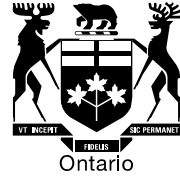


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BY E-MAIL

January 5, 2012

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

Dear Ms. Walli:

**Re: Board Staff Submission on a Claim for Confidentiality
2012 Electricity Distribution Rates
Enersource Hydro Mississauga Inc.
Board File No. EB-2011-0100**

In accordance with Procedural Order No. 1, please find attached Board staff's submission on the claim for confidentiality with respect to the evidence which supports the proposed 2012 Smart Meter Funding Adder. Please forward the following to Enersource Hydro Mississauga Inc. and to all other registered parties to this proceeding.

Sincerely,

Original Signed By

Georgette Vlahos
Analyst, Applications & Regulatory Audit



ONTARIO ENERGY BOARD

2012 ELECTRICITY DISTRIBUTION RATES APPLICATION -

Enersource Hydro Mississauga Inc.

EB-2011-0100

STAFF SUBMISSION

**With respect to a request by Enersource
for Confidential Treatment of certain documents**

Background

Enersource Hydro Mississauga Inc. (“Enersource” or the “Applicant”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”) on November 10, 2011, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that Enersource charges for electricity distribution, to be effective May 1, 2012. The Application is based on the 2012 3rd Generation Incentive Regulation Mechanism. The Board issued a Notice of Application and Hearing on November 30, 2011.

In its Application, Enersource requested that certain detailed evidence which supports the proposed 2012 Smart Meter Funding Adder be treated as confidential pursuant to the Board’s *Practice Direction on Confidential Filings*. Enersource has elected to exclude information related to smart meter capital and operating costs at the level of detail defined in the smart meter model.

Board staff makes the following submission with respect to the request for confidential treatment of the evidence set out more particularly in Enersource’s application at Tab 4 and Attachment I (the “Evidence”).

Submission

Board staff has reviewed the Evidence and does not agree that the information related to Enersource’s proposed Smart Meter Funding Adder should be treated as confidential.

Board Staff notes that section 5 of the Board’s *Practice Direction on Confidential Filings* (“*Practice Direction*”) sets out the general process for confidentiality requests. The *Practice Direction* notes that the onus is on the party requesting confidential treatment to demonstrate to the satisfaction of the Board that confidential treatment is warranted in any given case. It also emphasizes the need to balance the protection of confidential information with the general policy that all records should be open to the public and that all proceedings should be open, transparent and accessible¹.

¹ *Practice Directions on Confidential Filings*, October 13, 2011, Page 6

Enersource was a utility specifically referenced in Ontario Regulation 427/06 (the “Regulation”) as a “named utility” that was authorized to deploy smart meters, beginning in 2006, to effect the Government of Ontario’s target for 800,000 smart meters deployed by the end of 2007. As such, Enersource was a deemed applicant and participated in the proceeding initiated by the Board under File No. EB-2007-0063 in the summer of 2007 to consider the costs and activities of all named utilities. This proceeding is commonly referred to as the “Combined Smart Meter Proceeding”, and the Board issued its Decision with Reasons with respect to this proceeding on August 8, 2008.

Board staff acknowledges that, in the Combined Smart Meter Proceeding, a fair amount of detailed information on Smart Meter costs was considered by the Board and treated as confidential. A page from the public version of Appendix A of the Board’s Decision with Reasons in EB-2007-0063 is attached to this submission and identifies the level to which data was aggregated at that time. Board staff observes that Enersource is seeking a level of confidentiality commensurate with that upheld in the Combined Smart Meter Proceeding.

However, Board staff submits that much has changed in the interim. In mid-2007, smart meter deployment was relatively new in Ontario, and only a small number of suppliers and utilities were involved. While borrowing from some existing technologies, smart meter and related communications and computer infrastructure technologies were new, and it was not unreasonable that public disclosure of the detailed costs could be used by the competitors of vendors to the latter’s economic disadvantage. Arguably, even disclosure of costs and prices could have been used by utilities not yet actively involved in smart meter deployment in subsequent negotiations with potential vendors.

Board staff submits that there has been maturation in both the Ontario electricity distribution sector with respect to the costs for deployment and operation of smart meter technology, and in the manufacturing and supply sector for smart meter technology. Almost all Ontario distributors have been engaged in smart meter deployment, and many have completed or nearly completed their deployment. As such, they all have agreements with vendors, and they should not be able to take advantage of the disclosure of the historical data, such as that contained in Enersource’s Evidence, to re-negotiate prices.

There has also been communication and experience gained by the manufacturers and the utilities, so that some level of “benchmarking” of prices/costs is becoming apparent. As the Board sees an increasing number of applications for SMFAs and, more recently, for disposition and recovery of smart meter costs, comparisons of costs is important for understanding the similarities and differences in the costs. Further, while the “per meter” cost is one relevant summary statistic, it is generally only with somewhat more disaggregated data, at least at the level required in the Board-issued smart meter model (discussed further below), that an understanding of what may be driving cost differences and understanding whether these are supported and reasonable.

Board staff also observes that the Board has issued, at various points in time, various documentation, guidelines, and models, to assist distributors in making applications for SMFAs and for final disposition and recovery of smart meter costs. On December 15, 2011, the Board issued *Guideline G-2011-0001: Smart Meter Funding and Cost Recovery – Final Disposition*. Also provided was a Smart Meter spreadsheet model Version 2.17 (“Smart Meter Model”) which would assist distributors in making applications for smart meter cost recovery, and could be used for calculating a proposed SMFA. The guideline and the Smart Meter Model represent the current evolution of guidelines and models that have been provided by the Board and used by the industry since late 2007. In particular, the level of data requested in the Smart Meter Model is more disaggregated than the public version of Appendix A of Decision with Reasons EB-2007-0063 and more closely resembles the level of detail of the Confidential version of Appendix A.

However, these models have been used since late 2007 and, to the best of Board staff’s knowledge all utilities except for Enersource have disclosed smart meter capital and operating cost details at the levels defined in the Smart Meter Model. Further, Board staff notes that even the level of detail requested in the versions of the Smart Meter Model that have been issued by the Board does not necessarily disclose full information on vendors’ prices. Based on experience gained over the past five years, it is apparent that reported costs may also include internal utility costs (i.e. labour, associated materials and equipment, engineering, etc.) in addition to the direct costs paid to the vendor(s). In such cases, the vendor’s price cannot be discerned from the data.

Board staff observes that Enersource has, in its 2010 and 2011 IRM applications (Board file numbers EB-2009-0193 and EB-2010-0100 respectively), sought confidential treatment for the same level of disaggregation of smart meter cost data in the filed Smart Meter Models. However, a review of the record of each of those applications does not reveal that the Board specifically opined on this matter. In particular, the Board did not specifically address the claim for confidentiality in any Procedural Orders or in the final Decisions in each of those proceedings.

Further, since the Board apparently did not turn its mind to the claim for confidentiality in the prior proceedings, Board staff submits that these should not be relied upon as precedents. To the contrary, Board staff submits that the standard practice that the level of detail requested in the Board-issued Smart Meter Model should be publicly disclosed, and adhered to by other Ontario distributors, should be relied upon. Accordingly, in Board staff's view, Enersource should be required to file its Smart Meter model publicly in a fully unredacted form.

Board staff also submits that public disclosure of the model, in working Microsoft Excel format, would aid in regulatory transparency and efficiency, as parties could more easily understand the workings of Enersource's model, as Enersource has used its own version.

To complete the discussion of confidentiality with respect to smart meter costs, it is worthwhile to note that previously, the Board has granted confidentiality for smart meter information which relates to agreements with suppliers, not cost data. One recent example is PowerStream's stand alone smart meter application (EB-2011-0128)².

Board staff submits that Enersource did not file information of such nature in this application.

For the reasons discussed above, Board staff submits that Enersource's claim for confidentiality on data in its Smart Meter model should be denied.

² EB-2011-0128, Decision and Order on Confidentiality, Pages 1-2

- All of which is respectfully submitted -

**Appendix to Board staff Submission – Claim for Confidentiality
Enersource Hydro Mississauga Inc.
EB-2011-0100**

**Except from Appendix “A”
Decision with Reasons EB-2007-0063 (August 8, 2007)
Page 3 of 4**

Recovery of Costs Incurred for Installed Units (Minimum Functional
Cost Breakdown of Functional Specification for an Advanced Meter)

CAD \$ MILLIONS	VERIDIAN		ENERSOURCE		CHATHAM-KENT		MIDDLESEX	
CAPITAL COSTS	\$	Qty	\$	Qty	\$	Qty	\$	Qty
ADVANCED METERING COMMUNICATION DEVICE (AMCD)								
1. Smart Meter								
2. Installation Cost								
3. Workforce Automation								
ADVANCED METERING REGIONAL COLLECTOR (AMRC) (includes LAN)								
4. Collectors								
5. Repeaters								
6. Installation								
ADVANCED METERING CONTROL COMPUTER (AMCC)								
7. Computer Hardware								
8. Computer Software								
9. Computer Software Licence & Installation								
WIDE AREA NETWORK (WAN)								
10. Activation Fees								
OTHER AMI CAPITAL COSTS RELATED TO MINIMUM FUNCTIONALITY								
11. AMI Interface to CIS								
12. Professional Fees								
13. Integration								
14. Program Management								
TOTAL CAPITAL COST (CAD \$ Millions)	0.043	0	1.514	12,528	2.862	17,052	0.557	3,063
TOTAL OM&A COST (CAD \$ Millions) ^{see NOTE}	0		0.293		0.367		0.025	
TOTAL COST (CAD \$ Millions)	0.043		1.807		3.229		0.582	
Total Cost per Unit \$ (Total Cost / Quantity of Smart Meters)		n/a		\$144.20		\$189.34		\$189.96
Costs Incurred to:	31-Dec-06		30-Apr-07		30-Apr-07		30-Apr-07	
Source:	Ex A13 Tab B		Ex A2 Updated Adj		K7.2 and Ex A1		K7.2 and Ex A1	
Commitment re Quantity of Units Installed by December 31, 2007	40,000		60,000		28,000		6,000	

NOTE: OM&A Costs include the following:

- AMCD Maintenance
- AMRC/LAN Maintenance
- AMCC Hardware and Software Maintenance
- WAN
- Other (Business Process Redesign/Customer Communication/Program Manage