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March 23, 2012

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Attention: Ms. Kirsten Walli. – Board Secretary

Re: London Hydro Application for Smart Meter Cost Recovery for Rates
Effective May 1st, 2012
Board File: EB-2012-0187

Please find enclosed the application and evidence submitted by London Hydro Inc. for Smart Meter Cost Recovery, for proposed rates to be effective May 1, 2012.

Enclosed are four hard copies of the Application. Electronic copies of the application have already been submitted.

We would be pleased to provide any further information or details that you may require relative to this application.

Yours truly,

LONDON HYDRO INC.

Mike Chase
Director of Finance and Regulatory

MC/ghr/ghr

cc: David Williamson Chief Financial Officer, VP of Finance, and Secretary

Our Commitment is To Our Customers

London Hydro Inc.

ED-2002-0557

2012 Smart Meter Cost Recovery Application

Board File Number

EB-2012-0187

ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c15 (Sched. B), as amended;

AND IN THE MATTER OF an application by London Hydro Inc. for an Order or Orders pursuant to the Ontario Energy Boards Act, 1998, approving or fixing just and reasonable rates and other charges with respect to smart meter cost recoveries and related matters, effective May 1, 2012.

Applicant:

London Hydro Inc.
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APPLICATION

London Hydro Inc. (referred to in this Application as the “Applicant” or “London Hydro”) is a licensed electricity distributor that is rate regulated by the Ontario Energy Board (“OEB” or “the Board”) under the Ontario Energy Board Act, 1998. Act. London Hydro holds Electricity Distribution License No. ED-2002-0557 and carries on the business of distributing electricity within the City of London.

This Application seeks prudence review of smart meter related costs, cost recovery of smart meter costs to December 31, 2011, and for other going forward costs. Specifically, London Hydro is seeking the following:

- The Board’s determination that Smart Meter capital (\$24,403,496) and operating expenditures (\$806,711) to December 31, 2011 are prudent;
- A Smart Meter Disposition Rider (“SMDR”) to recover for the difference in the deferred revenue requirement through to April 30, 2012 related to smart meters deployed through to December 31, 2011, and the Smart Meter Funding Adder revenue collected to April 30, 2012;
- A Smart Meter Incremental Rate Rider (“SMIRR”) to recover the annual revenue requirement for the period May 1, 2012 through to April 30, 2013, associated with Smart Meters installed from the inception of the Smart Meter program through to December 31, 2011. The SMIRR is calculated as a proxy for the incremental change in the distribution rates that would have occurred if the assets and operating expenses were incorporated into the rate and the revenue requirement. This rate rider will be in effect until the implementation of new approved distribution rates as determined in London Hydro’s next cost of service filing. The next cost of service filing is expected to be submitted for distribution rates for 2013;
- London Hydro is not requesting the recovery of Stranded Meter costs in this application. These meters continue to be included in rate base for rate-making purposes, as is recommended by the Board in its Decision with Reasons in the Smart Meter Combined Proceeding (EB-2007-0063). London Hydro intends to seek recovery of the Stranded Meters in the next cost of service application for 2013;
- In the event that the OEB is unable to issue its Decision and Order for both prudence review of Smart Meter costs and establishment of Smart Meter recovery rates effective May 1, 2012, that there be continuation of the existing approved Smart Meter Funding Adder (EB-2010-0097) in the amount of \$1.46 per metered customer until such time as a this smart meter cost recovery application is approved by the Board.

London Hydro is filing this application for prudence review and the recovery of revenue requirements to April 30, 2012, related to Smart Meter costs from 2006 through to the end of 2011. This Application is proposing an implementation date of May 1, 2012 to coincide with the expiry of April 30, 2012 of the current monthly SMFA of \$1.46 per metered customer per month. The proposed date also coincides with both the Board’s semi-annual Regulated Price Plan and the rate changes as

requested in London Hydro's IRM3 Rate Application (EB-2011-0181). The proposed date of May 1, 2012 will permit fewer rate changes in 2012 for our customers.

Bill Impact Summary

London Hydro's customer monthly bill impacts arising out of this Application (SMDR and the SMIRR) are as follows:

Table 1 – Bill Impacts

Bill Impact Comparison to 2012 IRM Applied Rates

Rate Class	Consumpti on kWh	IRM 2012 Applied for Rate	Proposed \$	Difference \$	Total Bill Impact
RESIDENTIAL	800	\$ 105.06	\$ 106.57	\$ 1.52	1.45%
GENERAL SERVICE LESS THAN 50 KW	2,000	\$ 258.34	\$ 261.67	\$ 3.34	1.28%

* Current Charges reflects the rate applied for in 2012 IRM Rate Application (EB-2011-0181)

Bill Impact Comparison to Current Rates

Rate Class	Consumpti on kWh	Current \$	Proposed \$	Difference \$	Total Bill Impact
RESIDENTIAL	800	\$ 106.93	\$ 106.96	\$ 0.03	0.03%
GENERAL SERVICE LESS THAN 50 KW	2,000	\$ 260.32	\$ 262.17	\$ 1.85	0.71%

* Current Charges reflects approved rates as per 2011 IRM Rate Application (EB-2010-0097)

The bill impacts are based on the SMDR and the SMIRR related increases of \$0.03 per meter per month for Residential customers, and \$1.85 per meter per month for GS < 50 kW Customers, as compared to current approved rates. The impacts are discussed further in this Application under titled Rate Change Summary and Bill Impacts.

No amounts have been included in the actual or the projected costs with respect to the Provincial Meter Data Management and Repository ("MDM/R"). With no inclusion of MDM/R costs in the revenue requirement determinates and rates, London Hydro understands that these costs will be deferred for future recovery. Further, that recovery of the MDM/R costs will be addressed by the Board on a generic basis, as most licenced and rate-regulated distributors were involved in smart metering projects, and so affected by MDM/R costs.

London Hydro has not included Smart Meter assets in the rate base of previous Cost of Service Applications, nor has the Board included them in its Decisions on such Cost of Service Applications. This Application is London Hydro's first filing for a Smart Meter Prudence Application.

London Hydro is currently subject to the OEB's 3rd Generation Incentive Regulation Mechanism ("3GIRM"). Our next scheduled Cost of Service Rate Application is applicable to rate year 2013. During the Smart Meter program, London Hydro has received funding through the collection of a funding adder. The Smart Meter Funding Adders ("SMFA") were first approved in 2007 (EB-2007-0552) in the amount of \$0.27 for each month for each metered customer. In 2009, the SMFA was revised to \$1.00

(EB-2008-0235), and in 2011 (EB-2011-0097) was revised to \$1.46 per metered customer per month. The present approved smart meter funding adder (SMFA) (EB-2011-0097) has a sunset date of April 30th, 2012.

This Application has been prepared in accordance with the Board's guidelines and requirements as contained in the following:

- The Board's Decision with Reasons in the Smart Meter Combined Proceeding (EB-2007-0063), issued August 8, 2007;
- The Board's Smart Meter Funding and Cost Recovery Guideline (G-2008-0002) issued October 22, 2008;
- The Board's Updates to Guideline G-2011-0001: Smart Meter Funding and Cost Recovery and Smart Meter Model, issued December 15, 2011;
- Previous Board decisions.

London Hydro has maintained compliance of the monthly filing of the London Hydro Inc. Smart Meter/TOU Reports. These reports reflect the status rollout of our smart meters, customer information system (CIS) modifications, and Smart Metering Entity (SME) Milestones. What is demonstrated in these reports is that London Hydro is achieving its plan and timelines for those matters that are within the control of London Hydro and its management.

London Hydro respectfully requests that, pursuant to Section 34.01 of the Board's Rules of Practice and Procedures that this Application be disposed of by way of a written hearing.

London Hydro requests that a copy of all documents filed with the Board in this proceeding be served on the Applicant as follows:

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