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July 14, 2010

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

Dear Ms. Walli:

**Re: Atikokan Hydro Inc.  
2010 Smart Meter Funding Adder Application  
Response to Board Staff Submission [July 7, 2010]  
Board File No. EB-2010-0185**

Atikokan Hydro Inc. ("Atikokan") is pleased to submit to the Ontario Energy Board (the "Board") its responses to the Board Staff submission [July 07, 2010] regarding our application EB-2010-0185. This response includes comments on both the Board's response to Atikokan's response to board interrogatories and VECC's response to Atikokan's response to VECC interrogatories.

Atikokan's 2010-0185 Utility-specific Smart Meter Funding Adder application correspondence will be sent to you in the following form:

- (a) Electronic filing through the Board's web portal at [www.errr.oeb.gov.on.ca](http://www.errr.oeb.gov.on.ca), consisting of one (1) electronic copy of the application in searchable /unrestricted PDF format and
- (b) Two (2) paper copies of the application along with a CD of the above (item (a)).

We would be pleased to provide any further information or details that you may require relative to this application.

Yours truly,

A handwritten signature in cursive script, appearing to read "Wilf Thorburn".

Wilf Thorburn  
CEO/Secretary/Treasurer  
Atikokan Hydro Inc.

**ATIKOKAN HYDRO INC.**

**REPLY SUBMISSION**

**2010 DISTRIBUTION SMART METER**

**RATE ADDER APPLICATION**

**Atikokan Hydro Inc.**

**EB-2010-0185**

**July 14, 2010**

## **Introduction**

Atikokan Hydro Inc. (“Atikokan” or the “Applicant”) is a licensed electricity distributor that owns and operates an electricity distribution system in the Town of Atikokan. Atikokan serves approximately 1,679 customers, of which 1452 are residential customers and 227 are general service customers with a demand less than 50kW.

On May 6, 2010, Atikokan filed with the Ontario Energy Board (the “Board”) an application (the “Application”) requesting an increase to its utility-specific smart meter funding adder from \$1.00 to \$4.88.

On May 21, 2010, the Board issued a Notice of Application. The Board received one intervention from the Vulnerable Energy Consumers Coalition (“VECC”). On June 14, 2010, the Board issued Procedural Order No. 1. Board staff and VECC posed interrogatories (“IRs”) to Atikokan on June 18, 2010. On June 29, 2010, Atikokan filed with the Board its responses to the interrogatories from Board staff and VECC.

This reply submission is in response to the submission made by Board staff and VECC regarding Atikokan's proposed smart meter funding adder of \$4.88 per month per metered customer. Since Board staff and VECC address different issues in their submissions Atikokan will reply to Board staff's submission and then to VECC's submission.

## **Atikokan's Reply to Board Staff's Submission**

In Board Staff's submission under the discussion of Board staff's Option 1, Board staff notes that a funding adder of \$4.88, which is calculated using a typical year revenue requirement over 12 months based on available data, would be reflective of the ongoing monthly cost to customers once smart meters are fully deployed. Board staff submits that collecting a funding adder of \$4.88 over 22 months would mitigate the anticipated rate impact of smart meter costs when Atikokan applies for cost recovery, as part of its cost of service rebasing application expected for 2012 rates. Nevertheless, Board staff notes that a smart meter funding adder of \$4.88 is unprecedented. The highest smart

meter funding adder approved by the Board for a compatible distributor was \$2.91 for Sioux Lookout (in *Decision and Order EB-2009-0249*.)

In Board staff's discussion under Option 3, Board staff outlined that in its *Decision with Reasons* of March 21, 2006, the Board found that utilities that had installed meters and requested rate relief should be allowed \$3.50 per meter per month during the rate year that the meter was installed, based on what was known about smart meter technology at that time. There has been significant passage of time since then and better information on the technology and the manufacturing requirements and costs; in addition, costs have been subject to inflationary pressures. However, while the \$3.50 then calculated was based on limited information and is subject to a wide margin of error, and does not take into account each distributor's unique circumstances, it has proven to be a useful benchmark to date. Atikokan's smart meter funder adder application is the first application that has requested a funding adder in excess of the \$3.50. However, Board staff submits a smart meter funding adder of \$3.50 per month per metered customer may be reasonable.

In Atikokan's view the evidence and cost analysis that supports the proposed smart meter funding adder of \$4.88 is sound and reasonable. However, Atikokan does recognize that a smart meter funding adder of \$4.88 is unprecedented. In addition Atikokan understands that Board staff is concerned that some of the costs included in the requested \$4.88, such as the costs associated with the support from Thunder Bay Hydro for the CIS and billing system, may not be completely smart meter related. In order to alleviate these concerns and in the spirit of cooperation, Atikokan submits it agrees with Board staff that a smart meter funding adder of \$3.50 per metered customer per month may be more appropriate at this time.

**Atikokan's Reply to VECC's Submission**

In summary VECC has made the following three submissions:

1. That Atikokan provide more information in its next case on its actual capital (including installation) and operating costs for 2009 residential and commercial meter costs in order to support its claim of identical costs for residential and commercial meters. For 2010/11 costs similar support should be provided.
2. That the Board Direct Atikokan to track and record Smart Meter Capital and Operating costs in smart meter variance accounts 1555 and 1556 separately for each of the Residential GS<50kw and GS>50kw rate classes, and that an appropriate allocation of Common Costs also be recorded by class.
3. That the proposed Residential Smart Meter Funding adder is on the high side, especially given the addition of HST to customer's utility bills. It should be reduced by collection over a longer period, in the range of 34-46 months.

With respect to VECC submission #1, VECC states in its submission that it does not accept Atikokan's evidence that the procurement and installation costs for the Residential meters and Commercial meters (GS<50 kw) are identical. VECC further states that no support has been provided for this claim, which is at odds with evidence from other utilities.

Atikokan respectively submits that support for the claim that all meters installed to date cost the same is provided in the evidence. In response to VECC IR#1, Atikokan stated 1,452 Residential smart meters and 159 Commercial smart meters have been installed in 2009. The cost of these 1,611 meter is \$394,000. All meters installed in 2009 are the same. As outlined in response to OEB staff IR# 1c all these meters are Rex 2 meters. The capital cost of \$394,000 was used to develop the proposed smart meter funding adder of \$4.88.

Atikokan is concerned with the following statement by VECC – "*which is at odds with the evidence from other utilities*". VECC has not provided within its submission the names of these other utilities. As a result, Atikokan is unable to test the evidence of these other utilities to validate VECC's position. To the best of Atikokan's ability it attempts to keep abreast of regulatory issues from the OEB but when a claim is made about other utilities Atikokan, in this case, is not aware of the identity of the other utilities. When the submission is not supported with the names of the other utilities it is not prudent for Atikokan to incur the cost to research each smart meter application from distributors in the province to substantiate and test the claim.

Atikokan does not agree with VECC's position to separate and track cost between residential and commercial customer as this will cause additional administrative burden and cost to do so. In addition, it is Atikokan's understanding that the Board has not requested distributors to track smart meter costs by class in the guidance that it has given to date. However, if the Board should decide to agree with VECC, Atikokan would appreciate the Board providing guidance on how to track cost by class and which Board document indicates that this should be done.

With regards to VECC submission #2, VECC states that it has communicated with Board Staff on this matter. Based on VECC's evidence it appears to Atikokan that VECC did not receive a response to this communication. Nonetheless VECC submits that the Board should direct Atikokan to track and record smart meter costs by class in accounts 1555 and 1556.

Again, Atikokan respectfully submits that it is Atikokan's understanding that the Board has not requested distributors to track costs into accounts 1555 and 1556 by class in the guidance that the Board has provided to date. However, if the Board should decide to agree with VECC, Atikokan would appreciate the Board's guidance on how to track costs by class into accounts 1555 and 1556 and which Board document indicates that this should be done.

With respect to VECC's submission #3, it is Atikokan's view that agreeing with Board staff to a smart meter funding adder of 3.50 per metered customer per month should address VECC's concern with the proposed smart meter funding adder of \$4.88 being on the high side.

### **Conclusion**

In conclusion, as highlighted in Board staff's submission the costs to support the smart meter program are significant for a small utility. Atikokan has incurred significant costs to date and the current smart meter funding adder of \$1.00 per month per metered customer does not recover, by a large margin, the revenue requirement for installed smart meters. Atikokan submits that the requested \$4.88 is supported by the evidence and would be more reflective of the ongoing monthly cost to the customer once smart meters are fully deployed and included in rate base and Atikokan's revenue requirement. In Atikokan's view, denying an increase to the smart meter recovery at this time will increase the amounts to be recovered from Atikokan's ratepayers eventually and increase rate impacts in a subsequent application. However, in the spirit of cooperation and to address the concerns of Board staff and VECC Atikokan suggests that a smart meter funding adder of \$3.50 per month per metered customer would be reasonable at this time.