



April 25, 2012

Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge St
26th Floor
Toronto, Ontario M4P 1E4

**Re: Orangeville Hydro Limited ED-2002-0500
2012 Smart Meter Cost Recovery Application
Board Staff and VECC Reply Submission
Board File No. EB-2012-0039**

Dear Ms. Walli:

Please find enclosed Orangeville Hydro Limited's Reply Submission in response to the Submissions made by Board Staff and the Vulnerable Energy Consumers Coalition (VECC) received April 16, 2012 and April 19, 2012 respectively.

An electronic version of our response has been filed on the Ontario Energy Board's RESS Filing System and two (2) hard copies have been sent by courier to the Board office to the attention of the Board Secretary.

We hope that you find everything in order but if you do require further assistance or have any questions, please contact Jan Howard at jhoward@orangevillehydro.on.ca or by phoning 519-942-8000.

Yours truly,

ORANGEVILLE HYDRO LIMITED

Jan Howard
Manger of Finance & Rates

Orangeville Hydro Limited
Reply Submission for 2012 Smart Meter Cost Recovery Application
(EB-2012-0039)
Effective May 1, 2012

IN THE MATTER OF the *Ontario Energy Board Act, 1998, being Schedule B to
the Energy Competition Act, 1998, S.O. 1998, c.15;*

AND IN THE MATTER OF an Application by Orangeville Hydro Limited to
the Ontario Energy Board for an Order or Orders approving rate riders for the
recovery, incremental revenue and disposition of Smart Meter costs (SMDR and
SMIRR) as of May 1, 2012.

Introduction

Orangeville Hydro Limited (Orangeville) would like to respond to the submissions of Board Staff and Vulnerable Energy Consumers Coalition (VECC) regarding EB-2012-0039 dated April 16, 2012 and April 19, 2012 respectively. The reply submission addresses the following topics discussed by Board Staff and VECC in their submissions:

- Prudence Review of Smart Meter Costs
- Cost Allocation & Calculation of Smart Meter Rate Riders
- Inclusion of 2012 Costs and Demand for Customer Growth
- Other Matters

Prudence of Smart Meter Costs

Board staff and VECC noted that Orangeville's cost per meter is slightly higher than what has been seen for most utilities. Orangeville agrees that our cost per meter is reasonable, and is in agreement that when the costs beyond minimum functionality are removed as noted by VECC, the total cost per meter is within range of recent sector averages. Orangeville also agrees with VECC that costs beyond minimum functionality have been recorded consistently with the Board's Guidelines.

Cost Allocation & Calculation of Smart Meter Rate Riders

Board staff noted that the calculation of the Smart Meter Disposition Riders (SMDR) and the Smart Meter Incremental Revenue Requirement Rate Riders (SMIRR) was based on separate allocators for Return and Amortization, OM&A, PILs and Smart Meter Funding Adder Collected. Orangeville agrees with Board staff that there are no concerns with the method of allocation. VECC has requested that Orangeville provide the rate riders based on PowerStream's smart meter recovery applications (EB-2010-0209 and EB-2011-0128). For comparison purposes, Orangeville has provided the tables included in our interrogatory submission for the SMDR in order for the Board to be able to compare both methodologies and also calculated the rate riders per VECC's request.

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Table 3a: Revenue Requirement Calculation for Disposition Rate Rider

Rate Base	2007 Amount	2008 Amount	2009 Amount	2010 Amount	2011 Amount	Total Amount
Net Fixed Assets	\$ 7,826	\$ 22,896	\$ 181,179	\$ 838,125	\$ 1,524,741	\$ 2,574,767
Working Capital Allowance	\$ -	\$ -	\$ 369	\$ 6,147	\$ 11,872	\$ 18,387
Total Rate Base	\$ 7,826	\$ 22,896	\$ 181,548	\$ 844,272	\$ 1,536,613	\$ 2,593,155
Revenue Requirement	2007 Amount	2008 Amount	2009 Amount	2010 Amount	2011 Amount	Total Amount
Short Term Interest	\$ -	\$ -	\$ -	\$ 699	\$ 1,272	\$ 1,971
Long Term Interest	\$ 245	\$ 704	\$ 5,940	\$ 26,618	\$ 48,446	\$ 81,953
Return on Equity	\$ 352	\$ 962	\$ 7,075	\$ 33,264	\$ 60,543	\$ 102,196
Total Return	\$ 597	\$ 1,666	\$ 13,014	\$ 60,582	\$ 110,261	\$ 186,120
OM&A	\$ -	\$ -	\$ 2,458	\$ 40,979	\$ 79,145	\$ 122,583
Amortization	\$ 824	\$ 2,553	\$ 16,617	\$ 67,829	\$ 125,158	\$ 212,982
Grossed-up PILs	-\$ 171	-\$ 450	-\$ 615	\$ 4,470	\$ 11,794	\$ 15,029
Revenue Requirement	\$ 1,249	\$ 3,770	\$ 31,476	\$ 173,861	\$ 326,359	\$ 536,714
Interest on Deferred OM&A and Amortization	\$ 18	\$ 74	\$ 100	\$ 638	\$ 3,207	\$ 4,037
Total Revenue Requirement	\$ 1,267	\$ 3,844	\$ 31,575	\$ 174,498	\$ 329,565	\$ 540,751

Table 3b: Disposition Rate Rider to Recover Actual Smart Meter Costs to December 31, 2011

Revenue Requirement 2007	\$ 1,267	
Revenue Requirement 2008	\$ 3,844	
Revenue Requirement 2009	\$ 31,575	
Revenue Requirement 2010	\$ 174,498	
Revenue Requirement 2011	\$ 329,565	
Total Revenue Requirement		\$ 540,751
Smart Meter Funding Adder Collected	-\$ 625,771	
Carrying Cost on Smart Meter Funding Adder	-\$ 16,777	-\$ 642,548
Smart Meter True-up Balance for Disposition Rider		-\$ 101,798

Table 3c: Basis of Allocation for SMDR Revenue Requirement Allocation by Customer Class				
Revenue Requirement Return & Amortization:		1860 CWMC Allocator per 2010 Cost Allocation	Revenue Requirement Smart Meter Allocator	
Residential (1)		50.64%	68.94%	(1) / (A)
GS<50 (2)		22.82%	31.06%	(2) / (A)
Subtotal Applicable to Smart Meters (A)		73.46%	100.00%	
GS>50		26.54%		
Total		100.00%		
Revenue Requirement OM&A		Meters Installed by 2011	Revenue Requirement Smart Meter Allocator	
Residential (3)		10,021	90.24%	(3) / (B)
GS<50 (4)		1,084	9.76%	(4) / (B)
Total Smart Meters Installed (B)		11,105		
Revenue Requirement Grossed-up PLS & Interest on Deferred OM&A and Amortization		Revenue Requirement Allocated for Return, Amortization and OM&A	Revenue Requirement Smart Meter Allocator	
Residential (5)		\$ 385,740	73.94%	(5) / (C)
GS<50 (6)		\$ 135,945	26.06%	(6) / (C)
Total Smart Meters Installed (C)		\$ 521,685		

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Revenue Requirement	Total to Allocate	Allocator for Residential	Residential	Allocator for GS<50	GS<50
Return	\$ 186,120	68.94%	\$ 128,303	31.06%	\$ 57,817
Amortization	\$ 212,982	68.94%	\$ 146,820	31.06%	\$ 66,162
OM&A	\$ 122,583	90.24%	\$ 110,617	9.76%	\$ 11,966
Subtotal before PILs	\$ 521,685		\$ 385,740	(5)	\$ 135,945
Grossed-up PILs	\$ 15,029	73.94%	\$ 11,113	26.06%	\$ 3,916
Interest on Deferred OM&A and Amortization	\$ 4,037	73.94%	\$ 2,985	26.06%	\$ 1,052
Total Revenue Requirement	\$ 540,751	73.94%	\$ 399,838	26.06%	\$ 140,913
Total Smart Meter Funding Adder Collected	-\$ 642,548	73.94%	-\$ 475,108	26.06%	-\$ 167,441
Total Smart Meter True-up Balance	-\$ 101,798	73.94%	-\$ 75,270	26.06%	-\$ 26,527

Table 3e: Calculation of Disposition Rate Rider by Class

	Residential	GS<50	Total Smart Meter Customers
Total Smart Meter True-up for Disposition	-\$ 75,270	-\$ 26,527	-\$ 101,798
Number of Customers	10,131	1,089	11,220
Total Monthly Disposition Rate Rider	-\$ 0.62	-\$ 2.03	-\$ 0.76

As per VECC's request, Orangeville has completed Table 1 below, illustrating the alternate allocation method requested based on the total capital costs by customer class for the SMDR.

Table 1 - Allocation based on Capital Cost			
Smart Meter Actual Cost Recovery Rate Rider - SMDR			
Calculated by Rate Class			
	Total	Residential	GS < 50
Allocators			
LDC Average Smart Meter Unit Cost		\$ 92.78	\$ 323.54
Smart Meter Cost	\$ 1,280,418	\$ 929,703	\$ 350,715
Allocation of Smart Meter Costs	100.00%	72.61%	27.39%
Number of meters installed	11,220	10,131	1,089
Allocation of Number of meters installed	100.00%	90.29%	9.71%
Total Return (deemed interest plus return on equity)	\$ 186,120	\$ 135,141	\$ 50,980
Amortization	\$ 212,982	\$ 154,645	\$ 58,337
OM&A	\$ 122,583	\$ 110,685	\$ 11,898
Total Before PILs	\$ 521,685	\$ 400,470	\$ 121,215
PILs	\$ 15,029	\$ 11,537	\$ 3,492
Deferred Interest OM&A	\$4,037		
Total Revenue Requirement 2006 to 2011	\$ 540,751	\$ 412,007	\$ 124,707
	100.00%	76.19%	23.06%
Smart Meter Rate Adder Revenues	(\$625,771)		
Carrying Charge	(\$16,777)		
Smart Meter True-up	-\$ 101,798	-\$ 77,561	-\$ 23,476
Metered Customers	11,220	10,131	1,089
Rate Rider to Recover Smart Meter Costs			
- 1 yr	-\$ 0.76	-\$ 0.64	-\$ 1.80

Orangeville also noted that in PowerStream's decision, the Board directed PowerStream to allocate the smart meter adder amounts collected from the GS >50 kW customer class evenly to the residential and GS <50 kW class when calculating the true-up for the SMDR. Orangeville has provided this calculation in Table 2 below.

Table 2 - Allocation based on evenly distributed GS>50 Rate adder revenues			
Smart Meter Actual Cost Recovery Rate Rider - SMDR			
Calculated by Rate Class			
	Total	Residential	GS < 50
Allocators			
LDC Average Smart Meter Unit Cost		\$ 92.78	\$ 323.54
Smart Meter Cost	\$ 1,280,418	\$ 929,703	\$ 350,715
Allocation of Smart Meter Costs	100.00%	72.61%	27.39%
Number of meters installed	11,220	10,131	1,089
Allocation of Number of meters installed	100.00%	90.29%	9.71%
Total Return (deemed interest plus return on equity)	\$ 186,120	\$ 135,141	\$ 50,980
Amortization	\$ 212,982	\$ 154,645	\$ 58,337
OM&A	\$ 122,583	\$ 110,685	\$ 11,898
Total Before PILs	\$ 521,685	\$ 400,470	\$ 121,215
PILs	\$ 15,029	\$ 11,537	\$ 3,492
Deferred Interest OM&A	\$4,037		
Total Revenue Requirement 2006 to 2011	\$ 540,751	\$ 412,007	\$ 124,707
	100.00%	76.19%	23.06%
Smart Meter Rate Adder Revenues			
Residential	(\$556,936)	(\$424,339)	(\$128,439)
GS<50	(\$62,577)	(\$47,679)	(\$14,431)
GS>50	(\$6,258)	(\$3,129)	(\$3,129)
Carrying Charge	(\$16,777)	(\$12,783)	(\$3,869)
Total Revenues and Carrying Charges	-\$ 642,548	-\$ 487,929	-\$ 149,869
Smart Meter True-up	-\$ 101,798	-\$ 75,922	-\$ 25,162
Metered Customers	11,220	10,131	1,089
Rate Rider to Recover Smart Meter Costs - 1 yr	-\$ 0.76	-\$ 0.62	-\$ 1.93

Orangeville has provided the tables included in our interrogatory submission for the SMIRR in order for the Board to be able to compare both methodologies and also calculated the rate riders per VECC's request.

Rate Base		2012 Amount
Net Fixed Assets		\$ 1,656,499
Working Capital Allowance		\$ 22,633
Total Rate Base		\$ 1,679,132
Revenue Requirement		2012 Amount
Short Term Interest		\$ 1,390
Long Term Interest		\$ 52,940
Return on Equity		\$ 66,158
Total Return		\$ 120,488
OM&A		\$ 150,888
Amortization		\$ 146,700
Grossed-up PILs		\$ 18,766
Total Revenue Requirement		\$ 436,842

Table 4b: Basis of Allocation for SMIRR Revenue Requirement Allocation by Customer Class

Revenue Requirement		1860 CWMC Allocator per 2010 Cost Allocation Review	Revenue Requirement Smart Meter Allocator	
Return & Amortization:				
Residential (1)		50.64%	68.94%	(1) / (A)
GS<50 (2)		22.82%	31.06%	(2) / (A)
Subtotal Applicable to Smart Meters (A)		73.46%	100.00%	
GS>50		26.54%		
Total		100.00%		
Revenue Requirement OM&A		Meters Installed by 2012	Revenue Requirement Smart Meter Allocator	
Residential (3)		10,131	90.29%	(3) / (B)
GS<50 (4)		1,089	9.71%	(4) / (B)
Total Smart Meters Installed (B)		11,220		
Revenue Requirement Grossed-up PILS & Interest on Deferred OM&A and Amortization		Revenue Requirement Allocated for Return, Amortization and OM&A	Revenue Requirement Smart Meter Allocator	
Residential (5)		\$ 320,430	76.64%	(5) / (C)
GS<50 (6)		\$ 97,646	23.36%	(6) / (C)
Total Smart Meters Installed (C)		\$ 418,076		

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Revenue Requirement	Total to Allocate	Allocator for Residential	Residential	Allocator for GS<50	GS<50
Return	\$ 120,488	68.94%	\$ 83,059	31.06%	\$ 37,429
Amortization	\$ 146,700	68.94%	\$ 101,128	31.06%	\$ 45,572
OM&A	\$ 150,888	90.29%	\$ 136,243	9.71%	\$ 14,645
Subtotal before PILs	\$ 418,076		\$ 320,430	(5)	\$ 97,646
Grossed-up PILs	\$ 18,766	76.64%	\$ 14,383	23.36%	\$ 4,383
Total Revenue Requirement	\$ 436,842	76.64%	\$ 334,813	23.36%	\$ 102,029

	Residential	GS<50	TOTAL
Total Revenue Requirement	\$ 334,813	\$ 102,029	\$ 436,842
Number of Customers	10,131	1,089	11,220
Total Monthly Incremental Revenue Requirement Rate Rider	\$ 2.75	\$ 7.81	\$ 3.24

Smart Meter Actual Cost Recovery Rate Rider - SMIRR Calculated by Rate Class			
	Total	Residential	GS < 50
Allocators			
LDC Average Smart Meter Unit Cost		\$ 92.78	\$ 323.54
Smart Meter Cost	\$ 1,280,418	\$ 929,703	\$ 350,715
Allocation of Smart Meter Costs	100.00%	72.61%	27.39%
Number of meters installed	11,220	10,131	1,089
Allocation of Number of meters installed	100.00%	90.29%	9.71%
Total Return (deemed interest plus return on equity)	\$ 120,488	\$ 87,485	\$ 33,002
Amortization	\$ 146,700	\$ 106,518	\$ 40,182
OM&A	\$ 150,888	\$ 136,243	\$ 14,645
Total Before PILs	\$ 418,076	\$ 330,246	\$ 87,830
PILs	\$ 18,766	\$ 14,824	\$ 3,942
Total Revenue Requirement 2006 to 2011	\$ 436,842	\$ 345,070	\$ 91,772
Metered Customers	11,220	10,131	1,089
Rate Rider to Recover Smart Meter Costs -1 yr	\$ 3.24	\$ 2.84	\$ 7.02

As the differences between two approaches are not significant, Orangeville is willing to accept the Board's recommendation and direction to the preferable methodology.

Inclusion of 2012 Costs and Demand for Customer Growth

Orangeville agrees with VECC's submission that the capital costs for 115 new meters will not have a significant impact on the calculation of the SMIRR and should be included. Board staff noted that they do not oppose the approach of including 2012 costs in the calculation of the SMIRR, in that Orangeville has been consistent in matching costs with demand, and Orangeville agrees with this rationale.

Audited financial statements have now been provided and reviewed by Orangeville, and can confirm that actual 2011 smart meter costs have been audited and should be included.

Other Matters

Board Staff identified that substantial cost savings will not be recognized until a later date, as the utility sector becomes more accustomed to the customer and operation data that smart metering and TOU pricing provide, as well as efficiencies to be realized over time. Orangeville agrees with this rationale, and will be prepared to address both the stranded meters and any further operational efficiencies in our next cost of service rebasing application.

-All of which is respectfully submitted-

Jan Howard

Manager of Finance & Rates