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BY EMAIL

April 18, 2012

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Board Staff Interrogatories for Burlington Hydro Inc.
Smart Meter Cost Recovery Application
Board File No: EB-2012-0081**

Further to the Board's Notice of Application and Hearing in the above noted matter, dated March 19, 2012, please find attached Board Staff interrogatories on the smart meter cost recovery application filed by Burlington Hydro Inc. on February 28, 2012.

Please forward the attached to Burlington Hydro Inc. and the intervenors in this proceeding. In addition, please advise Burlington Hydro Inc. that its responses to interrogatories are due no later than May 2, 2012.

Yours truly,

Original Signed By

Martha McOuat
Project Advisor

Attach

Burlington Hydro Inc.
2012 Smart Meter Cost Recovery
EB-2012-0081

Board Staff Interrogatories

In the Board's Notice of Application and Hearing for an Electricity Distribution Rate Change of Burlington Hydro Inc. ("Burlington") Wednesday, April 18, 2012 was set as the deadline for interrogatories to Burlington. Board staff submits the following interrogatories.

1. Letters of Comment

Following publication of the Notice of Application, the Board has, to date, received one letter of comment. Please confirm whether Burlington has received any other letters of comment. If so, please file a copy of the letters of comment. For each, please confirm whether a reply was sent from Burlington. 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 Burlington intends to respond.

2. Ref: Audited Actual Balances

On page 15 of the Manager's Summary, Burlington states that:

...Burlington Hydro requests that the Board accept this current application for consideration with 89% of the total program costs audited on the strict understanding that Burlington Hydro will file its 2011 financial statements immediately after they are finalized in March/April 2012.

- a. Please confirm that the external audit of Burlington's smart meter program costs for the year ending December 31, 2011 is now complete.
- b. When is Burlington intending to update its application to include 2011 audited information?

3. Ref: Stranded Meter Costs

On page 17 of its Application, Burlington states that it is not seeking disposition of stranded meter costs in this Application, but will seek recovery in its 2014 cost of service application.

- a. Please provide the NBV of Burlington's stranded meters as of December 31, 2011.
- b. Please provide Burlington's estimate of the NBV of the stranded meters as of December 31, 2013.

4. 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 Burlington has used the maximum aggregate tax rates years 2006 to 2010. The rate of 31% approved in Burlington's 2010 cost of service proceeding will underpin Burlington's rates through the IRM years until its next cost of service application. Differences in legislated tax rates during that period are managed through the shared tax savings mechanism contained in the IRM process. Board staff notes that Burlington has entered aggregate tax rates of 28.25% and 26.25% for 2011 and 2012, respectively.

Please recalculate the Smart Meter Model using the aggregate corporate income tax rate of 31% approved in Burlington's 2010 cost of service proceeding.

5. 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.

6. Ref: Implementation of Time of Use Billing

On page 13 of its Application, Burlington describes the circumstances leading to its request to the Board for an extension to its TOU mandated date. Specifically, Burlington was experiencing telecommunications problems due to the presence of extensive foliage. As noted on page 14 of the application, the Board approved an extension to January 1, 2012 through its EB-2011-0137 decision.

- a. Please provide an update on the status of Burlington's implementation of TOU billing.
- b. Please describe the actions taken to correct the telecommunication problems identified.
- c. Please provide the cost to correct the problem.
- d. When were the telecommunication issues finally rectified?
- e. Did Burlington provide notification to the Board upon resolving the problem, as ordered in the EB-2011-0137 Decision? If so, please provide a copy of the correspondence. In the alternative, please explain.

7. Ref: Smart Meter Pilot and Investment Plan

On Page 3 of the Application, Burlington describes its Smart Meter Pilot project of 500 smart meters to be deployed in the Alton Community, Lowville Community and the Burlington downtown core. Burlington also states that it made a business Decision in 2006 to no longer use mechanical meters and instead, for new residential services and meter seal expiries, install Elster Rex 1 Smart Meters.

- a. How many new meters were installed beyond the 500 meters included in Burlington's pilot program?
- b. Where did these installations take place?
- c. What was the cost of the new meters installed outside of Burlington's pilot program?
- d. How many smart meters did Burlington install in total, prior to authorization to engage in discretionary metering activities through the amendment to O.Reg. 427/08?

8. Ref: Incremental Cost Savings

On page 17 of the Application, Burlington states that the virtual elimination of manual meter reading has resulted in reduced costs. If available, please quantify the cost savings to Burlington Hydro through elimination of manual meter reading.

9. Ref: Minimum Functionality

On page 18 of the Application, Burlington states that the Rex 2 meters deployed for Residential customers slightly exceeded the specifications for minimum functionality and that this option was less expensive than a customized version that just met minimum functionality.

- a. Please describe what features or functionality of the Rex 2 meters exceeded minimum functionality.
- b. Please provide the cost of each option considered by Burlington.

10. Ref: Cost Allocation

Board staff notes that Burlington has not calculated class-specific SMDRs and SMIRRs as recommended in the Guideline, as "an accurate allocation of the balance of the capital costs together with the operating expenses was not possible with any degree of accuracy".

On page 18 of its application, Burlington states that:

Burlington Hydro installed two types of smart meters: Residential customers had Rex 2 meters installed while the commercial customers (i.e. GS<50kW and GS>50kW customers) had A3RL meters installed.

- a. Board staff interprets the above statement to mean that only Rex 2 meters were installed for Residential customers, and only A3RL meters were installed for GS < 50 kW and GS > 50 kW) customers.
 - i. Please confirm or clarify Board staff's interpretation.
 - ii. Are A3RL meters polyphase meters? If so, were these meters installed in GS < 50 kW customers with single-phase service, and why?
 - iii. Are there any Residential customers served by Burlington with two-phase or three-phase service? If yes, what smart meters were installed for them?
- b. Please provide the costs for each of a Rex 2 and A3RL meter.
- c. If the costs for Rex 2 and A3RL meters are materially different, then the revenue requirement on a unitized (i.e. per meter) basis would also differ. Please provide Burlington's justification for uniform SMDRs and SMIRRs if the per meter costs differ between different customer classes.

Board staff further notes that other utilities have allocated these costs on the following basis:

- Return and Amortization based on the Weighted Average of the Residential and General Service less than 50 kW 1860 Weighted Meter Capital allocators approved in the last cost of service filing;
- OM&A based on the number of meters installed for each class;
- PILs based on the revenue requirement allocated to each class before PILs; and
- Smart Meter Funding Adder collected, including carrying costs, based on the revenue requirement allocated to each class before PILs.

- d. Please comment on the applicability of the above allocation factors for the purpose of calculating class specific SMDRs and SMIRRs for Burlington.
- e. Please provide a calculation of class-specific SMDRs and SMIRRs based on the above allocation factors.

11. Ref: Smart Meter Model – Sheet 3

- a. On sheet 3 of the model, Burlington shows a long-term debt rate of 6.25% for 2006 and 2007, and a long-term debt rate of 7.25% for 2008 and 2009. The long-term debt rate approved in Burlington's 2006 EDR rates application (RP-2005-0020/EB-2005-0356) should be used until Burlington's next cost of service rebasing application. Please confirm the rate that should be used.
- b. On sheet 3 of the model, Burlington appears to have used the Board-issued cost of capital parameters for each of 2010, 2011 and 2012. The cost of capital parameters should conform to those approved in Burlington's most recent cost of service rebasing application. In Burlington's 2010 cost of service application, the Board approved the following cost of capital parameters:

Return on Equity:	9.85%
Deemed Short-term debt rate:	2.07%
Deemed Long-term debt rate:	5.87%

Please correct the model, if necessary, or explain Burlington's proposed cost of capital parameters for each year.

12. Ref: Smart Meter Model – Sheet 8

On sheet 8 of the model, Burlington has input the current prescribed interest rate for deferral and variance accounts into cells C49, C50, and C51. This results in simple interest on the principal of SMFA revenues being calculated for all months in the year, including beyond the April 30, 2012 cessation of the SMFA. The correct approach is that cells C49, C50 and C51 should be "0", while C48 and

L99 should have the current prescribed rate of 1.47%. Please provide Burlington's explanation or, in the alternative, please correct the model.

13. Ref: Smart Meter Model – Sheet 8A

On sheet 8A, Burlington shows depreciation expense as recorded in account 1556 only on an annual basis for December of each year. A more accurate method would be that depreciation expense would be input for each month. If Burlington has the monthly data from its Account 1556 entries, please update this sheet. In the alternative, please explain.

14. Ref: Smart Meter Model – Sheet 9

In the model as filed, Burlington has estimated a credit SMDR of (\$0.05)/month for Residential, GS < 50 kW and GS > 50 kW customers, to be refunded over a period of 2 years. Given the small magnitude of the SMDR, why is Burlington proposing a refund period of 2 years rather than one year?

15. Ref: Smart Meter Model

- a. If Burlington 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.
- b. If Burlington has made revisions to its Smart Meter Model as a result of its responses to interrogatories, please update the proposed SMDRs and SMIRRs accordingly.