

Peterborough Distribution Inc. (“Peterborough”)
2012 Smart Meter Cost Recovery
EB-2012-0008

Board Staff Interrogatories

The following are Board staff’s interrogatories.

1. Letters of Comment

Following publication of the Notice of Application, the Board has received one letter of comment to date.

- a. Please confirm whether Peterborough has received additional letters of comment, and if so, please file a copy of the letters of comment.
- b. Please confirm whether a reply to the letter was sent from Peterborough. If other letters were received, confirm whether a reply was sent for each of those letters. If confirmed, please file the reply with the Board. Please ensure that the author’s contact information except for the name is **redacted**.
- c. If not confirmed, please explain why a response was not sent and confirm if Peterborough intends to respond.

2. Audited Balances

Peterborough has provided historical accounting details in the Smart Meter Model Version 2.17 (the “Model”) indicating that the balances were audited for all years up to and including 2010.

- a. Please confirm that the last audited balances were for December 31, 2010.
- b. If there is a more recent set of audited balances, please file those balances.
- c. Please state the percentage that the last audited costs are of the total smart meter costs.

3. Smart Meter Capital Costs

On Pages 14 and 15, Peterborough describes the capital items 1.1 to 1.3 found in Table 4 Budget to Actual Cost Summary. Peterborough shows a capital cost over-run in the Table of \$134,436, and states that the major driver for the over-run was a loss on exchange rates of \$457,000.

- a. Please state the dates associated with the balances presented in this table. .
- b. If audited 2011 figures are available, please provide them.

- c. Please state the exchange rate that underpinned the capital budget, and the source of the forecast used, or in the alternative, the reason for using the exchange rate chosen by Peterborough.
- d. For all items over \$10,000 please state the nature of the expense, the exchange rate and the total amount for items 1.1 – 1.3.

4. Smart Meter Operating Costs

On page 14 of its Application, Peterborough lists smart meter operating costs in Table 4: Budget to Actual Cost Summary.

- a. For each of the items, 2.1 – 2.5, please state the nature of the costs.
- b. Please identify any costs relating to Peterborough's staff.
- c. If there are Peterborough staffing costs included, please state if they are incremental costs and indicate the rationale supporting why they should be considered as incremental costs.
- d. If they are not incremental costs, please provide the rationale for including them.

5. Costs Beyond Minimum Functionality

On page 13 of its Application, Peterborough has stated that it has not incurred costs beyond minimum functionality. However elsewhere it has stated that it has incurred costs related to costs such as MDM/R and TOU rates. The Board's *G-2011-0001 Guideline Smart Meter Funding and Cost Recovery – Final Disposition December 15, 2011* (the "Guideline") at page 17 states the following:

"Costs for CIS systems, TOU rate implementation, etc. are beyond minimum functionality..."

and

"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 costs and describe the costs incurred for 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 the reasons that these costs are required for Peterborough's smart meter program, and how they are incremental to Peterborough's normal course of business.

- c. Please update Table 2, found on page 17 of the Application, separating out any costs that are beyond minimum functionality using the Board's numbering found in the Model. If the costs found in Table 2 of the Application are not final 2011 costs, please provide an update, and state whether the update is final or not.
- d. Provide the total costs for beyond minimum functionality, and also provide an average unit cost per smart meter.
- e. What is the annual impact on OM&A for the beyond minimum functionality processes?

6. Customer Repairs

The Board in the Guideline 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 provide the total costs of any repairs or replacements of customer-owned equipment.
- b. Are there any meter bases included in these costs? If so, please provide 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.

7. Smart Meter Model – Smart Meter Capital Costs

In Tab 2 Smart Meter Costs of the Model, Peterborough has provided its capital related expenditures by year. On page 6 of its Application, Peterborough stated that prior to 2010, employees of Peterborough installed smart meters. Board staff notes that Peterborough incurred costs for and installed 3,925 smart meters in 2006, 2007 and 2008. This is based on the line items; Total Number of Meters Installed, and Total AMCD costs on Tab 2. However, Peterborough was only authorized for smart meter deployment under the London Hydro RFP process in accordance with O.Reg. 427/06, as amended by O.Reg. 235/08 on June 25, 2008.

- a. Please separate out the number of meters installed and the associated meter and installation costs prior to and subsequent to Peterborough becoming authorized under O.Reg. 427/06 as amended by O.Reg. 238/08.
- b. Please explain the authority under which Peterborough installed smart meters from 2006 to 2008 prior to becoming authorized under O.Reg. 427/06 as amended by O.Reg. 238/08.
- c. Were installations from 2006 to 2008 undertaken as part of pilot projects under the third tranche MARR CDM initiatives? If so, please explain the justification for including the smart meters and associated costs for recovery as part of smart meter deployment. Please state the quantity of smart meter installations by Peterborough employees by class and what that represents as a percentage of the total by class of.

8. Smart Meter Model – Smart Meter OM&A Costs

On Tab 2 Smart Meter Costs of the Model, Peterborough has provided the OM&A incurred for smart meters. Maintenance costs for AMCD and AMRC are recorded for 2009; however, there are no similar recordings for 2010 and 2011. Software maintenance costs for the AMCC are recorded for 2009, and 2010, but not for 2011.

- a. Please explain why there are not recurring maintenance costs for AMCD and AMRC?
- b. Are these maintenance costs pursuant to a contract between Peterborough and a third party? If so, please explain how the costs were derived. For example, are they based on fixed annual fees, fixed and variable fees, or a variable fee?
- c. Please explain why there are no maintenance costs for the AMCC in 2011.

9. Smart Meter Model – Taxes/PILs Rates

Peterborough has used the maximum taxes/PILs rates input on Tab 3 Cost of Service Parameters, 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 underpinning Peterborough's rates for each of the respective years. This should be readily available from spreadsheets used in annual cost of service or Incentive Regulation Mechanism ("IRM") rates applications. If required, please correct the affected models.

10. Cost Allocation – Riders

Peterborough has allocated its smart meter true-up for its SMDR, and its 2012 incremental revenue requirement for the SMIRR to the residential and GS<50 kW classes. The allocator appears to be smart meter costs. However, the amount does not reconcile with the costs found on Tab 2 Smart Meter Costs of the Model. It is unclear as to what the costs represent.

- a. Please explain how these costs were derived and what they represent (i.e. meter only, installed meters, other).
- b. Please recast the allocation if the allocator is not the cost of the meter only.

In EB-2011-0128 Decision and Order November 11, 2011, the Board found that:

"PowerStream should reduce class specific revenue requirements for each subject class by the amount of the class-specific revenues that have been collected through the adder, plus additional revenues allocated to each of the subject classes from the non-participating classes."

In Table 5: Smart Meter Disposition Rate Rider By Class, Peterborough has not followed this approach of separating revenues based on class revenues and an allocation of revenues from non-participating class.

- c. Please recalculate the SMDR by allocating the revenues as found by the Board in the PowerStream Decision.

11. Smart Meter Model – Update

Board staff has addressed a number of concerns in the above set of interrogatories which may require revising the Model. If any of these questions results in changes to the inputs to the Model please update and re-file its Model in working Microsoft Excel format.

12. Cost Allocation – Update

Similarly, if Peterborough has made revisions to its Model as a result of question 11, please update its proposed class-specific SMDRs, and class-specific SMIRRs.

13. Stranded Meters

On page 15 Peterborough states that it is not seeking disposition of its stranded meter costs in this Application. Peterborough states that it continues to recover these costs by including the net book value of stranded meters in its rate base. Please provide Peterborough's estimate of the NBV of stranded meters as of December 31, 2012.