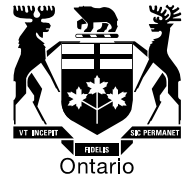


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BY EMAIL

February 24, 2012

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

Dear Ms. Walli:

**Re: Board Staff Interrogatories for Midland Power Utility Corporation
Smart Meter Cost Recovery Application
EB-2011-0434**

Further to the Board's Notice of Application and Hearing for an Electricity Distribution Rate Change of Midland Power Utility Corporation, dated February 24, 2012, please find attached Board staff's interrogatories on the smart meter cost recovery application filed by Midland Power Utility Corporation on December 19, 2011.

Please forward the attached to Midland Power Utility Corporation and all intervenors in this proceeding.

Yours truly,

Original Signed By

Christie Clark
Case Manager

Enclosure

Midland Power Utility Corporation
2012 Smart Meter Cost Recovery
EB-2011-0434

Board Staff Interrogatories

In the Board's Notice of Application and Hearing for an Electricity Distribution Rate Change of Midland Power Utility Corporation ("Midland"), Friday February 24, 2012 was set as the deadline for interrogatories to Midland. Board staff submits the following interrogatories.

1. Letters of Comment

Following publication of the Notice of Application, the Board has, to date, received no letters of comment. Please confirm whether Midland has received any letters of comment, and if so, please file a copy of the letters of comment. For each, please confirm whether a reply was sent from Midland. 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 Midland intends to respond.

2. Audited Balances

Midland has provided historical accounting details in the Smart Meter Model Version 2.17 ("Smart Meter Model") indicating that the balances were audited for all years up to and including 2011. However, Midland filed its application for smart meter cost recovery on December 19, 2011. It is unclear which balances have been audited, and whether the 2011 balance is a year-end figure.

- a. Please state the date of the last audited balances for the Smart Meter Capital and Recovery Offset Variance Account 1555 and the Smart Meter OM&A Variance Account 1556.
- b. What percentage of the total smart meter expenditures are represented by audited amounts?
- c. Please confirm that the 2011 balances are estimated year-end balances.
- d. Please provide the actual 2011 year end balances.

3. Smart Meter Model – Smart Meter Costs

Midland has provided its expenditures by year in the Smart Meter Costs tab of the Smart Meter Model. Midland stated on page 7 of its application that deployment of residential and GS<50 kW meters started in 2009. However, Midland reports the following expenditures prior to 2009:

2006: \$485
2007: \$18,776
2008: \$16,988.

Please provide further details of the nature of these expenses.

4. Smart Meter Model – Cost of Service Parameters

Midland has provided the basic cost of service parameters for historical years in the Cost of Service Parameters tab in the Smart Meter Model. Board staff would like some clarification of some entries.

- a. For 2006, the Board approved a Target Return on Equity of 9.0% for Midland. This return carried forward into the 2007 IRM applications. Please explain Midland's use of 9.9% for 2006 and 9.88% for 2007.
- b. Midland has used the default debt rate of 6.25% in 2006, which carries forward also to 2007. However, in its 2006 EDR application RP-2005-0020/EB-2005-0390, Midland was approved to use a debt rate of 4.79%. Please explain the use of the 6.25%. In the alternative, please update the debt rate used for 2006 and 2007.
- c. With respect to the CCA rates used for taxes/PILs, please explain the use of CCA class 1 for smart meters and class 8 for computer equipment. Please make any necessary corrections.

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

Midland 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 Midland in each of the historical years, and the taxes/PILs that Midland forecasts it will pay for 2012. In the alternative, please explain the tax rates input and their derivation.

6. Smart Meter Model – Smart Meter Funding Adder Revenues and Interest

Midland has not projected interest through to April 30, 2012 in the Funding Adder Revenues Tab in the Smart Meter Model. As a result, interest is not estimated through to April 30, 2012. This can be adjusted by entering the current prescribed rate for interest on deferral and variance accounts of 1.47% into cells C48 (for January to March 2012) and L99 (for April 2012) on Sheet 8 Smart Meter Funding Adder Revenues and Interest.

- a. Please provide Midland's reasons for not calculating interest for the first four months in 2012. In the alternative, please update the model.
- b. Midland has input an estimated SMFA revenue of \$14,481.18 for May 2012 on sheet 8. Given that Midland's SMFA is to sunset as of April 30, 2012, please provide the basis for the May 2012 SMFA revenues.

7. Unit Cost Calculations

Midland states the average costs for residential smart meters is \$87, and for GS<50 kW smart meters is \$241. It references Appendix 8 as the source for these unit costs. It appears that a copy of Appendix 8 was not filed. Board staff would like to review the detailed calculations that determined the unit costs. Please file the calculations. All costs should be based on minimum functionality. In preparing the unit and total costs, Board staff directs Midland to page 18 of G-2011-0001 *Smart Meter Funding and Cost Recovery – Final Disposition* (the

“Guidelines”) where it states that at a minimum an applicant should provide capital and operating unit cost per installed smart meter and in total for:

- Procurement and installation of the components of the AMI system;
- Customer information system;
- Incremental operating and maintenance activities; and
- Changes to ancillary systems.

8. Costs Beyond Minimum Functionality

Midland has stated that it has only incurred costs beyond minimum functionality related to MDM/R and TOU rates. The Board, the Guidelines states, at page 17:

“Costs for other matters such as CIS changes or TOU bill presentment may be recoverable, but the distributor will have to support these costs and will have to demonstrate how they are required for the smart meter deployment program and that they are incremental to the distributor’s normal operating costs.”

- a. Please state the level of and describe the costs incurred beyond minimum functionality, making specific reference to MDM/R, web presentment, CIS changes, TOU rates, business process changes, training and customer education costs.
- b. Please state how these costs are required for Midland’s smart meter programme, and how they are incremental to Midland’s normal course of business.
- c. Are the costs stated in Table 3 and Table 4 final? If the costs are not final costs, please provide an update, stating whether the update is final or not.
- d. State the total costs for beyond minimum functionality, and the average unit costs per smart meter.
- e. What is the annual impact on OM&A for beyond minimum functionality?

9. Customer Repairs

The Board in the Guidelines stated:

“The actual costs for materials and parts to repair or replace any customer-owned equipment should 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 following a review for prudence of the smart meter costs. As the meter base remains the property of the customer, the Board determined that it would not be appropriate to have it form part of the distributor's rate base."

- a. Please state the costs of repair or replacement of customer-owned equipment.
- b. Are there any meter bases included in these costs? If so, please state the total amount.
- c. Please confirm that these costs were recorded in a different sub-account of the Smart Meter OM&A Variance Account 1556.

10. Ref: Smart Meter Model

If Midland has changed its inputs to the Smart Meter Model, please update and re-file its smart meter model in working Microsoft Excel format.

11. Ref: Application, Tables 5 and 6 – Cost Allocation

- a. If Midland has made revisions to its Smart Meter Model 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.