Ontario Energy Board
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'énergie de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273

Ontario

BY E-MAIL

October 7, 2011

Board Secretary
Ontario Energy Board
2300 Yonge Street, Ste. 2701
Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: PowerStream Inc.
2011 Smart Meter Cost Recovery Application
Board Staff Submission
Board File No. EB-2011-0128

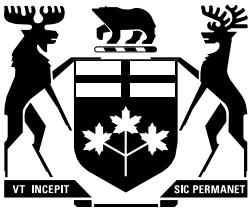
In accordance with Procedural Order No. 2, please find attached Board staff's submission in the above proceeding. Please forward the attached to PowerStream Inc. and to VECC.

Sincerely,

Original Signed By

Stephen Vetsis
Analyst – Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2011 ELECTRICITY DISTRIBUTION RATES

PowerStream Inc.

EB-2011-0128

October 7, 2011

Introduction

On June 24, 2011, Powerstream Inc. ("PowerStream") filed an application (the "Application") with the Ontario Energy Board (the "Board") seeking approval for smart meter expenditures.

PowerStream is a licensed electricity distributor serving customers in Alliston, Aurora, Barrie, Beeton, Bradford West Gwillimbury, Markham, Penetanguishene, Richmond Hill, Thornton, Tottenham and Vaughan. PowerStream was one of the thirteen licensed electricity distributors that were authorized by regulation in 2006 to conduct smart meter activities, and was party to the Board's combined proceeding in relation to smart meters (EB-2007-0063).

PowerStream operates two separate rate zones following its amalgamation with Barrie Hydro Distribution Inc. in December 2008. The PowerStream South rate zone includes the communities of Aurora, Markham, Richmond Hill and Vaughan. The PowerStream North rate zone includes the communities of Alliston, Barrie, Beeton, Bradford West Gwillimbury, Penetanguishene, Thornton and Tottenham. The application for disposition of smart meter costs covers smart meters deployed in both rate zones.

The Vulnerable Energy Consumers' Coalition ("VECC") was granted intervenor status. Veridian Connections Inc. was granted observer status.

In the Notice of Application and Written Hearing issued on July 14, 2011, the Board stated its intention to consider the Application by way of a written hearing. Procedural Order No. 1, issued on August 5, 2011, established the timelines for interrogatories and responses. The Board issued a Decision on Confidentiality on August 17, 2011 granting PowerStream's request for confidentiality on the purchase, installation and service agreements between PowerStream and its suppliers. In Procedural Order No. 2, issued on September 27, 2011, the Board established timelines for written submissions by the parties.

This submission by Board staff is in accordance with Procedural Order No. 2, and is intended to set out the Board's policy and practice and to offer options for consideration by the Board with respect to issues raised in PowerStream's Application. In particular, Board staff's submission addresses the following issues:

- Review of Prudence of Costs for Installed Smart Meters;
- Inclusion of Unaudited Actual Costs;
- Inclusion of Forecasted Costs;
- Cost Allocation to Customer Classes;
- Calculation of Smart Meter Rate Riders; and
- Costs Beyond Minimum Functionality

Review of Prudence of Costs for Installed Smart Meters

PowerStream is seeking recovery of costs for meters installed from program inception (2006) through April 30, 2011 in the North rate zone and for meters installed between January 1, 2010 and April 30, 2011 in the South rate zone.[1] PowerStream has provided audited costs up to December 31, 2010 and unaudited actual costs for January 1, 2011 through April 30, 2011.

In PowerStream's prior smart meter cost recovery application (EB-2010-0209), the Board approved costs incurred in the deployment of 137,356 smart meters in the South rate zone between January 1, 2008 and December 31, 2009. PowerStream's audited actual costs showed an average capital cost of $137.43 per meter over that period.[2]

Table 1 below summarizes the average capital cost per meter reported by PowerStream in its current application for each rate zone.

Table 1 - Summary of average total capital costs per meter installed.[3]

Rate Zone	Residential		GS < 50 kW		Total	
	$/meter	# of meters	$/meter	# of meters	$/meter	# of meters
North	$130.51	64,199	$514.24	5,194	$159.24	69,393
South	$311.04	4,470	$570.38	17,255	$517.02	21,725

[1] Application (EB-2011-0128), page 5, June 24, 2011.
[2] Application (EB-2010-0209), Table 1, page 15, June 11, 2010.
[3] Application (EB-2011-0128), pages 17 and 30, June 24, 2011. Includes meters and other ancillary capital costs.

PowerStream explained the increased average capital cost per meter in the remaining portion of its South rate zone, shown in Table 1, by noting the difference in the mix of meter types installed compared to PowerStream's prior applications for smart meter cost recovery.[4] In this application, 94% of completed residential meter installations were non-standard (i.e. transformer-rated or network meters) and 82% of GS < 50 kW customers received 3-phase meters, in the South rate zone.[5] The summary of average installed cost per meter, by meter type, for smart meters installed in each rate zone and for each class is reproduced in Table 2 below.

Table 2 - Average Installed Cost per Meter.[6]

Rate Zone:	**North**			**South**		
Class/Type	**Quantity**	**Installed Cost**	**Cost per meter**	**Quantity**	**Installed Cost**	**Cost per meter**
Residential						
Standard	62,621	$ 6,363,107	$ 101.61	255	$ 25,833	$101.31
400 Amps	518	$ 138,533	$ 267.44	1,020	$271,570	$ 266.25
Network	1,060	$ 295,486	$278.76	3,195	$866,261	$277.34
Total	**64,199**	**$ 6,797,126**	**$ 105.88**	**4,470**	**$ 1,183,664**	**$264.80**
GS<50 kW						
Single Phase	1,429	$ 309,812	$ 216.80	3,081	$ 624,326	$ 202.64
3-phase 120-480V	3,476	$ 1,964,436	$565.14	12,936	$ 7,267,208	$ 561.78
3-phase 600 Volt	289	$ 268,742	$929.90	1,238	$ 1,152,439	$ 930.89
Total	**5,194**	**$ 2,542,990**	**$ 489.60**	**17,255**	**$ 9,043,973**	**$524.14**
TOTAL	**69,393**	**$9,340,116**	**$ 134.60**	**21,725**	**$10,227,637**	**$ 470.78**

In response to VECC interrogatory #7, PowerStream noted that following Measurement Canada's approval of a second supplier for 3-phase smart meters, PowerStream was able to secure more favourable pricing for 3-phase smart meters in

[4] Responses to Board Staff IRs (EB-2011-0128), pages 14 -16, September 9, 2011.
[5] Ibid.
[6] Ibid, Table Staff 8-2, page 15. Included capital costs of meter deployment only

the fall of 2010.[7] This resulted in the decrease of average total capital costs per meter from $682.56[8] to $570.38[9] for GS < 50 kW customers in the South rate zone.[10]

Board staff observes that there is limited information in previous applications on the costs for the installation of the various types of meters. Based on the few examples to date,[11] Board staff does not take issue with PowerStream's documented costs for GS<50 kW meters.

Board staff notes that the average costs, documented in this Application, for installed standard residential and single phase GS<50 kW customer smart meters in the South rate zone are lower than prior Board-approved costs. Additionally, Board staff notes that the average installed meter costs documented in the Application for meters installed in the North rate zone compare favourably to prior Board-approved costs and current documented costs for installations completed in the South rate zone.

In the Application, PowerStream notes that it continues to contract with Sensus Metering Systems Inc. for the purchase of residential smart meters and for the operation of its advanced metering infrastructure. PowerStream states that it "has continued the prudence noted by the Board in the 2007 Combined Smart Meter Proceeding (EB-2007-0063)." Board staff is of the view that PowerStream has continued to demonstrate prudence in its procurement and purchasing decisions.

For the reasons noted above, Board staff takes no issue with the quantum of the audited and unaudited actual costs documented by PowerStream in the application for the deployment of meters.

Inclusion of Unaudited Actual Costs

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[7] Responses to VECC IRs (EB-2011-0128), page 16, September 9, 2011.
[8] Ibid, page 4.
[9] Application (EB-2011-0128), page 30, June 24, 2011.
[10] The quoted average total capital cost per meter of $570.38 includes capital costs for other items, such as AMI capital. The values shown in Table 2 only include capital costs for the installation of smart meters (i.e. the meter, rings, seals and installation).
[11] For reported costs including GS<50 kW smart meters, see the following Cost of Service applications: Hydro One Brampton Networks Inc. (EB-2010-0132), Milton Hydro Distribution Inc. (EB-2010-0137) and Woodstock Hydro Services Inc. (EB-2010-0145).

PowerStream has provided audited actual costs up to December 31, 2010 and unaudited actuals for costs incurred between January 1, 2011 and April 30, 2011.

The Notes tab of version 2.0 of the Board's Smart Meter Model[12] states:

> The Board expects that the majority (i.e. 90% or more) of costs for which the distributor is seeking recovery will be audited. In all cases, the Board expects that the distributor will document and explain any differences between unaudited or forecasted amounts and audited costs.

The Application shows that significantly less than 90% of the costs incurred for the installation of smart meters in the South rate zone between January 1, 2010 and April 30, 2011 are audited. However, Board staff notes that PowerStream has received prior approval for smart meter costs in the South rate zone in its 2009 Cost of Service application (EB-2008-0244) and in its prior stand-alone smart meter recovery application (EB-2010-0209). When compared to the total costs incurred in the South rate zone since program inception, the unaudited costs documented in the current Application represent less than 10%. Board staff considers PowerStream's Application, with respect to the South rate zone, to be consistent with the Board's policy on this matter.

PowerStream has not received prior approval for costs incurred in the installation of smart meters in the North rate zone. The documented unaudited actual and forecasted 2011 costs shown in the Application do not exceed 10% of the total costs claimed for the North Rate zone, and thus are, in Board staff's submission, consistent with the Board's policy.

Board staff also notes that the documented unaudited actual costs for the stub period between January 1, 2011 and April 30, 2011 show no significant difference in nature or quantum from the audited costs shown for both rate zones in the current Application.

Though PowerStream's Application pre-dates the current version of the smart meter model, the Application is consistent with the model's documentation and with the

[12] The Board issued this Smart Meter Model, an Excel spreadsheet, to electricity distributors under covering letter on September 13, 2011.

approach adopted and approved by the Board in PowerStream's prior stand-alone smart meter application (EB-2010-0209).

In summary, Board staff submits that the documented unaudited costs for each of the South and North rate zones are appropriate for inclusion in the revenue requirement calculation for both the smart meter disposition rate rider and the smart meter incremental revenue requirement rate rider. Given the passage of time from the filing date of this application, PowerStream should update its unaudited actual costs included in the SMDR and SMIRR calculations to September 30, 2011 assuming no material differences in the nature or quantum of the costs. These costs may include the actual values identified below as the $500,000 in OM&A repair and maintenance costs.

Inclusion of Forecasted Costs

On page 12 of its Application, PowerStream states:

> Due to delays in availability of approved 3-phase smart meters, PowerStream was unable to complete the planned installation for the GS<50 kW class in 2010. At December 31, 2010, PowerStream had completed smart meter installations for 52.8% of GS<50 kW customers.
>
> By April 30, 2011, PowerStream had installed 310,767 smart meters for substantially all (99.2%) of its residential and GS<50 kW customers mandated to receive smart meters in the South and North service areas. There remain a small number of situations where PowerStream has attempted but been unable to install a smart meter due to customer refusal, lack of cooperation or technical problems.

PowerStream continues on page 13 of its Application:

> PowerStream estimates that it will spend $500,000 on replacement and repair expenses to customer equipment to resolve technical issues and allow the installation of a smart meter. As the costs relate primarily to customer owned equipment, all labour and materials costs, other than the meter and standard installation cost, are being treated as incremental OM&A costs.

> PowerStream proposes to treat this Application as its request for final disposition of smart meter costs. The capital costs of the remaining meters to be installed after April 30, 2011, will be treated as regular capital additions and included in rate base in the next cost of service application.

In calculating the Smart Meter Disposition Rider ("SMDR") for both rate zones, PowerStream has included $500,000 in OM&A repair and maintenance costs, projected for the period from May 1 to December 31, 2011, as part of the calculation of the 2011 revenue requirement. When calculating the Smart Meter Incremental Revenue Requirement Rate Rider ("SMIRR"), PowerStream did not include those same costs in OM&A expenses as "they are not likely to re-occur in 2012 and beyond" and concluded that "the projected 2011 OM&A costs might not be appropriate for purposes of calculating the SMIRR."[13]

The Notes tab of version 2.0 of the Board's Smart Meter Model states that:

> The SMDR recovers, over a specified time period, the variance between: 1) the deferred revenue requirement for the installed smart meters up to the time of disposition; and 2) the SMFA revenues collected and associated interest.
>
> When smart meter disposition occurs in a stand-alone application, a SMIRR is calculated as the proxy for the incremental change in the distribution rates that would have occurred if the assets and operating expenses were incorporated into the rate base and revenue requirement. The SMIRR is calculated as the annualized revenue requirement for the test year for the capital and operating costs for smart meters.

This aspect of the Application is inconsistent with Board policy in two areas: (i) capital and OM&A costs are not aligned with respect to the date of disposition and (ii) the claim that the application be treated as the final disposition of smart meter costs when PowerStream plans to add the remaining meters, yet to be installed, as capital additions in its next cost of service application.

[13] Responses to Board Staff IRs (EB-2011-0128), page 8, September 9, 2011.

The SMDR is intended to recover funds for meters installed up to the time of disposition. The SMIRR is intended to recover the ongoing changes to rate base and the revenue requirement for the meters installed up to the time of disposition. The $500,000 in replacement and repair expenses forecasted by PowerStream is intended as an expense for 225 meter installations [14] that had not been completed as of April 30, 2011.

If PowerStream intends for this Application to be treated as its final disposition of smart meter costs, then it should include the forecasted capital costs of the 3,141 meters [15] requiring installation and the associated one-time installation OM&A expenses in the SMDR calculation, and re-calculate the SMIRR to capture the projected ongoing incremental revenue requirement of all smart meters (installed and forecasted to be installed).

Should PowerStream only wish to recover the costs of meters installed up to April 30, 2011, (or September 30 as discussed above) it should remove any forecasted capital expenditures and OM&A expenses beyond April 30, 2011 (or September 30), for meters yet to be installed from the SMDR and SMIRR calculations and continue to track capital and OM&A expenses in accounts 1555 and 1556, in accordance with the Board's standard policy and practice, subject to a final review in its next cost of service application. In this scenario, the Board would review for final disposition all smart meter costs from May 1 (or October 1) to December 31, 2011 in PowerStream's next cost of service application.

Board staff is of the view that if PowerStream expects any material differences in the cost per meter or in the overall installation costs of the remaining smart meters it should seek to only recover costs for meters installed up to April 30, 2011 (or September 30) at this time, and leave the remaining costs to be reviewed for prudence in its next cost of service application.

In the event that PowerStream decides to include all remaining costs as part of this application, Board staff offers the following additional submissions.

[14] Ibid, page 1.

[15] Responses to VECC IRs (EB-2011-0128), Table VECC 1-1, page 2, September 9, 2011.

In the Board's Decision with Reason in the combined proceeding in relation to smart meters (EB-2007-0063), the Board stated the following with respect to replacement and repair costs for customer owned equipment:

> The actual material costs to repair or replace any customer owned equipment shall be expensed and also tracked separately in a different sub-account of the Smart Meter OM&A Variance Account 1556 until disposition is ordered by the Board. As the meter base will remain the property of the customer, it would not be appropriate to have it form part of the utility's rate base. Since there are cost allocation considerations, the capitalized costs of repairs, replacements and labour etc. should be recorded by customer rate class just as the smart meter costs will be recorded by customer rate class.
>
> This direction on accounting procedures should not be considered a direction by the Board to perform this work. The Board expects individual distributors to consider their particular circumstances and to deal with their customers in a cost effective and prudent manner. Disposition of the account at a later date will be accompanied by a prudence review of the nature of the expenses as well as the manner in which they were incurred.

As stated in the combined proceeding, distributors are able to expense repair and maintenance costs for customer property, subject to a prudence review of the costs. In its response to Board staff interrogatory #1, PowerStream estimated the number of meter installations requiring repair and maintenance work in each rate zone but did not forecast costs by customer class, as suggested in the combined proceeding. PowerStream provided a breakdown of the estimated average repair and maintenance cost. Board staff is concerned that the estimate of $2,223 per meter [16] is much higher than has been seen for other installations. While Board staff recognizes that this high cost may be because the majority of installations requiring remedial work are for installations with non-standard meter types (e.g. 3-phase meters), it appears to Board staff that the $500,000 in repair and maintenance expenses forecasted by PowerStream may represent a worst-case scenario estimate of

[16] Responses to Board staff IRs (EB-2011-0128), Table Staff 1-2, page 2, September 9, 2011.

these costs. From the evidence, PowerStream has uniformly estimated a significant amount of remedial work for all 225 sites identified without explaining what approach was used to identify each site. Board staff also notes that there has been little or no information in prior proceedings on the nature and quantum of these type of costs.

Should PowerStream propose to request final disposition of costs in this Application, Board staff submits that PowerStream track the forecasted repair and maintenance costs in the appropriate sub-account of Smart Meter OM&A Variance Account 1556 and ensure any funds collected in excess of the forecasted amounts be refunded to rate payers in their next cost of service Application. Since this is a non-standard approach, Board staff submits that it would be preferable to have all capital and OM&A costs from April 30 (or September 30) dealt with through the established smart meter variance accounts.

Cost Allocation to Customer Classes

In PowerStream's prior application for smart meter cost recovery (EB-2010-0209), the Board made the following determination:

> The Board finds that a cost allocation approach based on class specific revenue requirement calculations offset by class specific smart meter funding to be inconsistent with previous Board decisions, and that there has been no clear requirement to track costs by class. The Board notes that historical funding collected from customer classes other than Residential and GS<50 kW is not material. The Board finds that a class specific calculation of the residual amounts for disposition of smart meter costs for each rate class is unwarranted, as there is insufficient benefit given the additional complexity.
>
> The Board also finds the cost allocation approach submitted by Board staff and accepted by PowerStream to be reasonable. In making this finding the Board is mindful that full cost causality should be the guiding principle. However, the Board accepts the argument advanced by PowerStream in its reply submission that VECC's proposal for full cost

causality would result in significant directional swings for customers in the future. This volatility should be generally avoided.

The Board therefore finds that the smart meter revenue requirement for meters installed in 2008 and 2009 should be consistently allocated over time.

In its Application, PowerStream allocated the revenue requirement 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.

As part of their interrogatories, VECC requested PowerStream to complete a separate smart meter revenue requirement model for the residential and GS<50 kW customer classes in each rate zone and to recalculate the SMDR, SMIRR and bill impacts using the class specific revenue requirements.[17] Table 3 and 4, below, compare the recalculated SMDRs for the North and South rate zone, respectively, to the original calculations provided by PowerStream in the Application. A summary of the updated bill impact calculations is reproduced in Table 5. The net result is a shift in costs from the residential to the GS<50 kW customer class.

Table 3 - True-up Allocation and SMDR Calculation (North rate zone)[18]

Per Application				VECC 3(a)	
Customer Class	Number of Customers	True-up Allocation	Monthly Charge	True-up Allocation	Monthly Charge
Residential	64,830	$ 201,871	$ 0.52	$ 76,930	$ 0.20
GS<50 kW	5,886	$ 60,245	$ 1.71	$ 228,296	$ 6.46
Total	**70,716**	**$ 262,116**		**$ 305,226**	

[17] Responses to VECC IRs (EB-2011-0128), IRs 3, 4 and 5, September 9, 2011.
[18] Ibid, Table VECC 3-2, page 7.

Table 4 - True-up Allocation and SMDR Calculation (South rate zone)[19]

Per Application				VECC 4(a)	
Customer Class	Number of Customers	True-up Allocation	Monthly Charge	True-up Allocation	Monthly Charge
Residential	226,121	$ (258,936)	$ (0.19)	$(3,471,650)	$ (2.56)
GS<50 kW	24,190	$(1,832,228)	$ (12.62)	$ 1,486,286	$ 10.24
Total	**250,311**	**$(2,091,164)**		**$(1,985,364)**	

Table 5 - Bill Impact Summary of Proposed Cost Allocation Methodologies for each rate zone[20]

	Per Application				Per VECC IR# 5			
	Residential		GS< 50		Residential		GS< 50	
	$	%	$	%	$	%	$	%
PowerStream South	$ (0.13)	(0.1)%	$(8.72)	(3.4)%	$ (2.46)	(2.4)%	$ 13.84	5.5%
PowerStream North	$ 2.27	2.0%	$ 7.44	2.8%	$ 2.01	1.8%	$ 11.38	4.4%

Board staff submits that PowerStream has correctly applied the cost allocation methodology approved by the Board in EB-2010-0209 in the original filing of this application. Board staff also submits that the calculations shown in PowerStream's responses to VECC interrogatories 3, 4 and 5 mirror the methodology that the Board determined was unwarranted in the EB-2010-0209 proceeding. Since the Board has approved the approach proposed by PowerStream for previous smart meter applications, Board staff is of the view that a change in cost allocation methodology should not be implemented now.

Calculation of Smart Meter Rate Riders

Board staff noted certain inconsistencies in PowerStream's Application with respect to the application of Board policies in the preceding sections of these submissions. Board staff's submissions on the calculation of the SMDR and SMIRR will vary depending on which approaches, as outlined in the Inclusion of Forecasted Costs section of these submissions, is adopted. As such the discussions below are separated into two options: (i) where PowerStream elects to include forecasted meter costs to December 31, 2011 for final disposition of all smart meter costs; or (ii) where PowerStream elects to dispose of costs for meters installed up to April 30, 2011 and have costs from May 1 to December 31, 2011 reviewed in its next cost of service application.

[19] Ibid, Table VECC 4-2, page 9.
[20] Ibid, Table VECC 5-5, page 11.

Should PowerStream propose a final disposition of costs, Board staff is of the view that PowerStream should consider and address any resulting bill impacts in its submissions and discuss any strategies for rate mitigation should those bill impacts prove to be material.

Final Disposition Option

Smart Meter Disposition Rate Rider

If PowerStream requests final disposition of all smart meter related costs in this application, they must include the following costs in the calculation of the SMDR, for each rate zone:

1. All audited capital and OM&A expenses for meters installed up to December 31, 2010.
2. All unaudited actual capital and OM&A expenses for meters installed between January 1, 2011 and April 30, 2011.
3. Forecasted capital costs for remaining meters to be installed, through to December 31, 2011.
4. Forecasted OM&A one-time expenditures to be incurred in the installation of the remaining meters through to December 31, 2011.

Smart Meter Incremental Revenue Requirement Rate Rider

If PowerStream requests final disposition in this application, they must include the following costs in the calculation of the SMIRR, for each rate zone:

1. Include the capital costs of all meters (forecasted through to December 31, 2011) as part of Net Fixed assets.
2. Forecasted on-going OM&A expenditures for all meters (forecasted through to December 31, 2011). These expenditures may be prorated based on the unaudited actuals incurred between January 1, 2011 and April 30, 2011.

Disposition up to April 30, 2011 Option

Smart Meter Disposition Rate Rider

Should PowerStream seek to recover costs of smart meters installed up to April 30, 2011 (or updated to September 30, 2011 actuals), they must include the following costs in the calculation of the SMDR, for each rate zone:

1. All audited capital and OM&A expenses for meters installed up to December 31, 2010.
2. All unaudited actual capital and OM&A expenses for meters installed between January 1, 2011 and April 30, 2011 (or September 30, 2011 if updated).

Smart Meter Incremental Revenue Requirement Rate Rider

Should PowerStream seek to recover costs of smart meters installed up to April 30, 2011 (or updated to September 30, 2011 actuals), they must include the following costs in the calculation of the SMIRR, for each rate zone:

1. Only the capital costs of meters installed, as of April 30, 2011 (or updated to September 30, 2011), as part of Net Fixed assets.
2. Forecasted on-going OM&A expenditures for all installed meters (up to April 30, 2011 or updated to September 30, 2011). These expenditures may be prorated based on the unaudited actuals incurred between January 1, 2011 and April 30, 2011.

Aside from including actual costs beyond the requested time of disposition (April 30, 2011 or September 30, 2011), Board Staff submits that PowerStream has appropriately applied the methodology for calculating the SMDR established in PowerStream's prior smart meter application (EB-2010-0209).

Board staff submits that the methodology used to calculate the SMIRR in this Application is reasonable and follows the principles previously approved by the Board in its decision with respect to PowerStream's smart meter application in EB-2010-0209. PowerStream's approach of removing any one-time forecasted

OM&A costs[21] and prorating on-going costs for the year is appropriate and consistent with the purpose of the SMIRR.

Board staff supports PowerStream's proposal to wait until its next cost of service application to dispose of its stranded meter costs.

Costs Beyond Minimum Functionality

In the notes tab of version 2.0 of the Board's Smart Meter Model, the Board states the following with regards to costs incurred beyond minimum functionality:

> While authorized smart meter deployment must meet the requirements for minimum functionality, a distributor may incur costs that are beyond the "minimum functionality." To date, the Board has reviewed three types of costs that are "beyond minimum functionality":
>
> A. Costs for technical capabilities in the smart meters or related communications infrastructure that exceed those specified in O.Reg 425/06;
> B. Costs for deployment of smart meters to customers other than residential and small general service (i.e. Residential and GS<50 kW customers); and
> C. Costs for TOU rate implementation, CIS system upgrades, web presentation, integration with the MDM/R, etc.

Based on the evidence provided in this Application, Board staff understands that PowerStream has not incurred any costs beyond minimum functionality of type A or B, as defined above. PowerStream requested the recovery of $200,000 for programming of its billing systems to meet new billing requirements from Measurement Canada and the Ministry of Energy.

In response to Board staff interrogatory #2 regarding those expenses, PowerStream states:

[21] Responses to Board Staff IRs (EB-2011-0128), pages 8 and 9, September 9, 2011.

> Measurement Canada sent a notice to all electrical utilities mandating that the start and end meter reading are to be shown on all bills effective January 1, 2012. The MDM/R software was never set up to include meter readings, only Billed Quantity Responses and the breakdown of the consumption for each of the on-peak, mid-peak and off-peak periods.
>
> This new working requirement resulted in the formation of the "Cumulative Register Reading Working Group" by the IESO, a new Technical Interface Document (3.0) and development of a new version of the MDM/R software (Release 7.2).
>
> PowerStream's CIS software has to be updated to conform to the new MDM/R Technical Interface Document (3.0), to incorporate the new requirements.

Board staff understands these types of expenses to be of type C, as defined above.

In response to Board staff interrogatory #6 regarding costs related to the changes to its customer billing system, PowerStream states:

> PowerStream was one of the early utilities to work with the IESO and the first to migrate large numbers of customers to the MDM/R. PowerStream has devoted a great deal of time and effort in developing software to interface with the MDM/R, working with IESO on the MDM/R system, modifying PowerStream's software to meet the changing standards and testing.

O.Reg 426/06, Section 2, Subsection 4.1, states the following with respect to the recovery of costs related with meter data functions to be provided by the provincial MDM/R:

> Subsection (1) does not prevent a distributor from recovering costs, if approved by the Board, that the distributor incurred as a result of supporting the IESO with finalizing the design of the requirements and processes for the interface and integration of the Smart Metering Entity's system with the distributor's billing and metering systems. O. Reg. 392/07, s. 1.

Board staff takes no issue with the nature and quantum of costs incurred in relation to software upgrades undertaken for integration with the MDM/R. Board staff also notes that these costs are suitable for recovery under O.Reg 426/06.

For the reasons stated above, Board staff submits the costs above minimum functionality, as defined in the combined proceeding (EB-2007-0063), are appropriate for recovery by PowerStream.

- All of which is respectfully submitted -