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BY E-MAIL

February 22, 2012

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

Dear Ms. Walli:

**Re: Board Staff Interrogatories
Horizon Utilities Corporation
Application for 2012 Smart Meter Cost Recovery effective May 1, 2012
Application Board File Number EB-2011-0417**

In accordance with the procedure documented in the Notice of Application and Hearing, please find attached Board staff's interrogatories in the above proceeding with respect to Horizon Utilities Corporation's application for rate riders to recover smart meter costs.

Please forward the following to Horizon Utilities Corporation, its legal counsel and to all other registered parties to this proceeding.

Sincerely,

Original Signed By

Keith C. Ritchie
Project Advisor - Applications

Attachment

**Horizon Utilities Corporation
2012 Smart Meter Cost Recovery
EB-2011-0417**

Board Staff Interrogatories

General

1. Letters of Comment

Following publication of the Notice of Application, the Board has, to date, received no letters of comment. Please confirm whether Horizon Utilities Corporation ("Horizon") has received any letters of comment. If so, please file a copy of any letters of comment. For each, please confirm whether a reply was sent from Horizon to the author of the letter. If confirmed, please file that reply with the Board. Please ensure that the author's contact information except for the name is redacted. If not confirmed, please explain why a response was not sent and confirm if Horizon intends to respond.

Request for New Deferral Account

2. Ref: Section 1 - Introduction, page 4

On page 4 of its application, Horizon states that it is seeking, as part of its application approval for "[a] new deferral account to record the revenue requirement on new Smart Meter expenditures for residential and General Service ("GS") < 50 kW customer classes in 2012 and future years until the next rebasing in 2015. This deferral account will record the revenue requirement associated with new capital expenditures after the December 31, 2011. These costs are not included in the above SMDR and SMIRR recoveries".

In the Excel smart meter model filed as part of its application, Horizon stated that it expects to deploy 4698 more smart meters for Residential and GS < 50 kW customers, and 891 meters for GS > 50 kW customers. The capital costs for these are not reflected in the model.

4698 Residential and GS < 50 kW meters in 2012 to 2014 represents about a 2% increase over the smart meters deployed to December 31, 2011 (4698/(234020 – 4698)) for these same classes, while the 891 GS > 50 kW meters represents 64% increase over the enhanced meters deployed to that class (891/(2282 – 891)).

- a) Why does Horizon consider that the SMIRR, applied ongoing until Horizon's next cost of service rebasing application, is insufficient to keep it whole with respect to new smart meters deployed from 2012 to 2014?
- b) Please provide Horizon's views as to what impact its request for the deferral and variance account has with respect to its business risk related to growth-related capital and operating expense recovery. If its proposal decreases its business risk, is its allowed return on capital still appropriate?
- c) Please provide other precedents for the deferral and variance account requested by Horizon.

3. Ref: Application, page 11 and Smart Meter Model, Sheet 2

On page 11 of its application, Horizon forecasts capital costs of \$2,729,880 for installing remaining smart meters for Residential and GS < 50 kW customers. Horizon documents that many of these are "hard-to-reach" customers.

On Sheet 2 of its smart meter model, Horizon documents that it will be installing 4698 smart meters for customers in these classes in 2012 and beyond. This works out to an average per meter capital cost for these smart meters of \$581.07.

Please explain the drivers, beyond these being "hard-to-reach" for materially increased per meter costs for meters to be installed from 2012 to 2014.

Number of Metered Customers

4. Ref: Smart Meter Model, Version 2.17, sheets 2 and 9

On Sheet 2 of the filed smart Meter model, Horizon documents 229,322 Residential and GS < 50 kW smart meters installed or forecasted to be installed to December 31, 2011, plus an addition 4698 smart meters to be installed in 2012 and beyond. For GS >50 kW customers, Horizon documents 1391 enhanced meters installed to December 31, 2011, and 891 to be installed subsequently.

This corresponds to 230,713 smart meters and equivalent installed to December 31, 2011 and 236,302 installed in total. On Sheet 9 of the smart meter model, Horizon documents 235,585 metered customers in 2012. Please provide documentation on Horizon's estimate for the 235,585 metered customers in 2012. Please indicate what customer classes are factored into this customer count.

Smart Meter Costs

5. Ref: Application, page 21 – Additional staffing

On page 21 of its application, Horizon states:

“The deployment of Smart Meters and the implementation of TOU rates have required additional incremental human resources. An external project management firm was retained in 2009 to assist internal staff to manage the project thereby ensuring that deliverables from multiple departments were met as per the project timelines. In addition, three new permanent positions were created in 2010 to manage the meter data collection process through the AMI.”

Horizon rebased its rates through a cost of service application for 2011 rates, dealt with under file number EB-2010-0131.

- a) Are the permanent staff positions already reflected in Horizon’s rates that were approved in its 2011 revenue requirement?
- b) Please describe the annual costs for these positions, and describe the activities involved.
- c) Are there functions, services and associated costs that Horizon is no longer incurring as a result of implementing remote meter reading through the AMI? Please explain these and provide an estimate of reduced costs. Please explain whether these are explicitly reflected in Horizon’s approved 2011 revenue requirement.

6. Ref: Smart Meter Model – Taxes/PILs Rates

Horizon has used the maximum taxes/PILs rates input on sheet 3, row 40, for the years 2006, 2007, 2008, 2009, 2010, 2011 and 2012 and beyond. These are summarized in the following table:

Year	2006	2007	2008	2009	2010	2011	2012 and beyond
Aggregate Federal and provincial income tax rate	36.12%	36.12%	33.50%	33.00%	31.00%	28.25%	26.25%

Please confirm that these are the tax rates corresponding to the taxes or PILs actually paid by Horizon in each of the historical years, and that Horizon forecasts it will pay for 2012. In the alternative, please explain the tax rates input and their derivation.

7. Smart Meter Model, Sheet 8A – Interest on OM&A and Depreciation Expenses

On sheet 8A of the filed smart meter model, Horizon has a negative entry of (\$148,070.25) in cell L93 for depreciation expense for September 2011. Please explain this negative entry.

Cost Allocation

8. Ref: Application, Sections 8.0 and 9.0 – Cost Allocation

- a) If Horizon has made revisions to its Smart Meter Model, Version 2.17 as a result of its responses to interrogatories, please update its proposed class-specific SMDRs.
- b) Similarly, please update the calculation of class-specific SMIRRs.