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Ontario

BY E-MAIL

August 09, 2010

KirstenWalli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th floor
Toronto ON M4P 1E4

Dear Ms. Walli:

Re: PowerStream Inc.
2010 Smart Meter Cost Recovery Application
Board File No. EB-2010-0209

Please find attached Board staff interrogatories for the above proceeding. Please forward the attached to PowerStream Inc. and all other parties to this proceeding.

Yours truly,

Original signed by

Birgit Armstrong
Analyst, Electricity Rate Applications

Attachment

Board Staff Interrogatories
2010 Smart Meter Cost Recovery Application
PowerStream Inc.
EB-2010-0209

1) Ref: Application, pp. 15 and 19 – Smart Meter Costs and Disposition Rider

PowerStream states that the costs shown in Table 1: Summary of Smart Meter Costs, on page 15, with the exception of the projected 2010 OM&A costs related to 2008 and 2009 smart meters, are actual costs taken from PowerStream's financial records as at December 31, 2009. *Guideline G-2008-0002: Smart Meter Funding and Cost Recovery*, issued October 22, 2008 states that "when applying for recovery of smart meter costs, a distributor should ensure that all cost information has been audited, including the smart meter related deferral account balances".

a) Please provide further explanation why projected 2010 OM&A costs, that are neither actual nor audited, are included in the calculation of the smart meter revenue requirement.
b) Please provide a description of the OM&A costs incurred and confirm that these costs are incremental to the OM&A expenses that are recovered through distribution rates.

2) Ref: Application. pg. 19 – Smart Meter Actual Cost Recovery Calculation

In Table 4 on page 19, PowerStream documents the calculation of the smart meter disposition rate rider. The table summarizes the revenue requirement from January 1, 2008 to October 31, 2010, related to smart meters installed in 2008 and 2009. This revenue requirement is offset by revenues received from the smart meter funding adder collected over the period January 1 2008 to April 30, 2010, and carrying costs for the same time period.

a) Please explain why PowerStream feels it is appropriate to have different time periods for the revenue requirement calculation and the offsetting funding adder revenues, respectively.
b) Please provide a similar table to Table 4, but calculating the total revenue requirement, including OM&A costs, as well as the funding received through the smart meter funding adder plus carrying costs based on audited costs as of December 31, 2009.

3) Ref: Application, pg. 15 – Smart Meter Costs

a) Please provide a breakdown by customer class of smart meter deployment in the South rate zone for 2008 and 2009.

b) Please provide a breakdown of actual smart meter costs per customer class for meters deployed in the South zone as of December 31, 2009, showing:
   i) Capital expenses;
   ii) One-time operating expenses; and
   iii) On-going operating expenses as of December 31, 2009.
c) Please provide a detailed explanation for each of these types of costs referred to in part b).

4) Ref: Application, pg. 12 and Appendix 3, pg. 5 – Smart Meter Capital Cost per Meter

On page 12, PowerStream states that the average capital cost per meter is $137.43, which 'compares favourably to the sector average capital cost of $186.76 derived from the "Sector Smart Meter Audit Review Report" issued by the OEB Regulatory Audit and Accounting Group on March 31, 2010.' On page 5 of Appendix 3 the Applicant shows smart meter capital costs of $536.30 per meter for smart meters remaining to be deployed in 2010. Please provide a further explanation for the increase in smart meter capital costs per meter for the remainder of smart meters to be deployed in 2010 compared with the costs of smart meters installed from 2006 to the end of 2009.

5) Ref: Application, pg. 15 – Smart Meter Costs

In Table 1: Summary of Smart Meter Costs, PowerStream is showing Smart Meter and AMI costs of $18.3 million and CIS costs of about $600,000. Please provide a breakout of costs for smart meters, AMI, and other systems based on Appendix A of the Board's Decision with Reasons EB-2007-0063, issued August 8, 2007.

6) Ref: Application p.18 – Stranded Meter Costs and Appendix 1, p. 2

PowerStream states that, as of December 31, 2009, PowerStream had replaced 203,790 conventional meters with Smart Meters. PowerStream further stated that proceeds on the scrapped meters are captured in account 1555 as an offset to the costs in the deferral account, in accordance with the Board's *Guideline G-2008-0002* and the Board's January 16, 2007 letter to distributors on stranded meter costs rated to the installation of smart meters.

a) Has PowerStream realized any other efficiencies or avoided costs due to the conversion to smart meters?
b) If yes, please identify and describe any such efficiencies or avoided costs.
c) Please describe how any efficiencies and avoided costs are used to offset OM&A expenses used to derive the incremental revenue requirement calculation, such as shown on page 2 of Appendix 1. If efficiencies and avoided costs have not been reflected in the calculation of the incremental revenue requirement recoverable for installed smart meters, please explain PowerStream's reasons for such treatment.

7) Ref: Application, pg.21 – Smart Meter Cost Allocation

On page 10, PowerStream states that, in 2010, it plans to install another 100,500 smart meters, at a total cost of approximately $26.8 million, for both the South and North rate zones. These installations include most of the more complex and costly general service/commercial smart meter replacements. Appendix 3documents 30,500 installations in the South rate zone in the spreadsheet to derive the new Smart Meter Funding Adder. This is composed of 9,500 residential meters, 18,000 GS<50 kW meters and 3,000 meters for the GS>50 kW customer class.

a) Do any of these installations involve replacement of interval meters used by customer classes other than residential and GS<50 kW with smart meters?
b) If yes, how many?
c) Does PowerStream's AMI system interface with or collect information from interval meters used by customers in classes other than Residential or GS<50 kW? If so, please explain.

8) Ref: Application, pp. 21-22, Appendix 2

PowerStream stated that it has allocated a revenue requirement of $4.1 million between the Residential and the GS< 50 kW customer classes which received the meters covered by the disposition rate rider. PowerStream further states that the revenue requirement has been allocated as follows:

- Return (deemed interest plus return on equity) and Amortization have been allocated between the customer classes based on the capital costs of the meters installed for each class;
- OM&A has been allocated based on the number of meters installed for each class;
- PILs have been allocated based on the revenue requirement allocated to each class before PILs.

a) Please confirm that smart meter costs per customer are identical between the Residential and GS<50 kW customer classes.
b) If not, please provide a breakdown of costs per customer in their respective classes and explain the differences.
c) Please elaborate on the cost allocation methodology used by PowerStream in this application. In particular, please explain the derivation or rationale for how the different allocators were determined for PILs, OM&A and Return and Amortization.
d) Please describe the cost allocation approach used in previous applications by PowerStream for smart meter cost recovery (i.e., in the combined Smart Meter proceeding (EB-2007-0063) and PowerStream's 2009 smart meter cost recovery (EB-2008-0244)).

e) If the approach used in d) above differs from the approach proposed in the instant application, please explain why PowerStream feels that it is appropriate to change cost allocation methodologies at this time.

9) Ref: Application p. 24 – Rate Change Summary and Bill Impacts

On page 24, table 8, PowerStream shows total change for other metered customers of $0.87. This represents a reduction of $0.94 from the current smart meter funding adder of $1.81.

a) Please provide a table showing the smart meter funding collected through the funding adder from January 1, 2006 to April 30, 2010 per customer class for all customer classes.
b) Please explain why PowerStream has not proposed to allocate costs between classes when calculating the Smart Meter Disposition Rate Rider.

10) Ref: Application p. 18 – Stranded Meter Costs

At the above reference, the Applicant states, "PowerStream is not seeking disposition of its stranded meter costs. PowerStream continues to recover these costs by including the net book value of stranded meters in its rate base for rate-making purposes, as recommended by the Board in its Decision with Reasons in the Combined Proceeding."

a) Please confirm whether the stranded meter costs noted above refer to all of PowerStream's stranded costs since the initiation of its smart meter deployment program or just the stranded costs associated with the period that is the subject of this application.
b) Please provide an explanation on why PowerStream is not seeking disposition of its stranded meter costs given the fact that the stranded meter assets which are currently included in PowerStream's rate base are not "used and useful" in the regulatory context.
c) Please confirm whether or not PowerStream is currently tracking its stranded meter costs in the established sub-account as per the Board's guidance issued on January 16, 2007. If not, please explain.
d) Please confirm if PowerStream is tracking and recording the depreciation for the stranded meter assets. If so, please identify the amounts as of December 31, 2009, and the accounts or sub-accounts under which they are being recorded.
e) Please identify when PowerStream expects to seek final rate recovery approval of its stranded meter costs.

11) Ref: Letters of Comment

a) Following publication of the Notice of Application, did PowerStream receive any letters of comment?

b) If so, please confirm whether a reply was sent from PowerStream to the author of the letter. If confirmed, please file that reply with the Board.
c) If not confirmed, please explain why a response was not sent and confirm if PowerStream intends to respond.