



April 18, 2012

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

Dear Ms. Walli:

Re: Response to Board Staff Submission EB-2011-0435

Innisfil Hydro Distribution Systems Limited (IHDSL) respectfully submits to the Ontario Energy Board (the "Board") its final response for EB-2011-0435.

In addition to the response, Innisfil Hydro at Board's staff request is also submitting

- V2.1.7 Smart Meter Model (Revised)
- 2 hard copies of the response

Further to the Board's RESS filing guidelines, an electronic copy of IHDSL's Smart Meter Prudence Review application will be submitted through the OEB e-Filing Services. We would be pleased to provide any further information or details that you may require relative to this application.

Yours respectfully,

Original signed by

Brenda L Pinke
Regulatory/CDM Officer
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(705) 431-6870 Ext 262

.cc Laurie Ann Cooledge, CMA, CPA

Innisfil Hydro Distribution Systems Limited

Final Reply Submission

2012 ELECTRICITY DISTRIBUTION RATES

**Application for Disposition and Recovery of Costs Related to
Smart Meter Development**

EB-2011-0435

April 18, 2012

**Innisfil Hydro Distribution Systems Limited
Application for Disposition and Recovery of Costs Related to Smart Meter Deployment
Reply Submission
EB-2011-0435**

Overview

Innisfil Hydro Distribution Systems Limited (“Innisfil Hydro”) filed a stand-alone application (the “Application”) with the Ontario Energy Board (the “Board”) on December 16, 2011, seeking approval for the final disposition and recovery of costs related to smart meter deployment, offset by the Smart meter Funding Adder (“SMFA”) revenues collected from May 1, 2006 to April 30, 2012. Within the application Innisfil requested approval of proposed Smart Meter Disposition Riders (“SMDR”) and Smart Meter Incremental Revenue Requirement Rate Riders (“SMIRR”) for an effective date of May 1, 2012.

The purpose of this document is to provide comments on submissions filed by the Ontario Energy Board (the “Board Staff”) on March 30, 2012 and the Vulnerable Energy Consumers Coalition (“VECC”) on April 5, 2012. Innisfil will provide comment on the following areas identified in the two submissions,

- Updated Evidence
- Prudence of Smart meter Costs
- Cost Allocation Methodology
- Other Matters
- Final Approvals Sought

Updated Evidence

In the Board Staff Submission, 5 areas of corrections and or updates were noted as a result of interrogatories. A revised Smart Meter model was submitted by Innisfil with the IRR response reflecting the changes. On page 4 of the Board Staff Submission the following issue was identified,

“Board staff notes that the updated Smart Meter Model filed with Innisfil’s replies to Board staff interrogatories contains interest rates inputted in sheet 8 for the second, third and fourth quarters of 2012. These inputs have caused the calculation of carrying charges on Smart Meter funding adder amounts to be applied beyond the proposed effective date of the SMDR. As the Smart Meter funding amounts are subtracted from historical incurred costs, Innisfil’s total true up balance for historical costs is understated by approximately \$8,500. Board staff suggests that Innisfil may wish to file an updated Smart Meter Model with its reply submission, correcting for the added carrying charges.”

Innisfil first of all would like to identify that there were no changes from the original submitted Smart Meter Model for sheet 8 to the revised Smart Meter Model submitted with our interrogatory response. Innisfil has reviewed and is in agreement with Board Staff that interest rates were carried beyond the proposed effective date of the SMDR of April 30, 2012. Innisfil however has reflected carrying charges into the 2nd quarter of 2012 (May 2012) as the funding adders for April 2012 consumption were billed and collected in May 2012. A revised Smart Meter Model has been included with our response.

Prudence of Smart Meter Costs

Board staff requested that Innisfil may wish to explain in our reply submission why the update in evidence (increased reported meter installations) did not result in additional capital or OM&A costs. No additional costs were reported as the costs of the meter swap outs were already reflected in the Olameter contract costs. Innisfil Hydro utilized our own meter technician for the

change out of transformer and polyphase meters as required however the associated costs were recorded in our annual capital budget approved in our 2009 COS (EB-2008-0233).

This approach was further explained by Innisfil in response to VECC IR#13.

With respect to the SMIRR calculation, Board staff is correct that Innisfil accidentally calculated the rate using a two-year calculation. A revised SMDA and SMIRR calculation has been enclosed based on the changes to the revised Smart Meter Model and a 1 year disposition of the SMIRR,

Calculation of Disposition Rate Rider by Class (SMDR)

	Residential	GS<50	Total Smart Meter Customers
Total Smart Meter True-up for Disposition	\$ 90,177	\$ 19,375	\$ 109,553
Number of Customers	13,903	876	14,779
Total Monthly Disposition Rate Rider SMDR	\$ 0.27	\$ 0.92	\$ 0.31

Calculation of Incremental Revenue Requirement Rate Rider by Class (SMIRR)

	Residential	GS<50	Total Smart Meter Customers
Total Smart Meter True-up for Disposition	\$ 309,758	\$ 66,554	\$ 376,312
Number of Customers	13,903	876	14,779
Total Monthly Disposition Rate Rider SMIRR	\$ 1.86	\$ 6.33	\$ 2.12

Cost Allocation Methodology

Innisfil is in agreement with Board staff's comments on our cost allocation methodology.

Other Matters

Innisfil will address both the stranded meters and any operational efficiencies as a result of smart meters in its 2013 COS Application.

Final Approvals Sought

Innisfil requesting the following based on the revised Smart Meter Model submission:

1. **Smart Meter Disposition Rate Rider (SMDR)** – An actual cost recovery rate rider of \$0.27 per Residential customer per month and \$0.92 per General Service less than 50 kW customer per month for two years per metered customer (May 1, 2012 to April 30, 2014).

IHDSL specifically requested a 2 year disposition for both the SMDR Rate Rider (within this application) and the Group 1 DVA account variances in the 2012 IRM application EB-2011-0176. The 2 year disposition timeframe will assist in mitigating the overall rate impact of the SMIRR.

2. **Smart Meter Incremental Revenue Requirement Rate Rider (SMIRR)** – A forecasted cost recovery rate rider of \$1.86 per Residential customer per month and \$6.33 per General Service less than 50 kW customer per month. The SMIRR rate rider reflects the incremental revenue requirement related to smart meter costs to be incurred from January 1, 2012 to December 31, 2012.

~All of which is respectfully submitted~



Ontario Energy Board

Smart Meter Model

Innisfil Hydro Distribution Systems Limited

This worksheet calculates the Smart Meter Disposition Rider and the Smart Meter Incremental Revenue Requirement Rate Rider, if applicable. This worksheet also calculates any new Smart Meter Funding Adder that a distributor may wish to request. However, please note that in many 2011 IRM decisions, the Board noted that current funding adders will cease on April 30, 2011 and that the Board's expectation is that distributors will file for a final review of prudence at the earliest opportunity. The Board also noted that the SMFA is a tool designed to provide advance funding and to mitigate the anticipated rate impact of smart meter costs when recovery of those costs is approved by the Board. The Board observed that the SMFA was not intended to be compensatory (return on and of capital) on a cumulative basis over the term the SMFA was in effect. The SMFA was initially designed to fund future investment, and not fully fund prior capital investment. Distributors that seek a new SMFA should provide evidence to support its proposal. This would include documentation of where the distributor is with respect to its smart meter deployment program, and reasons as to why the distributor's circumstances are such that continuation of the SMFA is warranted. Press the "UPDATE WORKSHEET" button after choosing the applicable adders/riders.

Check if applicable

- ☐ Smart Meter Funding Adder (SMFA)
- ☒ Smart Meter Disposition Rider (SMDR)
- ☒ Smart Meter Incremental Revenue Requirement Rate Rider (SMIRR)

The SMDR is calculated based on costs to December 31, 2011

The SMIRR is calculated based on the incremental revenue requirement associated with the recovery of capital related costs to December 31, 2012 and associated OM&A.

	2006	2007	2008	2009	2010	2011	2012 and later	Total
Deferred and forecasted Smart Meter Incremental Revenue Requirement (from Sheet 5)	\$ -	\$ 1,434.43	\$ 4,122.47	\$ 181,613.70	\$ 391,047.08	\$ 549,979.50	\$ 376,311.97	\$ 1,504,509.14
Interest on Deferred and forecasted OM&A and Amortization Expense (Sheet 8A/8B) (Check one of the boxes below)	\$ -	\$ -	\$ -	\$ 254.50	\$ 1,656.78	\$ 7,725.15		\$ 9,636.43
<input checked="" type="checkbox"/> Sheet 8A (Interest calculated on monthly balances)	\$ -	\$ -	\$ -	\$ 254.50	\$ 1,656.78	\$ 7,725.15		\$ 9,636.43
<input type="checkbox"/> Sheet 8B (Interest calculated on average annual balances)								\$ -
SMFA Revenues (from Sheet 8)	\$ 26,530.00	\$ 46,655.00	\$ 47,570.00	\$ 120,394.00	\$ 276,149.00	\$ 340,454.00	\$ 142,982.50	\$ 1,000,734.50
SMFA Interest (from Sheet 8)	\$ 299.77	\$ 2,287.11	\$ 3,686.09	\$ 1,630.78	\$ 2,965.49	\$ 9,847.32	\$ 6,829.95	\$ 27,546.51
Net Deferred Revenue Requirement	-\$ 26,829.77	-\$ 47,507.68	-\$ 47,133.62	\$ 59,843.42	\$ 113,589.37	\$ 207,403.32	\$ 226,499.52	\$ 485,864.56
Number of Metered Customers (average for 2012 test year)							14914	

Calculation of Smart Meter Disposition Rider (per metered customer per month)

Years for collection or refunding	2
Deferred Incremental Revenue Requirement from 2006 to December 31, 2011 plus Interest on OM&A and Amortization	\$ 1,137,833.59
SMFA Revenues collected from 2006 to 2012 test year (inclusive) Plus Simple Interest on SMFA Revenues	\$ 1,028,281.01
Net Deferred Revenue Requirement	\$ 109,552.58
SMDR May 1, 2012 to April 30, 2014	\$ 0.31
Check: Forecasted SMDR Revenues	\$ 110,960.16

Match

Calculation of Smart Meter Incremental Revenue Requirement Rate Rider (per metered customer per month)

Incremental Revenue Requirement for 2012	\$ 376,311.97
SMIRR	\$ 2.10

Match

Check: Forecasted SMIRR Revenues

\$ 375,832.80

