



**Peterborough
Distribution Inc.**

PETERBOROUGH DISTRIBUTION INC.

1867 Ashburnham Drive, PO Box 4125, Station Main
Peterborough ON K9J 6Z5

May 2, 2012

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

Dear Ms. Walli:

**Peterborough Distribution Inc.
Smart Meter Cost Recovery Application
EB-2012-0008**

Peterborough Distribution Inc. has reviewed the April 23, 2012 Board staff submission regarding the Smart Meter Cost Recovery Application and provides the following reply.

Yours very truly,

A handwritten signature in black ink, appearing to be 'RK', with a long horizontal stroke extending to the right.

Robert Kent
Manager, Finance and Regulatory Compliance
Peterborough Distribution Inc.
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Cost Allocation

Board staff recommended that actual smart meter revenue be assigned to each class based upon the amounts collected from customers and that carrying charges are assigned to the revenues on the same basis.

Board staff in its interrogatory question 10(c) requested that PDI recalculate the Smart Meter Disposition Rider (SMDR) by allocating the revenues as found by the Board in the Power Stream Decision.

PDI in response to Board staff interrogatories submitted a revised SMDR based upon a reallocation of revenues and carrying charges.

The revised SMDR rate rider is provided in the following table.

Smart Meter Actual Cost Recovery Rate Rider - SMDR			
Calculated by Rate Class			
	Total	Residential	GS < 50
Allocators			
Direct Meter Cost - \$'s	3,820,478	2,729,211	1,091,267
Direct Meter Cost - %	100.00%	71.40%	28.60%
Number of meters installed	34,967	31,375	3,592
Number of meters installed	100.00%	89.73%	10.27%
Total Return (deemed interest plus return on equity)	\$ 931,588	\$ 665,154	\$ 266,434
Amortization	\$ 1,092,698	\$ 780,186	\$ 312,512
OM&A	\$ 172,347	\$ 154,643	\$ 17,704
Total Before PILs	\$ 2,196,633	\$ 1,599,983	\$ 596,650
PILs	\$ 119,853	\$ 87,298	\$ 32,555
Total Revenue Requirement 2006 to 2011	\$ 2,316,486	\$ 1,687,281	\$ 629,205
	100.00%	72.84%	27.16%
Smart Meter Rate Adder Revenues	(\$1,476,419)	(\$1,315,503)	(\$160,916)
Carrying Charge	(\$61,142)	(\$54,478)	(\$6,664)
Smart Meter True-up	\$ 778,925	\$ 317,301	\$ 461,625
Metered Customers	34,967	31,375	3,592
Rate Rider to Recover Smart Meter Costs - 2 yrs	\$ 0.93	\$ 0.42	\$ 5.35

Based upon the reallocation of smart meter revenues and carrying charges, PDI is requesting a SMDR rate rider of \$0.42 per metered residential customer and \$5.35 for GS<50 metered customer for a two year period commencing May 1, 2012.

There has been no change to the requested Smart Meter Incremental Revenue Rate Rider of \$1.46 per metered residential customer and \$5.11 per metered GS<50 customer for a one year period commencing May 1, 2012.

Prudence of Smart Meter Costs

- Installations Prior to Authorization.

As provided to Board staff, PDI installed 3,303 smart meters prior to being authorized under O. Reg. 427/06 as amended by O. Reg. 235/08 on June 25, 2008. The pre-authorized meters represent approximately 9.4% of the total meter installation at a cost of \$476,351 and 8.6% of the total capital cost.

PDI submits, that given the Province's mandate for Time of Use rates (TOU) and the requirement for the installation of smart meters, that it acted in an efficient and prudent manner and minimized the value of the stranded asset recovery. PDI's pre-authorized activities consisted of replacing conventional meters with smart meters and the installation of smart meters in new homes. It is important to note that the pre and post authorized meters were all Elster meters, the vendor selected by the Fairness Commissioner under the London RFP. PDI also negotiated a cost adjustment on the pre-authorized meters based upon the Ontario Elster pricing to mitigate price risk.

Board staff stated that they considered the documented costs to have been prudently incurred; including the pre-authorized smart meter costs and that the unit costs were not out of line when considering the unit costs found in other applications.

PDI reaffirms that it acted in a prudent, efficient and cost effective manner and thereby requests that the pre-authorized costs be recovered as part of the SMDR Rate Rider.