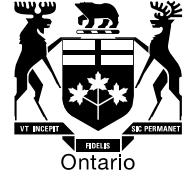


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BY EMAIL

March 20, 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 for Orangeville Hydro Limited
Smart Meter Cost Recovery Application
EB-2012-0039**

Further to the Board's Notice of Application and Hearing for an Electricity Distribution Rate Change of Orangeville Hydro Limited dated February 21, 2012, please find attached Board staff's interrogatories on the smart meter cost recovery application filed by Orangeville Hydro Limited on January 31, 2012.

Please forward the attached to Orangeville Hydro Limited and the intervenor in this proceeding.

Yours truly,

Original Signed By

Martha McOuat
Project Advisor

Enclosure

Orangeville Hydro Limited
2012 Smart Meter Cost Recovery
EB-2012-0039

Board Staff Interrogatories

In the Board's Notice of Application and Hearing for an Electricity Distribution Rate Change of Orangeville Hydro Limited ("Orangeville"), Tuesday, March 20, 2012 was set as the deadline for interrogatories to Orangeville. 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 Orangeville has received any letters of comment. If so, please file a copy of the letters of comment. For each, please confirm whether a reply was sent from Orangeville. 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 Orangeville intends to respond.

2. Ref: Actual Balances

Orangeville states at page 4 of its Application that its cost recovery is based on actual costs incurred to December 31, 2011 and forecasted costs to December 31, 2012. On page 6 of the Manager's Summary, Orangeville states that it has taken the actual capital and OM&A costs in the deferral accounts 1555 and 1556 from its audited financial records as of December 31, 2010 and projected the remainder of 2011 and 2012.

- a. Please confirm whether the December 31, 2011 balances are actual balances or forecast balances.
- b. If the 2011 balances are forecast, please provide the actual balances.

3. Ref: Stranded Meter Costs

On page 19 of its Application, Orangeville states that it is not seeking disposition of stranded meter costs in this Application, but will seek recovery in its next cost of service application. Orangeville states that the NBV of stranded meters as of December 31,

2010 is \$514,071 and that it continues to amortize the stranded meters. Please provide Orangeville's estimate of the NBV of the stranded meters as of December 31, 2013.

4. Ref: Smart Meter Model – Historical Smart Meter Costs

Orangeville has provided its expenditures by year on Sheet 2 of the Smart Meter Model. Orangeville's application indicates on page 6 that deployment of residential and GS<50 kW meters started in 2009. However, Orangeville reports software and other equipment (professional fees) expenditures prior to 2009:

2007: \$16,476

2008: \$17,041

- a. Please provide further details of the nature of these expenses.

5. Ref: Smart Meter Model – Cost of Service Parameters

Orangeville has provided the basic cost of service parameters for historical years on Sheet 3 in the Smart Meter Model. Board staff requests some clarification of certain entries.

- a. Please reconcile the useful life for Computer Hardware of 10 years as shown on Sheet 3 of the model with the useful life of 5 years shown in the depreciation table filed in Orangeville's 2010 cost of service proceeding (EB-2009-0272).
- b. Board staff notes that Orangeville's 2010 cost of service application includes four CCA classes for Computers and System Hardware, as follows:

- Class 45: 45%
- Class 50: 55%
- Class 52 100%
- Class 45.1 55%

At Sheet 3 of the model, Orangeville has indicated that Computer Equipment is Class 50 at 50%. Please clarify the CCA Class for Computer Equipment involved in Orangeville's smart meter program, and reconcile the CCA rate with those shown in Orangeville's 2010 cost of service application.

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

On sheet 3 of the Smart Meter Model, on row 40, the utility inputs the aggregate Federal and Provincial tax rates applicable for each year from 2006 to 2012. By default, the

model is populated with the maximum tax rate in each year, but the cells can be overridden.

Board staff notes that Orangeville has used the 2010 Board-approved aggregate tax rate of 28.31% for the years 2010, 2011 and 2012. Board staff also notes that Orangeville has entered aggregate tax rates of 36.12%, 36.12%, 33.5% and 33.00% for 2006, 2007, 2008 and 2009, respectively.

- a. Please recalculate the Smart Meter Model using the aggregate corporate income tax rate underpinning distribution rates for the 2006 to 2009 period. This should be readily available from taxes/PILs calculations or spreadsheets used in annual cost of service or Incentive Regulation Mechanism (“IRM”) rates applications.

7. Ref: Costs beyond Minimum Functionality

O. Reg. 426/06 s. 2(1) states that:

“No distributor shall recover any costs associated with meter data functions to be performed by the Smart Meter Entity”.

O. Reg. 393/07 defines the exclusive authority of the Smart Meter Entity to include, among other functions, conducting all services performed on smart metering data to produce billing quantity data, validation, estimating and editing services.

Orangeville’s application at page 9 describes the Operational Data Store (“ODS”) functionality to allow staff to audit and validate meter data.

- a. Please describe in greater detail how these functions differ from those described as the exclusive authority of the Smart Meter Entity.
- b. Please describe the benefits and cost savings provided by the ODS.
- c. What portion of the total capital and OM&A costs are specifically related to the ODS?
- d. What is the in-service date for the ODS?
- e. What further capital and operating costs are forecast for the ODS?

8. Ref: Costs beyond Minimum Functionality

Orangeville’s application at page 18 states that it chose to rent, rather than to own the AMCC, “thereby reducing operating costs”.

- a. Please provide a comparison of the capital and operating costs of owning and renting the AMCC.
- b. Board staff notes that WAN OM&A costs have increased from \$16k in 2010, to \$47k in 2011, to \$66k in 2012. Please describe the nature of these costs.
- c. Are the WAN OM&A costs variable? If so, how are they determined?
- d. What are the ongoing capital and operating costs expected for the WAN rental?

9. Ref: 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 costs for repaired or replaced 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 – Interest on OM&A and Amortization/Depreciation Expense

In the Smart Meter Model Version 2.17 filed by Orangeville, the utility has relied upon sheet 8B to calculate the interest on OM&A and depreciation/amortization expenses. Sheet 8B calculates the interest based on the average annual balance of deferred OM&A and depreciation/amortization expenses based on the annual amounts input elsewhere in the model.

The more accurate and preferred method for calculating the interest on OM&A and depreciation/amortization expense is to input the monthly amounts from the sub-

account details of Account 1556, using sheet 8A of the model. This approach is analogous to the calculation of interest on SMFA revenues on sheet 8 of the model.

- a. Please re-file the smart meter model using the monthly OM&A and depreciation/amortization expense data from Account 1556 records. Orangeville should also take into account any revisions necessary, including those resulting from its responses to interrogatories, as required.
- b. If this is not possible, please explain.

11. Ref: Smart Meter Model – Revenue Requirement

Board staff notes certain discrepancies between the Revenue Requirement as calculated in Orangeville's Smart Meter model at Sheet 5 and the Revenue Requirement calculations provided in Orangeville's application at pages 20 and 23.

- a. Please reconcile the total Revenue Requirement to December 31, 2011 of \$539,306 as calculated in the model with the Revenue Requirement of \$543,450 as shown at page 20 of the application.
- b. Please reconcile the 2012 Revenue Requirement of \$436,961 as calculated in the model with the Revenue Requirement of \$437,678 as shown at page 23 of the application.
- c. Please provide corrections to the model or application as necessary.

12. Ref: Smart Meter Model

- a. If Orangeville has changed its inputs to the Smart Meter Model as a result of any of the above interrogatory responses, please update and re-file the smart meter model in working Microsoft Excel format.

13. Ref: Application, Tables 3 and 4 – Cost Allocation

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

14. Ref: Application, Incremental Revenue Requirement Rate Rider

At page 24 of the application, Orangeville proposes to recover the Smart Meter Incremental Revenue Requirement Rate Rider over the period May 1, 2012 to April 30, 2013.

- a. Please confirm that Orangeville's next scheduled cost of service proceeding will take place for the 2014 rate year.
- b. Please confirm that the SMIRR, as a proxy rate to recover the annualized incremental revenue requirement on a prospective basis for capital-related and operating costs of installed smart meters should continue in effect until Orangeville has new rates based on cost of service rebasing.
- c. Under these circumstances, does Orangeville propose that its SMIRR continue until April 30, 2014? If not, please explain.