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April 26, 2012

VIA MAIL and E-MAIL

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

Dear Ms. Walli:

Re: Vulnerable Energy Consumers Coalition (VECC)
Peterborough Distribution Incorporated EB-2012-0008
Final Submissions of VECC

Please find enclosed the submissions of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

cc: Peterborough Distribution Incorporated
Mr. John Stephenson

ONTARIO ENERGY BOARD

IN THE MATTER OF

the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15 (Schedule B), as amended;

AND IN THE MATTER OF an Application by Peterborough Distribution Incorporated (Peterborough) for an order or orders approving or fixing just and reasonable distribution rates to reflect the recovery of costs for deployed smart meters, effective May 1, 2012.

Submissions of Vulnerable Energy Consumers Coalition (VECC)

VECC will address the following matters in its submissions:

- Prudence Review of Smart Meter Costs
- Recovery of Smart Meter Costs
- Cost Allocation & Calculation of Smart Meter Rate Riders

In its original application, Peterborough sought the recovery of smart meter capital and OM&A costs related to minimum functionality. Peterborough's application does not include costs beyond minimum functionality.¹ The proposed costs reflect the installation of 34,924 meters as of December 31, 2011 which represents 99.8% of total meters for the Residential and GS<50 kW customer classes.² Peterborough indicates approximately 43 commercial meters remain to be installed and Peterborough expects to complete these installations in the first quarter of 2012³, bringing the total number of installed smart meters to 34,967 for the two rate classes.

In response to VECC interrogatory #1, Peterborough confirmed that as of December 31, 2011, it had installed a total of 34,900 meters. As of the April 17, 2012, Peterborough indicates that all Residential meters have been installed, 37 of the 58 GS<50 kW meters have been installed and the 21 remaining GS<50 kW meters are planned to be installed by June 30, 2012. The non-mandated 243 GS>50 kW meters are planned to be installed by December 31, 2013.⁴

In this application, Peterborough seeks:

- Approval to recover the deferred revenue requirement related to smart meters costs from 2006 to December 31, 2011 less the Smart Meter Funding Adder (SMFA) collected from May 1, 2006 to April 30, 2012 via a Smart Meter Disposition Rider (SMDR) for a 24 month period (May 1, 2012 to April 30, 2014). Peterborough is proposing that the SMDR be

¹ Application, Page 13

² Application, 2. Status of Smart Meters, Page 4

³ Application, 5b. Meter Deployment, Page 6

⁴ Response to VECC Interrogatory # 7(a)

collected from Residential and GS< 50 kW customers.

- Approval of a Smart Meter Incremental Revenue Requirement Rate Rider (SMIRR) to recover the incremental revenue requirement associated with forecast smart meter costs to be incurred from January 1, 2012 to December 31, 2012. The SMIRR will be in place for one year (May 1, 2012 to April 30, 2013) until these costs can be incorporated into distribution rates in Peterborough's next Cost of Service (COS) rate application currently scheduled for 2013.⁵ The SMIRR will be collected from Residential and GS< 50 kW customers.

Prudence Review of Smart Meter Costs

Peterborough participated in the Ontario Utilities Smart Meter Working Group (OUSM) and like other LDCs, Util-Assist was engaged to provide specific project management of the project.⁶ Peterborough indicates it worked collaboratively with other LDCs across the province and achieved economies of scale where possible and has acted prudently in obtaining the best possible pricing.⁷ Peterborough indicates that as a result of smart meter implementation it experienced efficiency gains and costs savings moving from monthly manual meter reading to electronic meter reading.⁸ VECC submits that it is reasonable to presume that Peterborough realized benefits and efficiencies by working in collaboration with other utilities early in the process.

Peterborough's mandated Time of Use (TOU) billing was January 1, 2012 for all Residential and GS<50 kW customers. PDI was not able to meet the mandated deadline due to a delay and has targeted July 12, 2012 as the TOU date.⁹ In response to VECC interrogatory # 4, Peterborough anticipates TOU billing will commence as planned on July 12, 2012. Peterborough confirms the delay did not impact its smart meter implementation plan.

Peterborough provided a summary comparison of actual costs to budget including a variance analysis. Peterborough excluded \$663,377 of internal labour costs, thereby reducing the smart meter capital cost.¹⁰ VECC takes no issue with Peterborough's variance explanations.

Peterborough seeks approval of \$5,708,283 (\$5,535,926 CAPEX + \$172,347 OPEX) based on a revised smart meter recovery model updated through interrogatories.¹¹ Board Staff, in its reply submission (Page 6), calculates the unit cost per smart meter on a total cost basis (CAPEX & OPEX) as \$161.42 based on 35,363 installed smart meters.

Appendix A of the Combined Proceeding Decision (EB-2007-0063, September 21, 2007) compares data for 9 out of 13 utilities and shows the total cost per meter ranged from \$123.59

⁵ Response to VECC Interrogatory #10

⁶ Application, 4. Project Overview, Page 5

⁷ Application, 17. Conclusion, Page 19

⁸ Response to VECC Interrogatory #9

⁹ Application, 9. Transition to Time of Use Pricing, Page 9

¹⁰ Application, 17. Conclusion, Page 19

¹¹ Smart Meter Recovery Model, Tab 2, 20120405

to \$189.96, with Hydro One Networks Inc. being the main exception at \$479.47, due in part for the need for more communications infrastructure and increased costs to install smart meters for customers over a larger and less dense service area.

The Board's report, "Sector Smart Meter Audit Review Report", dated March 31, 2010, indicates a sector average capital cost of \$186.76 per meter (based on 3,053,931 meters (64% complete) with a capital cost of \$570,339,200 as at September 30, 2009). The review period was January 1, 2006 to September 30, 2009. The average total cost per meter (capital and OM&A) is \$207.37 (based on 3,053,931 meters (64% complete) with a total cost of \$633,294,140 as at September 30, 2009).

VECC observes that Peterborough's costs are within the range established in EB-2007-0063 and significantly less than the more recent sector averages.

VECC takes no issue with the nature or quantum of Peterborough's smart meter costs.

Recovery of Smart Meter Costs

Peterborough's original application contains costs based on actual audited costs as at December 2010. In response to Board Staff interrogatory #2(c), Peterborough indicates that its application represents December 31, 2011 audited balances which reflect 100% of the total smart meter costs.

Cost Allocation & Calculation of Smart Meter Rate Riders

Peterborough is seeking approval of two proposed rate riders: a "Smart Meter Disposition Rate Rider" (SMDR) and a "Smart Meter Incremental Revenue Requirement Rate Rider" (SMIRR).

The SMDR recovers, over a specified time period, the variance between the deferred revenue requirement for the installed meters up to the time of disposition and the SMFA revenues collected and associated interest.¹²

The SMIRR is a separate rate rider when smart meter disposition occurs in a stand-alone application (outside of cost of service application) and is calculated as the proxy for the incremental change in the distribution rates that would have occurred if the assets and operating expenses were incorporated into the rate base and the revenue requirement. The SMIRR is calculated as the annualized revenue requirement for the test years for the capital and operating costs for smart meters.¹³

The revenue requirement calculation for each rate rider related to Smart Meters includes the standard elements of operating, maintenance and administrative (OM&A) expenses, depreciation, interest, PILs and rate of return.

¹² G-2011-0001, Page 11

¹³ G-2011-0001, Page 11

Cost Allocation

In this application, Peterborough proposes class specific rate riders for the residential and GS<50 kW customer classes based on the following cost allocation methodology:¹⁴

- Allocation of the return (deemed interest plus return on equity) and amortization based on a CWMC (i.e. Customer Weighted Meter Cost) that reflects the average cost of installing smart meters for the Residential and GS<50 kW classes. The average PDI cost of installing a smart meter for the residential class is \$86.99 and \$303.80 for the GS<50 kW class.;
- Allocation of the OM&A based on number of meters installed for each class; and
- Allocation of PILs based on the revenue requirement allocated to each class before PILs;

The Board's Guideline G-2011-0001 states "The Board views that, where practical and where data is available, class-specific SMDRs should be calculated based on full cost causality."¹⁵

In interrogatory #8, VECC requested that Peterborough re-calculate the revenue requirements and rate riders by customer class based on full cost causality.

Peterborough did not provide the revised class specific rate riders on this basis. Instead Peterborough provided a revised SMDR rate rider with smart meter revenues and true-ups based on the PowerStream Decision to allocate the SMFA based on class revenue.

It is unclear to VECC from Peterborough's response if it has the data to complete the smart meter recovery model by rate class to calculate revenue requirements and rate riders by customer class based on full cost causality. VECC submits Peterborough should clarify whether or not the data is available in its reply submissions.

If the data is available, VECC submits that Peterborough should recalculate the rate riders on the basis of full cost causality. This would include allocating the SMFA based on class revenue and allocating the interest on the SMFA revenues to the class assigned revenues. VECC submits it follows that any funds collected from the GS>50 kW and Large User customers should be returned, with carrying charges, to those customers.

If the data is not available, VECC accepts Peterborough's proposed cost allocation methodology. VECC agrees with Board Staff that an SMDR that better reflects causality is achieved by assigning the actual revenue to each class based on the SMFA revenue collected from each customer class over time, and allocating the carrying charges on the revenue based on the assigned revenues. In response to VECC interrogatory #8(c), Peterborough summarized the total SMFA collected by customer class, and attributed revenue to the Residential and GS<50 kW customer classes as per the PowerStream Decision which allocated the smart meter adder amounts collected from the GS>50 kW and

¹⁴ Application, 16. Smart Meter Rate Rider, Page 16

¹⁵ G-2011-0001, Page 19

Large Use customer classes evenly to the Residential and GS< 50 kW classes when calculating the true-up for the SMDR. As indicated above, VECC suggests another option be implemented, whereby any funds collected from the GS>50 kW and Large User customers be returned, with carrying charges, to those customers.

Recovery of Reasonably Incurred Costs

VECC submits that its participation in this proceeding has been focused and responsible. Accordingly, VECC requests an order of costs in the amount of 100% of its reasonably-incurred fees and disbursements.

All of which is respectfully submitted this 25th day of April 2012.