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Midland Ontario L4R 4P4*

April 13, 2012

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

- and -

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

Attention: Ms. Kirsten Walli, Board Secretary

- 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 Rate Application
Licence #ED 2002-0541; Board File No. EB-2011-0434

Enclosed please find Midland PUC's Reply Submission to Board Staff Submission and VECC Submission, filed under the RESS reporting system today.

Yours very truly,

MIDLAND POWER UTILITY CORPORATION

A handwritten signature in black ink, appearing to read 'Phil Marley', with a stylized flourish at the end.

PHIL MARLEY, CMA
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Midland Power Utility Corporation

REPLY SUBMISSION

2012 SMART METER COST RECOVERY APPLICATION

EB-2011-0434

Submitted April 13, 2012

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OVERVIEW/INTRODUCTION

This is the reply submission of Midland Power Utility Corporation (Midland PUC) in regard to its Smart Meter Cost Recovery Application for an order approving a Smart Meter Disposition Rider (“SMDR”) and a Smart Meter Incremental Revenue Requirement Rider (“SMIRR”) effective May 1, 2012. Midland PUC is requesting the SMDR and SMIRR to remain in effect until April 30, 2013 (Application). Midland PUC’s submission is filed in reply to submissions filed by Ontario Energy Board Staff (“Board Staff”) March 16, 2013 and Vulnerable Energy Consumers Coalition (VECC) March 21, 2012. In the event the Board is unable to render its Decision and Order in time for the effective date of May 1, 2012, Midland PUC is also requesting an interim rate adder equal to the lower of the proposed SMIRR rates.

Midland PUC is the electricity distributor licensed by the Ontario Energy Board (OEB) to service the area known as the Town of Midland pursuant to the legal boundary limits except for the following:

The parcel of land surrounded by the northern Town boundary and the centerline of the roads, beginning at a point on Old Penetanguishene Road southerly to a point at Harbourview Drive (if extended), easterly along Harbourview to Fuller Street, then northerly along Fuller Street to Gawley Drive, then easterly along Gawley Drive to the shoreline of Georgian Bay.

The parcel of land described above laying east of Fuller Street was formerly known as Sunnyside and the parcel of land described above laying west of Fuller Street was formerly known as Portage Park.

Midland PUC operates an electrical distribution system with a total service area of 20 square kilometers within its boundaries.

1 Midland PUC filed the Application on December 16, 2011 under section 78 of the Ontario
2 Energy Board Act, 1998. Midland PUC submitted its responses to interrogatories from
3 OEB Staff and VECC on March 9, 2012.

4
5 **REPLY SUBMISSION – BOARD STAFF**

6 **UPDATED EVIDENCE**

7 Midland PUC agrees with Board staff (pg.2) with respect to the reductions in smart meter
8 installation costs of \$11,088 and CAPEX reductions of \$1,068 for 2011, however, Midland
9 PUC would point out the costs were incurred to repair metering equipment. Midland PUC
10 disagrees with Board Staff submission (pg.3), “a reduction in OM&A for 2011 for the
11 removal of costs for repairing customer equipment”. Midland PUC would submit the
12 OM&A in 2011 was increased by \$11,088 to reflect the costs of repairing metering
13 equipment at customer premises. No repairs to customer meter bases are included in these
14 costs. Midland PUC further submits the repairs would not have been made and
15 consequently, costs would not have been incurred if the smart metering infrastructure was
16 not implemented.

17 Midland PUC disagrees with Board Staff submission (pg 3) “Miscellaneous OM&A
18 increases of \$20,830 in 2011”. Midland PUC would submit OM&A increased from
19 \$64,519 in the original Application to \$74,261 a difference of \$9,742. Midland PUC would
20 submit at the time of filing the original Application, estimates for expenses incurred in
21 2011 were made in the sum of 10,837.68. During the interrogatory process, actual costs up
22 to December 31, 2011 were available and Midland PUC made the adjustments to the model
23 to reflect actual costs to that date. The changes in OM&A are reflected in the following
24 table:

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Table 1 – Summary of OM&A Increases

		Original Filing	Revised Filing	
	OM&A Per Original Application Filing	\$ 64,519		\$ 64,519
2.1.2	Repairs to Metering Equipment	\$ -	\$ 11,088	\$ 11,088
2.4.1	WAN Maintenance	\$ 2,356	\$ 2,334	\$ (22)
2.5.2	Customer Communication	\$ 8,870	\$ 12,906	\$ 4,036
2.5.4	Change Management	\$ 5,665	\$ 3,658	\$ (2,007)
2.5.5	Adminstration Costs	\$ 37,982	\$ 34,449	\$ (3,533)
2.5.6	Other AMI Expenses	\$ 3,139	\$ 3,320	\$ 180
	OM&A Per Revised Application Filing			\$ 74,261

Midland PUC agrees with Board Staff Submission Table 1 Monthly Smart Meter Riders.

PRUDENCE OF SMART METER COSTS

Midland PUC agrees with Board Staff submission that the documented costs incurred were prudent and requests the Board to approve the Smart Meter riders as set out in Columns 3 and 4 of Board Staff Table 1 Monthly Smart Meter Riders (pg 4).

COSTS BEYOND MINIMUM FUNCTIONALITY

Midland PUC agrees with Board staff (pg.5 & 6) and requests the board approve the \$71,843 costs incurred beyond minimum functionality. Midland PUC submits it has not included costs relating to the IESO MDM/R related fees in these costs and would

1 respectfully request the Board to approve the IESO MDM/R costs in a separate proceeding
2 as directed by the Board.

3
4 **STRANDED METERS**

5 Midland PUC agrees with Board Staff submission (pg. 6).

6
7 **ACCOUNT 1555, SMART METER FUNDING INTEREST AND REVENUES**

8 Midland PUC submits at the time the original Application was made, revenues for the
9 period October, 2011 to December 2011 were estimated based on September, 2011
10 revenues. During the interrogatory process, Midland revised the Smart Meter Model to
11 include actual revenues to December 31, 2011. Revenues for the period January 1, 2012 to
12 May 31, 2012 are estimates recorded in the model based on December, 2011 actual
13 revenues.

14 Midland PUC disagrees with Board Staff submission that interest on Account 1555 for the
15 May revenues should be calculated. Midland PUC submits the time value of money applies
16 to revenues received up to the end of April, 2012. The new rate structure takes effect on
17 May 1, 2012. Consequently, effective May 1, 2012 all revenues received up to April 30th,
18 2012 along with OM&A and capital will be transferred into Midland PUC operating USofA
19 (capital/OM&A) from the regulatory variance accounts. Any interest improvement on the
20 projected revenues to be received in May, 2012 would therefore be immaterial ($\$14,140 \times$
21 $1.47\% \times 31/365 = \$17.66$). Further, Midland PUC submits the revenues recorded in May,
22 2012 are unbilled revenues based on April, 2012 balances and would not accrue interest
23 revenues as interest revenues are recorded on opening balances only.

GS>50kW Costs

Midland PUC agrees with Board Staff submission (pg. 7).

COST ALLOCATIONS

Midland PUC agrees with Board Staff submission (pg.7) that meter costs without installation costs is the more appropriate allocator to be used to allocate capital related costs.

REPLY SUBMISSION – VECC

PRUDENCE REVIEW OF SMART METER COSTS

Midland PUC does not agree with VECC Table 2: Average Cost per Installed Smart Meter (pg 3). With respect to the cost per meter variance for the years 2009 to 2011, Midland PUC submits the yearly variances are the result of timing differences between the payment of costs for installations, meter purchases, collector purchases, software purchases, etc. and the actual installation of the meters. As previously stated in Midland PUC's Manager's Summary, the deployment of meters started in the fall of 2009 with residential meters (5947). A small number of residential meters (116) were installed in 2010, with the balance of meters being installed in 2011 (23). The installations in 2010 and 2011 included new customers as well as replacement of old meters. Installation of GS<50 meters started in the latter part of 2009 (151) with the bulk being completed in 2010 (567). Meter purchases in 2010 included the bulk of the GS<50kW meters. A small number of meters (24) were installed in 2011 which would include new installations as well as replacement meters. The average cost in 2009 is lower than 2010 and 2011 as the majority of meter installations (89.3%) took place in this year. The average costs in 2010 and 2011 show increases due to fact that the number of meters installed decreased significantly while other capital expenditures such as, additional collectors, computer software, program

management, etc. began in 2010 and continued into 2011. These costs are attributed to all metered residential and GS<50 customers, not the 2010 and 2011 installations.

Midland PUC agrees with VECC's submission (pg. 3) that the average capital costs per meter for each customer class are reasonable.

COSTS BEYOND MINIMUM FUNCTIONALITY

Midland PUC agrees with VECC's submission (pg.4) that costs beyond minimum functionality (\$71,843) are eligible and consistent with the Board's Guidelines. Midland PUC submits these costs should be recovered in this Application.

RECOVERY OF SMART METER COSTS

Midland PUC submits the revenues up to December 31, 2011 are actual revenues.

COST ALLOCATION & CALCULATION OF SMART METER RATE RIDERS

Cost Allocation

Midland PUC agrees with VECC and Board Staff submission (pg.7) that meter costs without installation costs is the more appropriate allocator to be used to allocate capital related costs.

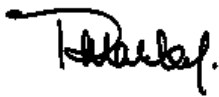
VECC COST CLAIM

Midland PUC disagrees with VECC's submission (pg. 7). Midland PUC notes VECC has identified the same concern relating to the cost allocators component in several Smart Meter Recovery rate applications. Midland PUC understands intervenors recover their costs for their prudent review of those applications and preparation of independent interrogatories. Many LDCs received the same detailed interrogatories from VECC. Therefore, Midland PUC submits any cost awards approved by the Board to reimburse VECC should be based on one interrogatory and submission only and not duplicated for subsequent inclusion in other LDC applications interventions.

Midland PUC would respectfully request the Board approve the SMDR and SMIRR Monthly Smart Meter Riders as per Column 3 and Column 4 in Table 1 "Monthly Smart Meter Riders" of Board Staff's submission herein.

All of which is respectfully submitted,

MIDLAND PUC POWER UTILITY CORPORATION



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