



January 13, 2011

**BY RESS AND BY COURIER**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
27th Floor  
Toronto, ON  
M4P 1E4

**Re: EB-2010-0292 Interrogatory Responses for Horizon Utilities'  
Application for a Smart Meter Funding Adder**

Please find enclosed Horizon Utilities' responses to Board staff interrogatories in respect of Horizon Utilities' Application for Smart Meter Funding Adder.

Should you have further questions or concerns, please do not hesitate to contact me.

Yours Truly,

*Original signed by Indy J. Butany-DeSouza*

Indy J. Butany-DeSouza, MBA  
Vice-President, Regulatory and Government Affairs  
Horizon Utilities Corporation  
Tel: (905) 317-4765

**HORIZON UTILITIES CORPORATION (“HORIZON UTILITIES”)  
RESPONSES TO  
BOARD STAFF INTERROGATORIES  
DELIVERED January 13<sup>th</sup>, 2011**

**Question 1**

**Reference: Responses to Letters of Comment**

Following publication of the Notice of Application, the Board has received three letters of comment with respect to Horizon Utilities Corporation’s (“Horizon’s”) application for a Smart Meter Funding Adder.

- a)** Please confirm whether Horizon sent a reply to the author of the each of the letters of comment.
- b)** If confirmed, please file each reply with the Board.
- c)** If not confirmed, please explain why a response was not sent, and confirm if Horizon intends to respond. If it does not, please explain.

**Response:**

- a)** Horizon Utilities did not reply to the author of each of the three letters of comment with respect to Horizon Utilities’ Application for a Smart Meter Funding Adder.
- b)** Please refer to the reply 1a)
- c)** There are currently four letters of comment in the Ontario Energy Board’s (“OEB”) web drawer under EB-2010-0292. Horizon Utilities wishes to advise that of the four letters, the letter from Customer “Robinson” relates to Horizon Utilities’ 2011 EDR Cost of Service Application which is also currently before the OEB. Horizon Utilities did not reply to the three letters of comment that were filed by customers in respect of Horizon Utilities’ Application for a Smart Meter Funding Adder. The letters were filed

1 with the OEB only and were not sent to Horizon Utilities directly. Horizon Utilities did  
2 have direct contact with Customer "Gibbon;" Horizon Utilities' Director of Corporate  
3 Communication had a telephone conversation with Customer "Gibbon". In that verbal  
4 discussion, Customer "Gibbon" raised similar issues as those raised in the letter filed  
5 with the OEB on November 26, 2010. Customer 'Gibbon' expressed concerns with  
6 respect to the Smart Meter Funding Adder Application relative to broader policy agenda  
7 items of the Ontario government in regards to smart meters. Horizon Utilities' Director  
8 Corporate Communications advised Customer 'Gibbon' that she could submit her views  
9 in written format to the Ontario Energy Board, as per the Application process.

10 In the telephone conversation with Customer "Gibbon", Horizon Utilities' Director of  
11 Corporate Communications provided an explanation of the LDC billing requirements to  
12 Customer "Gibbon". Following the telephone conversation, Customer "Gibbon"  
13 provided a letter dated December 9, 2010 to Horizon Utilities' Director of Corporate  
14 Communications. Customer "Gibbon" indicated that such letter (attached to this  
15 response as Appendix C) was subsequent to their verbal discussion and that in fact, her  
16 "comments have been sent to the Ontario Energy Board."

17 While each of the three letters noted is filed in response to Horizon Utilities' Application  
18 for a revised Smart Meter Funding Adder, in fact in examination of the letters, the  
19 customers directed their comments in opposition to the broader policy agenda of the  
20 Ontario government.

21 The comments oppose: i) the government's policy decision to implement smart meters  
22 without public support, ii) the change in commodity pricing to Time-of-Use ("TOU") rates  
23 and iii) the hours of the day associated with the on-peak, mid-peak and off-peak pricing  
24 periods under the TOU rate structure. The letters proceed to voice opposition to the  
25 introduction of the Harmonized Sales Tax ("HST"). Further, comments are directed at  
26 the manner in which information is conveyed on the standardized utility bills across the  
27 province. The letters of comment oppose the ongoing debt retirement charge and  
28 address the lack of clarity of charges as they are presented on the standardized bill.

1 As noted above, the aforementioned letters were sent directly to the Board and Horizon  
2 Utilities therefore did not have customer specific contact information in order to be able  
3 to reply. Further, as the letters were largely directed at comments on government  
4 policy, Horizon Utilities does not find it appropriate to respond to customers on such and  
5 believes that this is best left to the Board.

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## Appendix C

16 East 24th St.,  
Hamilton, On. L8V 2x7  
December 9, 2010

Horizob Utilities,  
PO Box 2249, Station LCD 1  
Hamilton, On. L8N 3E4

ATTENTION: Tony Iavarone

Dear Sir:

When I noticed recently in the Hamilton Spectator, your notice of application for an Electricity Distribution Rate Change, I checked my most recent bill, but could find nothing called 'Distribution Rate', or 'Smart Meter Addder funding'. I subsequently spoke to you about this add wish to make the following points:

1. Terminology: why use two terms which are not on the bill, or explained on the reverse. Reference to the back of the bill was no help at all!
2. Smart Meter Funding Adder: This is a mystery item. No such item appears on the bill, yet it seems that we have been paying \$2.56 per month for this, without our knowledge. Were we informed when these meters were installed that there would be a charge for them? Did we have any choice? Is this a sort of rental fee for the meter, or will we eventually pay it off? If so, when? Rather than pay a monthly fee, I would prefer to buy the meter outright, as I did with the water meter, but I am informed that this is not possible. I could probably save some money by paying for it 'up front' These meters are causing enough upheaval in our daily/weekly routines, without adding insult to injury by making us pay for them - and then increase that by more than 50% per month! What really bothers me most about this is that it appears to have been deliberately hidden from us.
3. The bill itself: The face of the bill (what I owe) is very clearly printed and easy to read, but it is lacking in basic information about what we are being charge for, e.g. the smart meters. Turn the bill over and the print is much more difficult to read - gray print, or faded black? This is a real deterrent to consumers who want to understand the bill. Even when you read it, the terms are not clear (see #1)

I hope you will consider the above from the point of view of the consumer. With electricity rates rising (even the off peak rate is higher than we were paying), the upheaval caused by the new meters, and most of all, the application of the HST to electricity usage - a necessary utility which should not be taxed, consumers, particularly those on fixed and/or low incomes, like seniors, are hurting, angry and frustrated, especially when we have so little choice or control.

Finally, the timing of your application for a rate increase is unfortunate, to say the least, and not conducive to good public relations.

My comments have been sent to the Ontario Energy Board.

Yours very sincerely

*Shirley E. Gibben*  
Shirley E. Gibben

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**Question 2**

**Reference: Ref: Appendix A: Smart Meter Cost Recovery Model**

If available please provide a copy of the Smart Meter Cost Recovery Model in Appendix A in working form in Microsoft Excel format.

**Response:**

Please refer to Appendix A to this document for the Smart Meter Cost Recovery Model in a working form in Microsoft Excel format.

As part of a review of all Smart Meter related expenditures incurred to date, \$833,165 in fixed assets have been reclassified to the Smart Meter variance account in fiscal 2010. Such assets were acquired in a prior year.

The reclassification has been reflected in the Smart Meter Cost Recovery Model in the 2009 rate year as the reclassification is applicable to a prior period. Such change results in a revised rate rider of \$2.47, an increase of \$0.02 from the previously calculated adder. No other changes have been to the model. This updated model will be used to apply the changes requested in IR # 4 and 5.

A working model of the Smart Meter Cost Recovery Model with this change applied is attached as Appendix B.

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**Question 3**

**Reference: Appendix A: Smart Meter Cost Recovery Model**

On page 26, Horizon provides its calculations for the 2010 forecast year. Under “Return on Rate Base”, Horizon has used a deemed short-term debt rate of 2.07% and an equity rate (“Return on Equity” or “ROE”) of 9.85%.

These are the Cost of Capital parameters published by the Board on February 24, 2010 <sup>1</sup>for use in Cost of Service applications for 2010 rates with dates effective May 1, 2010, in accordance with the methodologies documented in the *Report of the Board on the Cost of Capital for Ontario’s Regulated Utilities* (the “Cost of Capital Report”) (EB-2009-0084), issued December 11, 2009.<sup>2</sup>

Section 5.1 of the Cost of Capital Report states:

The policy set out in Chapter 4 of this report will come into effect for the setting of rates, beginning in 2010, by way of a cost of service application.

The Board’s “Minimum Filing Requirements for Natural Gas Distribution Cost of Service Applications” and the Board’s “Filing Requirements for Transmission and Distribution Applications” are sufficient for the purposes of implementing the policies set out in

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<sup>1</sup> [http://www.oeb.gov.on.ca/OEB/\\_Documents/EB-2009-0084/Brdltr\\_2010CostofCapitalParameters\\_20100224.pdf](http://www.oeb.gov.on.ca/OEB/_Documents/EB-2009-0084/Brdltr_2010CostofCapitalParameters_20100224.pdf)

<sup>2</sup> [http://www.oeb.gov.on.ca/OEB/\\_Documents/EB-2009-0084/CostofCapital\\_Report\\_20091211.pdf](http://www.oeb.gov.on.ca/OEB/_Documents/EB-2009-0084/CostofCapital_Report_20091211.pdf)



1 this report. Those requirements include information to be filed in  
2 support of a utility's proposed cost of capital in a cost of service  
3 application. There is no need for additional filing requirements. The  
4 onus is on an applicant to adequately support its proposed cost of  
5 capital, including the treatment of and appropriate rates for debt  
6 instruments. The Board notes that this is being done in cost of  
7 service applications. However, the Board wishes to point out  
8 the increased emphasis that it is placing on applicants to support their  
9 existing and forecasted debt, and the treatment of these in  
10 accordance with the guidelines, or to support any proposed  
11 different treatment.<sup>3</sup>

12  
13 Please provide Horizon's rationale for using the updated cost of capital  
14 parameters for 2010 in this application, given that Horizon is not seeking a  
15 cost of service or prudence review for such costs.

16  
17 **Response:**

18 Horizon Utilities provided its calculations for the 2010 forecast year on page 26 of the  
19 Smart Meter Funding Adder Application, in which a deemed short-term debt rate of  
20 2.07%, a long-term debt rate of 6.1% and an equity rate ("Return on Equity" or "ROE")  
21 of 9.85% were used. Such rates were used as they are consistent with that which was  
22 filed in Horizon Utilities' 2011 Electricity Distribution Rate Application (EB-2010-0131)  
23 (Exhibit 5, Tab 1, Schedule 1, Pages 1-3).

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<sup>3</sup> *Report of the Board on the Cost of Capital for Ontario's Regulated Utilities*, EB-2009-0084,  
December 11, 2009, page 61

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**Question 4**

**Reference: Appendix A: Smart Meter Cost Recovery Model**

On page 27, Horizon provides its calculations for the 2011 forecast year. Under “Return on Rate Base”, Horizon has used a deemed short-term debt rate of 2.07% and an equity rate (“Return on Equity” or “ROE”) of 9.85%. As noted above in Board staff IR # 3, these are the updated Cost of Capital parameters for 2010 in accordance with the Cost of Capital Report.

On November 15, 2010, the Board issued a letter<sup>4</sup> announcing updated Cost of Capital parameters for Cost of Service applications for 2011 rates with an effective date of January 1, 2011. The applicable parameters are:

Deemed Short-term Debt Rate	2.43%
Deemed Long-term Debt Rate	5.48%
Return on Equity	9.66%

Horizon has a Cost of Service application before the Board for 2011 rates. Please provide a version of the Smart Meter Cost Recovery Model that reflects the updated Cost of Capital parameters, as applicable, for the 2011 forecast year.

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<sup>4</sup>[http://www.oeb.gov.on.ca/OEB/Documents/2011EDR/Ltr\\_Jan1st\\_Cost\\_of\\_Capital\\_Parameters\\_20101115.pdf](http://www.oeb.gov.on.ca/OEB/Documents/2011EDR/Ltr_Jan1st_Cost_of_Capital_Parameters_20101115.pdf)

**Response:**

As noted in Horizon Utilities' response to Board staff interrogatory #2, Horizon Utilities has updated the Smart Meter Cost Recovery Model and has used the updated model as its basis for response to this interrogatory.

Page 26 of the Smart Meter Cost Recovery Model that reflects the updated Cost of Capital parameters, as applicable, for the 2011 forecast year is included below. It indicates the changes in the parameters as requested.

With the implementation of the change in the Cost of Capital parameters, and based on the incorporation of the \$833,165 reclassification adjustment to 2009, the smart meter funding adder decreases to \$2.45.

Horizon Utilities Corporation			
2010 Smart Meter Rate Rider Application			
Revenue Requirement Calculations			
<b>Average Fixed Asset Values</b>	<b>Forecast 2011</b>		
OH & UG Services	\$ -		
General Office	\$ 39,073		
Building Renovations	\$ -		
Smart meters	\$ 21,972,631		
Computer Hardware	\$ 327,468		
Computer Software	\$ 352,653		
Stores & Tools	\$ 16,939	\$ 22,708,764	
<b>Working Capital</b>			
Operation Expense	\$ 1,680,309		
14% Working Capital	\$ 235,243	\$ 235,243	
<b>Smart Meters Fixed Assets in Rate Base</b>		<b>\$ 22,944,008</b>	
<b>Return on Rate Base</b>			
Deemed Debt - Long Term	56%	\$ 12,848,644	
Deemed Debt - Short Term	4%	\$ 917,760	
Deemed Equity	40%	\$ 9,177,603	
		<b>\$ 22,944,008</b>	
Weighted Debt Rate - Long Term	5.48%	\$ 704,106	
Short Term Debt Rate	2.43%	\$ 22,302	
Equity Rate	9.66%	\$ 886,556	
<b>Return on Rate Base</b>		<b>\$ 1,612,964</b>	\$ 1,612,964
<b>Operating Expenses</b>			
Incremental Operating Expenses			\$ 1,680,309
<b>Amortization Expenses</b>			\$ 1,945,344
Revenue Requirement before PILs			<b>\$ 5,238,617</b>
<b>Calculation of Taxable Income</b>			
Incremental Operating Expenses			\$ (1,680,309)
Depreciation Expense			\$ (1,945,344)
Interest Expense			\$ (726,407)
<b>Taxable Income for PILs</b>			<b>\$ 886,556</b>
<b>Grossed up PILs</b>			449,438
Revenue Requirement before PILs			5,238,617
Grossed up PILs			449,438
<b>2010 Revenue Requirement for Smart Meters</b>			<b>5,688,055</b>
<b>2010 Smart Meter Rate Adder</b>			
Revenue Requirement for Smart Meters			5,688,055
March 2009 Total Metered Customers			232,482
Annualized amount required per metered customer			24.47
Number of months in year			12
2010 Smart Meter Rate Adder			2.04
<b>Smart Meter Deferral Account Balance - PILs Calculation</b>			
<b>Income Tax</b>			
Net Income	886,556		
Amortization	1,945,344		
CCA	- 1,858,057		
Revised Taxable Income	973,843		
Tax Rate	31.00%		
Income Taxes Payable	301,891		
<b>Ontario Capital Tax</b>			
Smart Meter Related Fixed Assets	23,829,355		
Less: Exemption	-		
Deemed Taxable Capital	23,829,355		
Ontario Capital Tax Rate	0.150%		
<b>NET OCT Amount</b>	<b>11,915</b>		
	<b>PILs Payable</b>	<b>Gross Up</b>	<b>Grossed Up PILs</b>
Change in Income Taxes Payable	301,891	31.00%	437,524
Change in OCT	11,915		11,915
PIL's	313,806		449,438

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**Question 5**

**Reference: Ref: Appendix A: Smart Meter Cost Recovery Model**

On page 27, Horizon provides its calculations for the 2011 forecast year. Under “Smart Meter Deferral Account Balance – PILs Calculation”, Horizon calculates an Ontario Capital Tax (“OCT”) expense of \$11,591, calculated as 0.150% of Smart Meter-Related Fixed Assets of \$23,182,135.

The Ontario Capital Tax was eliminated effective July 1, 2010.

- a)** Please explain Horizon’s rationale for including an OCT expense in the 2011 calculations.
- b)** Please update the Smart Meter Cost Recovery Model to reflect the elimination of the OCT in the 2011 forecast year.

**Responses:**

- a)** Horizon Utilities included the OCT expense in the 2011 calculations in error.
- b)** As noted in Horizon Utilities’ response to Board staff interrogatory #2, Horizon Utilities has updated the Smart Meter Cost Recovery Model and has used the updated model as its basis for response to this interrogatory.  
  
Page 27 of the Smart Meter Cost Recovery Model has been updated to remove the OCT expense. When this change is applied in addition to the Cost of Capital parameters as requested in Interrogatory #4 and the reclassification of assets in

1        2009, the smart meter funding adder remains unchanged at \$2.45.

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Horizon Utilities Corporation			
2010 Smart Meter Rate Rider Application			
Revenue Requirement Calculations			
<b>Average Fixed Asset Values</b>	<b>Forecast 2011</b>		
OH & UG Services	\$ -		
General Office	\$ 39,073		
Building Renovations	\$ -		
Smart meters	\$ 21,972,631		
Computer Hardware	\$ 327,468		
Computer Software	\$ 352,653		
Stores & Tools	\$ 16,939	\$ 22,708,764	
<b>Working Capital</b>			
Operation Expense	\$ 1,680,309		
14% Working Capital	\$ 235,243	\$ 235,243	
<b>Smart Meters Fixed Assets in Rate Base</b>		<b>\$ 22,944,008</b>	
<b>Return on Rate Base</b>			
Deemed Debt - Long Term	56%	\$ 12,848,644	
Deemed Debt - Short Term	4%	\$ 917,760	
Deemed Equity	40%	\$ 9,177,603	
		<b>\$ 22,944,008</b>	
Weighted Debt Rate - Long Term	5.48%	\$ 704,106	
Short Term Debt Rate	2.43%	\$ 22,302	
Equity Rate	9.66%	\$ 886,556	
<b>Return on Rate Base</b>		<b>\$ 1,612,964</b>	<b>\$ 1,612,964</b>
<b>Operating Expenses</b>			
Incremental Operating Expenses			\$ 1,680,309
<b>Amortization Expenses</b>			<b>\$ 1,945,344</b>
Revenue Requirement before PILs			<b>\$ 5,238,617</b>
<b>Calculation of Taxable Income</b>			
Incremental Operating Expenses			\$ (1,680,309)
Depreciation Expense			\$ (1,945,344)
Interest Expense			\$ (726,407)
<b>Taxable Income for PILs</b>			<b>\$ 886,556</b>
<b>Grossed up PILs</b>			<b>437,524</b>
Revenue Requirement before PILs			5,238,617
Grossed up PILs			437,524
<b>2010 Revenue Requirement for Smart Meters</b>			<b>5,676,140</b>
<b>2010 Smart Meter Rate Adder</b>			
Revenue Requirement for Smart Meters			5,676,140
March 2009 Total Metered Customers			232,482
Annualized amount required per metered customer			24.42
Number of months in year			12
2010 Smart Meter Rate Adder			2.03
<b>Smart Meter Deferral Account Balance - PILs Calculation</b>			
<b>Income Tax</b>			
Net Income	886,556		
Amortization	1,945,344		
CCA	- 1,858,057		
Revised Taxable Income	973,843		
Tax Rate	31.00%		
Income Taxes Payable	301,891		
<b>Ontario Capital Tax</b>			
Smart Meter Related Fixed Assets	23,829,355		
Less: Exemption	-		
Deemed Taxable Capital	23,829,355		
Ontario Capital Tax Rate	0.000%		
<b>NET OCT Amount</b>	-		
	<b>PILs Payable</b>	<b>Gross Up</b>	<b>Grossed Up PILs</b>
Change in Income Taxes Payable	301,891	31.00%	437,524
Change in OCT	-		-
PIL's	301,891		437,524

1 Horizon Utilities had originally requested December 1, 2010 as the effective date for the  
2 smart meter funding adder. Horizon Utilities submits that a revised effective date of  
3 March 1, 2011 is appropriate. Horizon Utilities is therefore providing a forecast of the  
4 Smart Meter Funding Adder revenue (from the existing Smart Meter Funding Adder) for  
5 the period December 1, 2010 to February 28, 2011 and incorporating such into the  
6 model. Customer numbers have been updated to reflect that which was filed with the  
7 Board on January 10, 2011 and have been incorporated into the model. Retaining the  
8 13 month period over which the Revenue Requirement is collected (March 1, 2011 to  
9 March 31, 2012) results in a Smart Meter Funding Adder of \$2.15 per metered customer  
10 per month.

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**Question 6**

**Reference: Ref: Section 6.0 – Stranded Meters**

Regarding the regulatory ratemaking treatment of stranded meter costs, some distributors have transferred the cost of stranded meters from Account 1860, Meters, to “Sub-account Stranded Meter Costs” of Account 1555, while in some cases distributors have left these costs in Account 1860. Depending on which treatment Horizon has chosen, please provide the information under the two scenarios (a) and b) below, as applicable to Horizon.

- a)** If the stranded meter costs were transferred to “Sub-account Stranded Meter Costs” of Account 1555, answer the following questions:
- i. Please describe the accounting treatment followed by the applicant on stranded meter costs for financial accounting and reporting purposes.
  - ii. Please provide the amount of the pooled residual net book value of the removed from service stranded meters, less any sale proceeds and contributed capital, which were transferred to this sub-account as of December 31, 2009.
  - iii. Since transferring the removed stranded meter costs to the subaccount, was the recording of depreciation expenses continued in order to reduce the net book value through accumulated depreciation? If so, please provide the total depreciation expense amount for the period from the time the stranded meters were transferred to the sub-account to December 31, 2009.
  - iv. If no depreciation expenses were recorded to reduce the net book value of stranded meters through accumulated depreciation, please provide the total depreciation expense amount that would have been applicable for the period from the time the stranded meters were transferred to the sub-account to December 31, 2009.

- v. Were carrying charges recorded for the stranded meter cost balances in the sub-account, and if so, please provide the total carrying charges recorded to December 31, 2009.
- vi. Please provide the estimated amount of the pooled residual net book value of the removed from service meters, less any sale proceeds and contributed capital, at the time when smart meters will have been fully deployed (e.g., as of December 31, 2010). If the smart meters have been fully deployed, please provide the actual amount.
- vii. Please describe how the applicant intends to recover in rates stranded meter costs including the proposed accounting treatment, the proposed disposition period, and the associated bill impacts.
- viii. In the outlined format of the table shown below (after part b.), Summary of Stranded Meter Cost, please provide the data to derive the total "Residual Net Book Value" amounts for each year.

**b)** If the stranded meter costs remained recorded in Account 1860, Meters, please answer the following questions:

- i. Please describe the accounting treatment followed by the applicant on stranded meter costs for financial accounting and reporting purposes.
- ii. Please provide the amount of the pooled residual net book value of removed from service stranded meters, less any sale proceeds and contributed capital as of December 31, 2009.
- iii. Was the recording of depreciation expenses continued in order to reduce the net book value through accumulated depreciation? If so, provide the total depreciation expense amount for the period from the time the meters became stranded to December 31, 2009.
- iv. If no depreciation expenses were recorded to reduce the net book value of stranded meters through accumulated depreciation, provide the total depreciation expense amount that would have been applicable for the period from the time the meters became stranded to December 31, 2009.
- v. Please provide the estimated amount of the pooled residual net book value of the removed from service meters, less any sale proceeds and contributed capital, at the time when smart meters will have been fully deployed (e.g., as of December 31, 2010). If the smart meters have been fully deployed, please provide the actual amount.
- vi. Please describe how the applicant intends to recover in rates stranded meter costs including the proposed accounting treatment, the proposed disposition period, and the associated bill impacts.
- vii. In the outlined format of the table shown below, Summary of Stranded Meter Cost, please provide the data to derive the total

**Table 1 - Summary the Residual Net Book Value of Stranded Meter Costs**

Year	Gross Asset (A)	Accumulated Amortization (B)	Net Asset (C = A-B)	Proceeds on Disposition (D)	Contributed Capital (E)	Residual Net Book Value (F=C-D-E)
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2006

2007

2008

2009

2010 (1)

2011

Total

(1) For 2010, please indicate whether the amounts provided are on a forecast or actual basis.

1                   “Residual Net Book Value” amounts for each year.

2

3   **Response:**

4   As the Board is aware, Horizon Utilities was a named participant in the OEB smart meter  
5   combined proceeding (EB-2007-0063), initiated to review costs incurred by 13 electricity  
6   distributors for certain smart metering activities. In that proceeding, one of the items that  
7   Horizon Utilities was seeking relief for was the recovery of Horizon Utilities’ stranded meter  
8   costs.

9   The Board addressed this request in its August 8, 2007 Decision with Reasons that stranded  
10   meter costs are to remain in rate base and will be further reviewed once the parties have better  
11   information on costs and offsetting benefits.

12   As such, Horizon Utilities continues to include stranded meter asset costs in Account 1860,  
13   Meters and provides the following response is in respect to Question #6 (b).

14           i) For financial accounting and reporting purposes, including regulatory accounting,  
15           Horizon Utilities Corporation continues to account for the stranded meter assets as  
16           fixed assets (i.e. in rate base).

1 Such accounting treatment is consistent with the August 8, 2007 Decision with  
2 Reason ((EB-2007-0063) and is appropriate for financial reporting purposes as the  
3 stranded meter assets remain as part of Horizon Utilities rate base. In addition,  
4 Horizon Utilities accounts for its meter assets as "Group Assets". Group Assets are  
5 those assets that by their nature make identification of individual components  
6 impractical (e.g. the individual unit cost of certain assets does not justify the time and  
7 effort to maintain the detailed accounting systems that would be require to track such  
8 items).

9 Amortization on Group Assets is recognized on a straight-line basis over the  
10 estimated useful life of the Group Asset. A vintage year approach is used whereby  
11 the cost of purchases in a particular year are used to record the retirement of the  
12 asset when an asset of that vintage year is retired.

13 For financial reporting purposes, Group Assets are removed from the financial  
14 accounting records at the end of their estimated useful life. The estimated useful life  
15 with respect to the stranded meters continues to reflect the amortization period that  
16 is incorporated within Horizon Utilities rate base.

17 ii) As at December 31, 2009, the estimated net book value of the pooled meter assets  
18 removed from service (i.e. the stranded meters) was approximately \$13,338,000.  
19 As Meter assets are "Group Assets" the net book value has been estimated based  
20 on the number of meters removed from service using an average net book value per  
21 meter.

22 iii) Horizon Utilities continues to record depreciation expense on the stranded meter  
23 assets based on the "Group Amortization" method. The cumulative amount of  
24 depreciation expense recorded to December 31, 2009 is estimated at approximately  
25 \$2,167,000.

26 iv) Not Applicable.

27 v) Refer to the response to Question #6 vii).

- 1 vi) Horizon Utilities plans to continue to record stranded meter assets in rate base and  
2 to record depreciation expense over the remaining original estimated useful life of  
3 the stranded meter assets (i.e. 25 years) based on the “group” amortization  
4 methodology. In the Response to Undertaking K17.6 in smart meter combined  
5 proceeding (EB-2007-0063), the total net book value of the residential and GS<50  
6 conventional meter assets that would be stranded as part of the smart meter  
7 deployment, as at December 31, 2006 was approximately \$14,873,000. Including  
8 GS> 50 meter customers, the total net book value of all conventional meter assets  
9 was approximately \$16,000,000. At that time, Horizon Utilities also estimated that  
10 the average remaining life of the meters was approximately 12.5 years. The net  
11 book value of the assets will be removed from fixed assets at the end of their  
12 remaining useful life. Horizon Utilities believes that this approach is a customer  
13 friendly approach to minimize the rate impact to customers as compared to  
14 requesting immediate recovery of the net book value of the stranded meters upon  
15 completion of the Smart Meter deployment.
- 16 vii) The estimated total residual net book value of the stranded meter assets at the end  
17 of each fiscal year is provided in the following table:

Table 1 - Summary of the Residual Net Book Value of Stranded Meter Costs

<u>Year</u>	<u>No. Meters Stranded</u>	<u>Gross Asset</u>	<u>Acc. Amort.</u>	<u>Net Asset</u>	<u>Proceeds on Disposition</u>	<u>Contributed Capital</u>	<u>Residual Net Book Value</u>	<u>Notes</u>
	(1)	(A) (2)	(B) (3)	(C) = (A-B)	(D) (4)	(E)	(F)=(C-D-E)	
2006	-	-	-	-	-	-	-	(6)
2007	60,928	7,802,731	3,862,311	3,940,420	-	-	3,940,420	
2008	80,074	10,254,720	5,486,222	4,768,499	-	-	4,768,499	
2009	80,122	10,260,813	5,899,914	4,360,899	-	-	4,360,899	
2010	5,860	953,268	586,255	367,013	-	-	367,013	(7)

Notes/Assumptions:

- (1) Number of meters stranded is based on the total number of smart meters installed per fiscal year. The timing of the actual scrapping (and recognition of scrap revenue) may be different.
- (2) Gross asset value has been estimated based on an estimated per meter cost as at Dec. 31, 2006. This date represents the timing of the commencement of the Smart Meter program. An estimate has been made with respect to the average value of a residential meter (including GS<50kw meter) and a commercial meter (GS>50kwh).
- (3) Accumulated amortization has been estimated based on the average accumulated depreciation per meter as at Dec. 31, 2006 plus depreciation expense for each year, including the year the meter was "stranded".
- (4) Proceeds from scrapping of smart meters included in other revenue on an annual basis, therefore excluded from this exhibit.
- (5) The Residual Net Book Value included in this table is computed as at the date the meter assets were stranded. Please note that this is not the NBV of the meter assets as at December 31, 2010 as depreciation continues to be recorded in the accounts for these assets as they remain in rate base.
- (6) Excludes the meters that were installed as part of the CDM Smart Meter pilot project (Approx. 6,000 meters)
- (7) For 2010, amounts are based on forecast.

1 With respect to proceeds on disposition of the stranded meter assets, Horizon  
2 Utilities has recorded such proceeds as scrap revenue in its financial records on an  
3 annual basis. Therefore, the residual net book value in Table 1 excludes such  
4 revenue as proceeds on disposition. The following is a summary of the scrap  
5 revenue recorded in other income by fiscal year:

6	2007	\$57,940
7	2008	86,684
8	2009	82,588
9	2010	<u>18,488</u>
10		<u>\$245,700</u>

**HORIZON UTILITIES CORPORATION (“HORIZON UTILITIES”)  
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**Question 7**

**Reference: Three-phase Smart Meters**

On page 9, Horizon states:

Horizon Utilities continues to install Smart Meters at the premises of its three-phase commercial and industrial customers. At the end of 2009, 31% of the three phase meters were converted to Smart Meters and the remaining meters will be changed by 2015 as they come due to for re-verification.

Table 4 shows capital expenditures, but aggregates costs for three-phase meters supplied to both GS < 50 kW and GS > 50 kW customers.

On page 16, Horizon states:

... Additionally, Horizon Utilities will install three-phase smart meters for all commercial customers greater than 50 kW without interval meters at the time such are next scheduled for reverification. Included in the total capital expenditure for 2010 is \$649,200 to install 1,700 three-phase Smart Meters as identified in Table 4 and 1 above. Approximately 1,200 of these meters are for GS <50 kW customers and exceed the minimum functionality adopted in O. Reg. 425/06. Horizon Utilities submits this as a proactive approach consistent with the objectives the *Green Energy*



1        *and Green Economy Act, Ontario, 2009* and that, in any event,  
2        such expenditures will otherwise be required to achieve the  
3        objectives of the Smart Metering program.

4  
5        **a)**     On what basis has Horizon determined that three-phase Smart Meters  
6        for GS < 50 kW customers exceed the minimum functionality adopted  
7        in O. Reg. 425/06?

8  
9        **b)**     If a customer has three-phase service, how or why would the utility  
10       provide a meter other than a three-phase meter to service that  
11       customer and measure that customer's consumption?

12  
13       **c)**     Are three-phase smart meter costs different for customers between the  
14       GS < 50 kW and GS > 50 kW classes? Please explain your response.

15  
16       **d)**     Please provide an average estimate of the capital cost of a three phase  
17       Smart Meter for each of the GS < 50 kW and GS > 50 kW  
18       classes.

19  
20       **Response:**

21  
22       **a)** All three phase Smart Meters for GS< 50 kW customers are installed within  
23       minimum functionality, and do not exceed the minimum functionality as defined in O.  
24       Reg 425/06.

25       The wording in the Application was not clear on page 16, section 4.0 and should  
26       have included the following underlined words:

27       "Included in the total expenditure for 2010 is \$649,200 to install 1,700 three-  
28       phase Smart Meters as identified in Table 4 and 1 above. Approximately 1,200 of  
29       these meters are GS<50 kW customers. The remaining 500 meters serving

1        GS>50 kW customers exceed the minimum functionality adopted in  
2        O.Reg.425/06.

3        The 500 three phase meters installed for the GS > 50 kW customers exceed the  
4        minimum functionality as contemplated by the Functional Specifications for an  
5        advanced metering infrastructure Version 2, dated July 5, 2007. As per Horizon  
6        Utilities' 2009 Smart Meter Adder Application it is stated and was approved that  
7        "Approximately 2,000 of these meters are for General Service >50 kW customers  
8        and exceed the minimum functionality adopted in O.Reg 425/06. Horizon Utilities  
9        suggests this is a proactive approach consistent with the objects of Bill 150, the  
10       Green Energy Act". (EB-2009-0158 Page 7 Section 5.0 Expenditures Beyond  
11       Minimum Functionality).

12    **b)** It is Horizon Utilities' intention to replace all metering associated with three phase  
13       services with three phase Smart Meters.

14    **c)** There are no cost differences associated with three phase smart meters for  
15       customers in the GS < 50 kW and GS > 50 kW classes. The type of meter used  
16       depends on the service size, voltage and configuration rather than the customer  
17       category (GS < 50 kW and GS > 50 kW).

18    **d)** The cost for both the self-contained and transformer rated three phase meters is  
19       estimated at \$450 per meter. As per the answer provided in IR # 7c (above), there  
20       are no cost differences for the GS < 50 kW and GS > 50 kW classes.

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**Question 8**

**Reference: Section 4.0 Expenditures Beyond Minimum Functionality**

On page 16, Horizon states:

Horizon Utilities has incurred costs to deliver functionality which is under the exclusive jurisdiction of the SME, pursuant to O. Reg. 393/07. Certain Customer Information System programming costs have been incurred to allow Horizon Utilities to participate in the testing of the MDM/R with the IESO, to manage the volume of data as supplied by the AMI system, and to provide web presentment capabilities to its customers. Horizon Utilities manages the Smart Meter data in its Customer Information System (“CIS”) in order to test the data received from the SME thus ensuring that the data from the MDM/R is synchronous with Horizon Utilities’ meter data.

- a)** Please provide actuals or estimates (as appropriate) of these costs for: i) 2007 to 2009 inclusive; ii) 2010; and iii) 2011 and beyond.
- b)** Are these one-time costs that will cease once the SME and MDM/R are fully functional? Please explain your response.

**Response:**

a) The following table summarizes the costs incurred from 2007 to 2009 (actuals) and estimates for 2010 and 2011:

	2007	2008	2009	2010	2011	Total
ODS and MDM/R System Functionality	\$ 5,920	\$ 23,803	\$ 71,415	\$ 49,891	0	\$ 151,030
Web Presentment		\$ 30,000	\$ 30,000		0	\$ 60,000
Total	\$ 5,920	\$ 53,803	\$101,415	\$ 49,891	\$0	\$ 211,030

b) Horizon Utilities has incurred costs to deliver functionality to manage the volume of hourly read data received from the Advanced Metering Infrastructure ("AMI"); to facilitate the use and transfer of this data with the IESO; and, to provide data presentment to Horizon Utilities' customers. As one of the original named Local Distribution Companies ("LDCs") in EB-2007-0063, Horizon Utilities has been an active partner in the establishment and testing of SME data transfers, reports and associated processes and it has been an early adopter of the smart meter initiative, inclusive of Time-of-Use billing, the degree of which would not have been possible without a robust system for internal data management in lieu of a fully functioning provincial MDM/R.

Horizon Utilities' intention was originally, and remains, that these expenditures are one-time transitional costs that will cease once the SME and MDM/R are fully operational. However, at this time, Horizon Utilities submits that that the SME has not reached a steady state in terms of functionality and has not yet been vetted with the full volume of meters and data it must support.

Once the SME has reached a steady state and system reliability is assured, Horizon Utilities will then be in a position to analyze if any internal systems are necessary to perform on-going data quality and system controls to ensure prudent risk mitigation.

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**Question 9**

**Reference: Table 7 and pages 14-15 – Customer Communications**

In Table 7, Horizon documents OM&A costs for ‘Media Communications’ of \$300,000 in 2010 and \$200,000 for 2011 and beyond. On pages 14 and 15, Horizon documents its Customer Communications plan developed in 2009. In Appendices B, C, D and E, Horizon provides copies of brochures and bill inserts provided to customers. Most of the material relates to TOU pricing and electricity conservation and load shifting suggestions rather than to smart meter deployment itself.

In the Board’s Decision EB-2007-0063 reviewing the initial smart meter costs of named utilities, including Horizon, the Board stated:

As indicated, this proceeding relates only to the recovery of smart meter costs associated with minimum functionality. **Costs in addition to minimum functionality** can be recovered as part of distribution rates in an individual utility’s next rate case. Those costs **may include** web presentment, the Customer Information System integration with the Meter Data Management/Meter Data Repository, **consumer education**, reengineering business practices and integration with retailers. *[Emphasis added]*<sup>5</sup>

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<sup>5</sup> Decision with Reasons, EB-2007-0063, August 8, 2007, page 7

- 1
- 2 **a)** Does Horizon consider these consumer education plans to be
- 3 within or beyond minimum functionality? Please explain your
- 4 response.
- 5 **b)** Why does Horizon consider that the consumer education
- 6 brochures and bill inserts as documented in the Appendices
- 7 relate specifically to Horizon's smart meter program, as
- 8 opposed to other CDM programs or to Horizon's Community
- 9 Relations expenses in its existing revenue requirement? Please
- 10 explain your response.
- 11 **c)** Is any of the \$500,000 for consumer education related to either
- 12 OPA-funded CDM programs or to utility-specific CDM programs
- 13 For which Horizon was approved by the Board? If yes, please
- 14 identify the programs and the dollar amounts involved.

15

16 **Response:**

17 **a)** Horizon Utilities considers the entire customer education platform of smart

18 metering materials, information regarding Time-of-Use ("TOU") rates and web

19 presentment to be part of a successful smart meter program and therefore within the

20 minimum functionality for early adopters of the smart meter deployment and TOU rates.

21 Horizon Utilities communication strategy was developed as an integrated Smart Meter

22 program to best respond to and educate its customers. The implementation of the

23 customer communication plan throughout 2010 and into 2011 is a continuation of the

24 original plan envisioned in 2008, which was included in Horizon Utilities 2009 Smart

25 Meter Funding Adder Application, (EB-2009-0158) and was subsequently approved by

26 the Board.

1 The Ministry of Energy's mandate on the installation of smart meters and  
2 implementation of TOU rates was to provide customers with transparency on their  
3 electricity consumption and to drive future behaviour changes, including the movement  
4 of consumption from peak periods to off peak. In Horizon Utilities' view, the public  
5 acceptance of smart meters and the ability to change customer behaviour based on the  
6 smart meter deployment required a multi-phased communication strategy leveraging a  
7 variety of channels.

8 In its service territory, customer acceptance of the integrated smart meter program  
9 (inclusive of smart meters and TOU rates) was facilitated by Horizon Utilities' expanded  
10 communication program and repeated messaging regarding the benefits of the Ministry  
11 of Energy initiative. Particularly in the service territories of LDCs where there was an  
12 early adoption of the program, it was important to educate customers on the meter  
13 installation, the new rate structure and to provide timely web presentment of data to  
14 meet the Ministry of Energy's envisioned goals for the Smart Meter program.

15 Web presentment has been available to Horizon Utilities' smart metered  
16 customers since October 2008 and is considered a critical component of Horizon  
17 Utilities' Smart Meter program, providing customers with an immediate illustration  
18 of the value of their smart meter. Such functionality was not available through  
19 the provincial SME.

20 Horizon Utilities' communications materials provide customers with information  
21 on the installation of the smart meter, the value of understanding their household  
22 consumption and importance and ability to manage their future electricity bills on  
23 TOU rates. The constant flow of information has provided positive reinforcement  
24 to the Smart Meter program. Customers' understanding of the initiative has been  
25 critical to the acceptance and to the realization of benefits of the Smart Meter  
26 program.

27 In the event that the Board determines that these costs are not recoverable with the  
28 Smart Meter Funding Adder, Horizon Utilities respectfully requests that these be carried  
29 for future disposition in a subsequent electricity distribution rate cost of service

1 application.

2 **b)** Horizon Utilities brochures were largely based on the smart metering information  
3 provided by the Ministry of Energy in its customer education materials.

4 Horizon Utilities' TOU customer education brochures are part of the Smart Meter  
5 program and are separate from CDM programs or other Horizon Utilities' Community  
6 Relations initiatives. As noted in the responses to a) above, Horizon Utilities  
7 communication strategy was developed as an integrated Smart Meter program to best  
8 respond to and educate its customers. The implementation of the customer  
9 communication plan throughout 2010 and into 2011 is a continuation of the original plan  
10 envisioned in 2008, which was included in Horizon Utilities 2009 Smart Meter Funding  
11 Adder Application, (EB-2009-0158) and was subsequently approved by the Board.

12 Horizon Utilities believes that its proactive approach with direct and specific  
13 communications to customers on the Smart Meter program was critical to the success  
14 of the deployment, particularly considering Horizon Utilities' early adoption of this  
15 initiative.

16 **c)** No, none of the \$500,000 spent on consumer education was related to OPA-  
17 funded CDM programs, or utility-specific CDM programs.



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**Question 10**

**Reference: Table 7 and page 13 – OM&A Expenses**

On page 13, Horizon states:

There are significant operating costs that have and will continue to be incurred with regard to the migration of all residential and GS<50 kW customers to the new TOU rate structure, including:

- installation of Smart Meters and the associated refinement of communication infrastructure;
- new systems such as the AMI must be evaluated, installed, implemented, and tested;
- development or modification of existing systems, such as CIS, ODS and web presentment;
- business processes must be developed or modified;
- the interactions between Horizon Utilities’ systems and the provincial MDM/R must be developed and tested;
- resourcing needs must be addressed to manage the back office transactional work related to the increase in meter reads from 1.4 million to over 2 billion annually;
- change management and training programs must be developed and delivered to affected employees; and
- the development and implementation of a customer communication plan that includes educational materials and tools.

The Board's Decision with Reasons EB-2007-0063, quoted in Board staff IR # 9 above, identifies certain activities such as web presentment and business process reengineering as being additional to minimum functionality.

a) With respect to each of the bulleted items listed on page 13, please identify which meet and which are additional to minimum functionality.

b) With respect to each of the bulleted items, please describe how each is a component of Horizon's smart meter program. Please also identify the costs for each bulleted item from the OM&A costs shown in Table 7 on page 12.

c) Please explain why components such as "business processes must be developed or modified", "web presentment" and "change management and training programs must be developed and delivered to affected employees" are part of Horizon's smart meter costs and not part of its normal existing OM&A

#### **Responses:**

a) The items in the list noted above are provided for in the Board's Smart Meter Rate Calculation Model, a completed version of which accompanied the current Application and a blank version of which is available on the Board's web site at <[http://www.oeb.gov.on.ca/OEB/\\_Documents/2011EDR/Smart%20Meter%20Rate%20Calculation%20Model%20Instructions.zip](http://www.oeb.gov.on.ca/OEB/_Documents/2011EDR/Smart%20Meter%20Rate%20Calculation%20Model%20Instructions.zip)>. Sheet 2 of the Model (Smart Meter Data) includes items such as business process redesign, customer communication and change management among "Other AMI OM&A Costs Related to Minimum Functionality". The items shown in Table 7 of the current Application are similar to those set out in Table 7 of Horizon Utilities' 2009 application for an adjustment to its smart meter adder, approved by the Board in October 2009 (EB-2009-0158). They are also similar to the items set out in Hydro Ottawa's 2009 application for an adjustment to its smart meter adder, made in conjunction with Hydro Ottawa's 2009 IRM distribution

1 rate application. The interrogatory, as posed, references the Combined Proceeding,  
2 EB-2007-0063, but the items in the above-captioned list are not new categories of  
3 expenditures beyond minimum functionality.

4 More particularly, in its Decision in EB-2009-0158 (Horizon Utilities' 2009 smart  
5 meter funding adder application), the Board found that:

6 *"Horizon's application is consistent with Guideline G-2008-0002: Smart Meter*  
7 *Funding and Cost Recovery and approves the smart meter funding adder of \$1.56*  
8 *per metered customer per month".*

9 As noted above, similar costs to those noted in the list above were part of that  
10 application (Table 7, p6-7, EB-2009-0158), which was approved as filed. The costs set  
11 out in Table 7 of that application were incorporated into the adder model as incremental  
12 OM&A expenditures, and the same approach has been taken in the current Application.

13 The Decision in EB-2009-0158 was subsequent to the Board's 2007 Decision in the  
14 Combined Proceeding (EB-2007-0063); Horizon Utilities was one of the original 13  
15 distributors authorized to undertake smart metering activities. In Hydro Ottawa's 2009  
16 3GIRM Application, Hydro Ottawa requested a revision to its smart meter funding adder.  
17 With respect to that application, at Exhibit B, Tab 1, Schedule 3, p4 of 8 and at Tables 4  
18 and 5 of Exhibit B, Tab 1, Schedule 3, p5 of 8, Hydro Ottawa broke out the same cost  
19 categories as those in the list above. The Board approved the proposed adjustment to  
20 Hydro Ottawa's smart meter funding adder.

21 Accordingly, Horizon Utilities submits that all items in the bulleted list identified by staff  
22 fall within minimum functionality and are properly the subject of the adder, as they have  
23 been to date, consistent with the Board's Guideline (G-2008-0002) and the model.

24 Horizon Utilities notes that in a recent application for disposition of smart meter-related  
25 account balances (PowerStream Inc., EB-2010-0209), the Board confirmed the  
26 prudence of expenditures that included categories similar to those set out in Horizon  
27 Utilities' Application and that are repeated in the list above in part a) of this  
28 interrogatory, based on the Board's form of smart meter rate model, which includes

1 “Other AMI OM&A Costs Related to Minimum Functionality”, also used by Horizon  
2 Utilities in the current Application.

3  
4 **b)** To maximize efficiencies and position Horizon Utilities for the successful completion  
5 of the Smart Meter program in a relatively short time frame, this project has been  
6 approached as a single integrated function. Horizon Utilities approach to the 2009  
7 Smart Meter Funding Adder Application (EB-2009-0158) was an all-encompassing “end  
8 to end project” that began with the installation of Smart Meters and included a robust  
9 customer communication plan, data presentment and implementation of TOU rates. It  
10 is important to note that Horizon Utilities is an early adopter of the Smart Meter  
11 program. Through its integrated approach to the management of this initiative, Horizon  
12 Utilities has made a significant contribution to the achievement of the Ministry of  
13 Energy’s goals.

14 In 2010 and beyond, that same approach of fully integrated and co-dependent systems  
15 remained consistent

16 It is Horizon Utilities’ view that each item in the bulleted list is an integral part of the  
17 Smart Meter program; without which, the utility would not have successfully and fully  
18 implemented the Smart Meter program end to end, including the full leveraging of Smart  
19 Meters as envisioned by the government of Ontario.

20 Horizon Utilities’ projects and initiatives have generally not been tracked according to  
21 the aforementioned itemized listing. As such, the following is estimation of operating  
22 expenditures only for 2010, 2011, and beyond as found in Table 7 of the Application:

23 Specifically, operating and maintenance expenses of \$2,631,946 for 2010, 2011, and  
24 beyond are related to data management and the operation and management of the AMI  
25 system, including labour and benefits, data communications, IT maintenance, contracts,  
26 and resource support which are embedded in the following bulleted items:

- 27 • *Installation of Smart Meters and the associated refinement of the*  
28 *Communication infrastructure,*

1           ○ Smart meters and the communication infrastructure are an integral  
2           component of the Smart Meter Program and continue to evolve based  
3           not only on Horizon Utilities' experience but also with industry  
4           experience. Horizon Utilities works closely with its meter manufacturer  
5           to share its understanding and expertise. As each new Smart Meter is  
6           added to the mesh network, Horizon Utilities' knowledge, system  
7           understanding and expertise grows. It is incumbent on the utility and  
8           the manufacturer to refine the use of the collector mesh and  
9           communication backbone network to achieve minimum functionality.  
10          The operation of the communication infrastructure directly impacts the  
11          quality of the data that is read hourly and the read success rate of 98%  
12          performance, which is dictated by the requirements contained in  
13          Ontario Regulation ("O.Reg") 426/06.

14          • *New systems such as the AMI must be installed, implemented and tested*

15           ○ The AMI system is a complex technology-based system that is  
16           undergoing constant refinements to ensure system stability and read  
17           quality. It is necessary to perform upgrade releases for technology  
18           systems to ensure that licensing requirements and maintenance  
19           agreements are current. It was necessary to complete an upgrade to  
20           the AMI system in 2010 and a further upgrade is contemplated for  
21           2011. AMI systems are new and evolving upgrades to stabilize and  
22           enhance performance will be ongoing.

23  
24          • *Resourcing needs must be addressed to manage the back office*  
25          *transactional work related to the increase in meter reads from 1.4 million to*  
26          *over 2 billion annually*

27           ○ Horizon Utilities has retained three additional permanent and full-  
28           time staff as part of, and to deliver, the Smart Meter program. The

1 Manager of Metering Communications and Technologies is  
2 accountable to lead the day to day activities of the department related  
3 to AMI, data management, and MDM/R related functions. The AMI  
4 Supervisor is accountable for data management and the supervision of  
5 the AMI department. The AMI Operator's primary functions are to  
6 administer the AMI system and manage the reading of Smart Meters  
7 and associated exceptions. Horizon Utilities continues to utilize  
8 incremental IT support and Co-Op students to support the AMI back  
9 office system and the provision of AMI reporting.

10 Ongoing operating and maintenance expenses related to data management and  
11 MDM/R for 2010, 2011 and beyond as referenced in Table 7 of this Application is  
12 \$75,000.

- 13 • *The interactions between Horizon Utilities' systems and the provincial MDM/R*  
14 *must be developed and tested:*

- 15 ○ As the provincial MDM/R has not yet stabilized, synchronization files in  
16 particular remain in a constant state of development and testing.  
17 Horizon Utilities 2009 Smart Meter Funding Adder Application (EB-  
18 2009-0158) included development and testing costs and such continue  
19 through 2010, 2011 and beyond. As the MDM/R releases upgrades  
20 and new configuration requirements are known, back office systems  
21 will need modification in order to comply with these upgrades.

22 Ongoing operating and maintenance expenses associated with training, change  
23 management and business processes as noted in Table 7 are budgeted for 2010, 2011  
24 and beyond at \$28,717 total for 2010 and 2011.

- 25 • *Change management and training programs must be developed and*  
26 *delivered to affected employees:*

- 27 ○ Basic smart meter related training and change management, to  
28 support the AMI technology, has been significantly completed. Training

1 efforts continue in order to support Horizon Utilities' hard-to-reach  
2 meter plans and commercial installations.

- 3 • *Business processes must be developed or modified:*
- 4 • A significant portion of the needed business process redesign to support the  
5 implementation of smart meters has been completed. However, new  
6 approaches are in development to support the hard-to-reach smart meter and  
7 commercial installation program.

8 Ongoing operating and maintenance expenses associated with the customer  
9 communication plan including web presentment as noted in Table 7 of this Application,  
10 is budgeted at \$500,000 for 2010, 2011 and beyond.

- 11 • *The development and implementation of a customer communication plan that*  
12 *includes educational materials and tools:*

- 13 ○ As previously stated, Horizon Utilities communication strategy was  
14 developed as an integrated Smart Meter program to best respond and  
15 educate its customers. The implementation of the customer  
16 communication plan throughout 2010 and into 2011 is a continuation of  
17 the original plan envisioned in 2008, which was included in Horizon  
18 Utilities 2009 Smart Meter Funding Adder Application, (EB-2009-0158)  
19 and was subsequently approved by the Board. Horizon Utilities  
20 anticipates meeting the June 2011 time-of-use mandatory  
21 implementation date as indicated in the OEB's determination in EB-  
22 2009-0218, related to Section 1.2.1 of the Standard Supply Service  
23 ("SSS") Code. It is critical that Horizon Utilities continues with the  
24 communication plan to complete the implementation.

- 25 • *Development or modification of existing systems, such as CIS, ODS and web*  
26 *presentment:*

27 The support required for data management and availability of this data to  
28 customers was originally envisioned to be part of a fully functioning SME.

1 In the 2009 Smart Meter Funding Adder Application (EB-2009-0158),  
2 development of web presentment was included in capital costs. As noted  
3 above, Horizon Utilities is an early adopter of the Smart Meter program,  
4 and, in the absence of a stable SME platform, development and ongoing  
5 maintenance of systems for data presentment was necessary. Horizon  
6 Utilities contracts incremental IT support for these functions.

7 **c)** To position for a successful implementation, the Smart Meter program at Horizon  
8 Utilities was approached as an end to end integrated project. As with any successful  
9 project implementation, business processes and training programs for effective change  
10 management are critical key components of a successful plan, and the Smart Meter  
11 program was no exception to this approach of project management. Horizon Utilities  
12 took a long-range view of the Smart Meter program starting on day one, to ensure  
13 success in the most prudent manner, avoiding any negative impact to its customers or  
14 employees.

15 Horizon Utilities has followed the Board's Guideline for Smart Meter Funding and Cost  
16 Recovery (G-2008-0002). With regard to the components such as "business processes  
17 must be developed or modified", "web presentment", and "change management and  
18 training programs must be developed and delivered to affected employees", these items  
19 are not part of Horizon Utilities' normal OM&A, as the Board has directed distributors to  
20 track the costs of Smart Meter-related activities separately. The Board's Guideline for  
21 Smart Meter Funding and Cost Recovery, page 6-7, refers to specific accounts, and the  
22 table in Appendix C (at page 31 of the pdf version of the Guideline) provides further  
23 detail on the related sub-accounts. Further, these items are contemplated by the  
24 Board's model and in the aforementioned previous decisions as discussed in Horizon  
25 Utilities' response to interrogatory 10 a), as being within the scope of a smart meter  
26 funding adder and not as part of normal OM&A.

27 Horizon Utilities has followed the Board's directions in this regard as evidenced not only  
28 by the Smart Meter Funding Adder Application (EB-2010-0292) itself, but also in



1 Horizon Utilities current 2011EDR Cost of Service Application. In Ex. 4, Tab 2,  
2 Schedule 2 page 7 of 7 of the Cost of Service Application, Horizon Utilities stated that:

3 *“Horizon Utilities anticipates filing a separate utility-specific application for an*  
4 *increase to its smart meter funding adder in the fall of 2010. Such application will*  
5 *address the OM&A costs associated with the implementation of Time of Use rates;*  
6 *the deployment of Horizon Utilities’ commercial meters; and the installation of*  
7 *remaining “hard to reach” smart meters.”*

8 As Horizon Utilities noted in its response to Board staff interrogatory 10b) above,  
9 Horizon Utilities approached this initiative as a single integrated project and, as noted in  
10 response to Board staff interrogatory 9b), expenditures have been separated from other  
11 OM&A. Thus, the smart meter related expenditures for the categories referred to by  
12 staff in 10(c) are not included in Horizon Utilities’ normal OM&A and have been kept  
13 distinct.