MIDLAND POWER UTILITY CORPORATION

16984 Highway#12 P.O. Box 820
Midland Ontario L4R 4P4

March 9, 2012

Ontario Energy Board
2300 Yonge Street
26th Floor
P.O. Box 2319
Toronto, Ontario
M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

- and -

Mr. Michael Buonaguro, Counsel
c/o Public Interest Advocacy Centre
34 King Street East, Suite 1102
Toronto, ON
M5C 2X8

- and –

Ms. Shelley Grice, P.Eng.
Econalysis Consulting Service
34 King Street East, Suite 1102
Toronto, ON
M5C 2X8

Dear Sirs:

Re: Midland Power Utility Corporation – 2012 IRM3 Rate Application
Licence #ED 2002-0541; Board File No. EB-2011-0434

Enclosed please find Midland's response to VECC Interrogatories due March 9, 2012 filed under the RESS filing system today. Should you have any questions please do not hesitate to contact the writer.

Yours very truly,

MIDLAND POWER UTILITY CORPORATION

PHIL MARLEY, CMA
President & CEO
Tel: (705)526-9362 ext 204
Fax: (705) 526-7890
E-mail: pmarley@midlandpuc.on.ca

EB-2011-0434

ONTARIO ENERGY BOARD

IN THE MATTER OF
the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15 (Schedule B), as amended;

AND IN THE MATTER OF an Application by
Midland Power Utility Corporation for an order or orders
approving or fixing just and reasonable
distribution rates to be effective May 1, 2012 to reflect the
recovery of costs for deployed smart meters.

MIDLAND POWER UTILITY CORPORATION (MIDLAND PUC)
Response to Information Requests of the
Vulnerable Energy Consumers Coalition (VECC)

VECC Question # 1

Reference: Manager's Summary, 6. Project Specifics, Page 7

Preamble: Midland PUC indicates that final negotiations with Silver Spring Networks stalled and successful negotiations with the second best value bidder, Elster Metering resulted in the procurement contract.

a) Please discuss when and why the negotiations with Silver Spring Networks stalled, when the contract with Elster commenced, and how this impacted Midland PUC's smart meter deployment.

Midland PUC Response:
Midland PUC received the Attestation letter from the Fairness Commissioner on August 1, 2008. Negotiations with Silver Springs Network commenced on August 19, 2008 and as indicated in Midland PUC's application under Addendum 2, the letter to Silver Springs dated October 27, 2008 provided a summary of our attempts to negotiate with Silver Springs. Negotiations broke down in late October, 2008.

The London RFP provided a deadline of two weeks to negotiate the contract. Midland PUC afforded Silver Springs over two months to complete the contract. Midland PUC worked with the Fairness Commissioner and were advised to send the October 27, 2008 letter to Silver Springs. Silver Springs failed to meet the provisions of the RFP and consequently, Midland PUC terminated negotiations.

Midland PUC immediately contacted Elster and a kick off meeting was held on November 12, 2008 where Elster presented a completed Contract Negotiation Package, Propagation Studies and a programming session.

As a result of the successful procurement contract with Elster, Midland PUC's deployment schedule was not impacted.

VECC Question # 2

Reference: Manager's Summary, 6. Project Specifics, Page 7

Preamble: Midland PUC indicates that shortly after Trilliant was selected for meter deployment, Olameter acquired Trilliant resulting in Olameter providing the deployment services.

a) Please discuss the impact this change had on smart meter deployment unit costs and provide the timelines for the award of the contract to Trillium and change to Olameter.

Midland PUC Response:

No impact to the deployment unit costs resulted from the change to Olameter from Trilliant as Olameter agreed to the Trilliant pricing. Trilliant was awarded the contract in mid-December, 2008. Olameter announced the merger of Trilliant and Olameter in mid-January, 2009.

VECC Question # 3

Reference: Manager's Summary, Meter Deployment, Page 7

Preamble: As at December 31, 2011, 6828 residential and GS<50 kW meters have been installed representing 100% deployment of smart meter infrastructure.

a) Please summarize the types of meters installed for each rate class.

b) Please complete the following table to show the average installed cost per meter type.

Class	Type of Meter	Quantity	Installed Cost	Average Costs
Residential				
GS<50 kW				
GS>50 kW				

Midland PUC Response:

a) See b).

b) Table VECC IRR 3 below sets out the average installed cost per meter type. Midland PUC would point out the Smart Meter Cost of $745,803 includes the meter costs only. Included in the Smart Meter Model capital costs section 1.1.1 Smart Meters are costs for an antennae and a handheld reading device as follows:

Smart Meter 1.1.1	$755,702
Antennae	-2,497
Handheld Meter Reader	-7,402
	$745,803

Table VECC IRR 3: Average Installed Cost Per Meter

Class	Type of Meter	Quantity	Meter Cost	Installation	Installed Cost	Average Cost
Residential	Rex 2	6086	$558,092	$ 58,009	$616,101	$ 101
GS<50kW	A3 Alpha	340	$151,531		$151,531	
	Rex 2	402	$ 36,180		$ 36,180	
	TOTAL	742	$187,711	$ -	$187,711	$ 253

VECC Question # 4

Reference: Manager's Summary, 9. Integration with MDM/R, Page 9

Preamble: Midland PUC indicates the project plan called for Unit Testing to be executed on January 17, 2011 but due to some delays, was completed on March 7, 2011.

a) Please provide specific details on the nature of the delays related to contractual obligations.

Midland PUC Response:

Delays were encountered due to software issues in Midland PUC's CIS system. Once these adjustments/modifications were made, Midland PUC was able to proceed with the testing. No contractual obligations were at risk as Midland PUC was able to complete the testing requirements in preparation for cutover in May, 2011.

VECC Question # 5

Reference: Manager's Summary, 13. Annual Security Audit, Page 11

Preamble: Midland PUC indicates going forward an annual security audit has been budgeted.

a) Please provide the annual security audit budget moving forward.

Midland PUC Response:

Midland PUC has budgeted $8,090 for the security audit in 2012.

VECC Question # 6

Reference: Manager's Summary, 16. Cost Variance, Page 14

Preamble: Midland PUC indicates installation costs were reduced due to the use of internal staffing resources for the installation of GS<50 kW meters.

a) Compare the average installed cost per meter for installation by internal staff vs. Olameter for the GS<50 kW meter.

b) Please discuss if internal staff were used to install residential meters. If not, why not?

Midland PUC Response:

a) Olameter's contract price included costs for the installation of residential meters only. The contract price was based on an "en masse" installation methodology. No prices were included in the Olameter contract for the installation of GS<50kW meters. These installations on the whole, are more complex due to the fact that approximately one- half of the meters required the installation of an A3 Alpha meter which would require more expertise than a residential installation. In addition, outages were required which were difficult at times to arrange due to the shutdown of the business owned by the customer. Midland PUC did not include any costs of installation of smart meters for the GS<50kW class in this Application as all installations were completed with Midland PUC staff. Consequently, there are no incremental expenses relating to these installations.

b) Midland PUC staff were not used to install residential meters due to the volume of meters (6086) to be installed within the prescribed timeframe. Midland PUC was able to install the GS<50kW customer class (742). Actual hours varied depending on the type of installation, the location of the installation (outside/inside), whether an outage needed to be arranged. Midland PUC would estimate .5 hour to 3 hours depending on the type of installation described above.

VECC Question # 7

Reference: Smart Meter Model

Preamble: Midland PUC indicates as shown in Appendix 8, the average Midland PUC cost of installing a smart meter for the residential class is $87 and $241 for the General Service < 50 kW class.

a) VECC was unable to locate Appendix 8 in the evidence. Please provide the calculations to arrive at the average costs noted above.

Midland PUC Response:

Midland PUC would advise the reference to "Appendix 8" was in error and should have been "Table #5 – Smart Meter Disposition Rate Rider". This schedule is shown on page 19 of Midland PUC's application.

Further, in response to VECC's IR #2 where installation costs were included in the calculation, it is Midland PUC's belief the Rate Riders should be calculated based on meter costs only and should not include installation costs. The installation costs included in this application reflect incremental costs only and do not take into consideration internal staff installation costs.

Midland PUC would refer VECC to Board IR #7 and #11 where unit costs are recalculated.

VECC Question # 8

Reference: Smart Meter Model (V2_17)

Preamble: Midland PUC completed the Smart Meter Model provided by the OEB and used the data to arrive at the proposed Smart Meter Incremental Rate Rider and the proposed Smart Meter Disposition Rate Rider.

Reference 2: Board Guideline G-2011-0001, Smart Meter Funding and Cost Recovery – Final Disposition, dated December 15, 2011, Page 19

Preamble: The Guideline states, "The Board views that, where practical and where data is available, class specific SMDRs should be calculated on full cost causality."

a) Please provide the calculations in the Smart Meter Model by customer class.

b) Please recast Tables 5, 6, 7 and 2 by customer class based on cost causality as per part (a). Reconcile to Tables 7, 8, 9 and 2 in the application.

c) Please provide a table that summarizes the total Smart Meter Rate Adder Revenue collected by customer class.

Midland PUC Response:

a) Midland PUC does not have the data available to provide the calculations in the Smart Meter Model by customer class.

b) Midland PUC has recalculated Tables 5 and 6 below to include installation costs with the cost of meters. However, as indicated in VECC IR#7 above Midland PUC does not believe installation costs should form part of the allocation methodology.

Midland PUC would refer you to Board Staff IR #11 for updated Tables 5 and 6.

Table #5: VECC IR#8 Smart Meter Disposition Rate Rider (including installation costs)

Smart Meter Actual Cost Recovery Rate Rider Calculated by Rate Class			
	Total	Residential	GS < 50
Allocators			
Midland Average Smart Meter Unit Cost		$ 101.00	$ 253.00
Smart Meter Cost	$ 802,412	$ 614,686	$ 187,726
Allocation of Smart Meter Costs	100.00%	76.60%	23.40%
Number of meters installed	6,828	6,086	742
Allocation of Number of meters installed	100.00%	89.13%	10.87%
Total Return (deemed interest plus return on equity)	$ 146,996	$ 112,606	$ 34,390
Amortization	$ 201,375	$ 154,263	$ 47,112
OM&A	$ 104,775	$ 93,389	$ 11,386
Revenue Requirement before PILs	$ 453,146	$ 360,258	$ 92,888
PILs	$ 4,600	$ 3,657	$ 943
Total Revenue Requirement 2006 to 2011	$ 457,746	$ 363,915	$ 93,831
	100.00%	79.50%	20.50%
Smart Meter Rate Adder Revenues	($472,907)		
Carrying Charge SMFA	($11,448)		
Carrying Charge Deferred Expenses	$4,060		
Smart Meter True-up	-$ 22,550	-$ 17,927	-$ 4,622
Metered Customers	6,828	6,086	742
Rate Rider to Recover Smart Meter Costs	-$ 0.28	-$ 0.25	-$ 0.52

Table #6: VECC IR#8 Smart Meter Incremental Revenue Requirement Rate Rider (including installation costs)

Smart Meter Actual Cost Recovery Rate Rider Calculated by Rate Class			
	Total	Residential	GS < 50
Allocators			
Midland Average Smart Meter Unit Cost		$ 101.00	$ 253.00
Smart Meter Cost	$ 802,412	$ 614,686	$ 187,726
Allocaiton of Smart Meter Costs	100.00%	76.60%	23.40%
Number of meters installed	6,828	6,086	742
Allocation of Number of meters installed	100.00%	89.13%	10.87%
Total Return (deemed interest plus return on equity)	$ 61,465	$ 47,085	$ 14,380
Amortization	$ 97,053	$ 74,347	$ 22,706
OM&A	$ 115,601	$ 103,039	$ 12,562
Revenue Requirement before PILs	$ 274,119	$ 224,471	$ 49,648
PILs	$ 12,985	$ 10,633	$ 2,352
Total Revenue Requirement 2006 to 2011	$ 287,104	$ 235,105	$ 52,000
Metered Customers	6,828	6,086	742
Rate Rider to Recover Smart Meter Costs	$ 3.50	$ 3.22	$ 5.84

c) Smart Meter Rate Adder Revenue by Customer Class to December 31, 2011 is:

Residential	$	353,121
GS<50kW	$	43,331
GS>50kW	$	5,753
Total	$	402,205

VECC Question # 9

Reference: Board Guideline G-2011-0001, Smart Meter Funding and Cost Recovery – Final Disposition, dated December 15, 2011, Cost Beyond Minimum Functionality, Page 17

Preamble: The Guideline indicates that costs for TOU rate implementation, CIS upgrades, web presentation, etc. may be recoverable and that in its application a distributor should show how these costs are required for its smart meter deployment program and how they are incremental to the distributor's normal operating costs. Sheet 2 of the Smart Meter Model shows audited costs under Capital Costs Beyond Minimum Functionality (category 1.6.3) & OM&A Costs Beyond Minimum Functionality (category 2.6.3) for 2010, 2011 and 2012 and later.

a) Please demonstrate how these costs are incremental to normal operating costs.

Midland PUC Response:

Midland PUC incurred $62,139 in capital costs (category 1.6.3) and $9,704 in OM&A costs (category 2.6.3). These costs are incurred to implement TOU rates, CIS enhancements and interfaces for web presentment and TOU maintenance fees, as well as customer education for TOU rates; all of which are required over and above Midland PUC's normal operating costs. These costs would not have been incurred if the TOU rate structure and guidelines were not implemented.

VECC Question # 10

Reference: Smart Meter Model

Preamble: Sheet 2 shows actual/planned number of meters installed for the GS>50 kW class. The sheet shows 75 installed by end of 2011 and 8 forecast for 2012, for a total of 83.

a) Please explain if any capital or operating costs have been allocated to this rate class for recovery in this application.

b) If yes, please provide the nature, justification and cost per meter separately from the residential and GS<50 kW customers.

c) If no, please discuss how Midland PUC is proposing to recover these costs?

Midland PUC Response:

a) No capital or operating costs have been allocated to this rate class for recovery in this application.

b) n/a

c) Midland PUC has included the meter costs in capital expenditures for 2011 and 2012 as additions to its fixed assets. Recovery of the costs will form part of Midland PUC's next COS rate application.

VECC Question # 11

Reference: Smart Meter Model

Preamble: Sheet 2 provides Total Smart Meter OM&A Costs.

a) Please provide a breakdown of the total number and cost of additional incremental permanent and contract staff hired by year for the deployment of smart meters and include the work functions for each position. Please provide all assumptions.

Midland PUC Response:

a) Midland PUC incurred additional costs over the years 2009 through to 2011 for one part-time billing staff to replace current billing staff who were undergoing training and testing of new systems for implementation of TOU billing. In 2010, a contract business analyst was retained to assist Midland PUC in project management and business process design and implementation for the smart metering infrastructure. As well, this position provides IT support and systems analysis with respect to our CIS billing system as it relates to the new metering infrastructure. This position will continue with Midland PUC into 2013. In 2011, additional staff compliment included a contract Sync Operator who provides expertise to billing staff in regard the smart metering infrastructure. The Sync

Operator's duties include support and training to Midland PUC staff for daily validation of overall performance of our AMI network, identification and resolution of exceptions within the network, running of daily performance reports and delivery to Midland PUC for review, following up on outstanding issues with the network, monitoring the data sync between CIS, head end system, MDMR and the ODS, monitoring and resolving BQR exceptions from MDMR and CIS and developing configuration and testing of the MDMR interface and ODS rules engine. This position is expected to be terminated at December 31, 2012.

Until 2011, Midland PUC's staff compliment included one billing clerk. As a result of the additional workload and complexity of the TOU billing regime, .5 FTEE (IT Systems Manager) was hired. This staff member works extensively with the Sync Operator in the development of the best practices relating to the new meter reading and billing regime. Midland PUC's current plans make the contract Sync Operator position redundant at the end of 2012. The IT Systems Manager position will continue with Midland PUC into 2013.

Although the Sync Operator contract was incurred as a result of the smart metering infrastructure the costs of this function were not included as an incremental cost. Similarly the part-time billing staff expenses were not included as an incremental cost. Incremental costs incurred for additional incremental permanent and contract staff are as follows:

2009	2010	2011	2012
$ 2,138	$ 20,666	$ 28,660	$ 50,594

Allocation of these costs is reflected in Smart Meter Capital and in Smart Meter OM&A on Sheet 2 of the Smart Meter Model.

VECC Question # 12

Reference: General

Please confirm the timing of Midland PUC's next Cost of Service application.

Midland PUC Response:
Midland PUC's next Cost of Service application will be for the rate year commencing May 1, 2013.

VECC Question # 13

Reference: Board Guideline G-2011-0001, Smart Meter Funding and Cost Recovery – Final Disposition, dated December 15, 2011, Page 19

Preamble: The Guidelines state, "The Board also expects that a distributor will provide evidence on any operational efficiencies and cost savings that result from smart meter implementation."

a) Please provide a summary of any operational efficiencies and cost savings.

Midland PUC Response:
Throughout the smart meter infrastructure implementation Midland PUC worked in collaboration with 12 other LDC's as members of the CHEC Group in the development of project plans, RFP's and contract evaluations. Economies of scale were attained throughout this process and costs were kept to a minimum. Shared costs in legal opinions, joint meetings, asset procurement, training and development of best business practices assisted Midland PUC in keeping costs at a minimum. In addition, Midland PUC is a member of Utility Collaborative Services Inc. a billing co-operative which has enabled us to share resources and set up our CIS system using a common standards approach. CIS software modification costs are shared amongst the members vs. a 100% cost to the LDC. Midland PUC was also able to work with other Elster LDCs across the province in the development of the security audit. Rather than each LDC retaining individual audit firms, a shared RFP and procurement process was designed and implemented resulting in considerable savings to each LDC. Midland PUC's cost is $8,090 per year.

Midland PUC has incurred cost savings in meter reading as we have moved from a manual meter reading system to the AMI network. Although this is an area of savings, Midland PUC has incurred other expenses through the years 2010, 2011 and 2012 in Sync Operator contract costs and additional billing staff costs, which have not been included as incremental costs in this application. Other costs have increased over and above the 2009 COS application OM&A expenses. For example, Midland PUC's expense for vehicle in the 2009 COS Application was forecasted at $52,000, however, in 2011 the expense exceeded $84,400. Insurance expenses also increased dramatically over the 2009 COS Application forecast.