funding adder does not constitute regulatory approval of any costs actually incurred to conduct smart metering activities. The prudence of costs incurred to conduct smart meter activities will be reviewed at the time at which the distributor applies to recover them.

Board staff submits that RSL’s application for the approval of a smart meter funding adder does not include a request to review the prudence of the costs anticipated to be incurred. At this time, it is not entirely clear to Board staff that the costs for the ODS system would be recoverable. However, the Board will comprehensively review the prudence of the ODS system at the time when RSL applies to recover these costs.

With regard to the $1.00 smart meter funding adder per se, Board staff submits that RSL has provided evidence in accordance with the Guideline G-2008-0002, “Smart Meter Funding and Cost Recovery” dated October 22, 2008 (the “Guidelines”). As such, Board staff submits that the $1.00 smart meter funding adder request is appropriate and substantiated.

Board staff notes that RSL should record the revenues collected by the smart meter funding adder in the appropriate 1555 sub-account and maintain comprehensive records of all expenditures related to the installation of smart meter technologies in other 1555 sub-accounts as directed in the appendices of the Guidelines.

All of which is respectfully submitted.