

May 3, 2012

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27th Floor  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Thunder Bay Hydro Electricity Distribution Inc. ("TBHEDI")  
2012 Smart Meter Cost Recovery  
Board File No. EB-2012-0015**

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This letter acknowledges receipt of the Vulnerable Energy Consumers Coalition ("VECC") Submission dated April 24, 2012. TBHEDI submits two (2) paper copies of its responses to the Board Staff Submission for the 2012 Smart Meter Cost Recovery and encloses the following:

- Responses to the VECC Final Submissions

An electronic copy has been submitted through the OEB's RESS on-line filing system and via email, including a copy to all Intervenors.

Should you require any additional information, please do not hesitate to contact the undersigned.

Yours truly,



Cindy Speziale, CA  
Vice President, Finance

Encl.

cc: Robert Mace, President, Thunder Bay Hydro Electricity Distribution Inc.  
Michael Buonaguro, Counsel for Vulnerable Energy Consumers Coalition (VECC)

## **Responses to VECC's Final Submission**

### **2012 Smart Meter Cost Recovery Thunder Bay Hydro Electricity Distribution Inc. ("TBHEDI") EB-2012-0015**

#### **Introduction**

Below you will find TBHEDI's responses on the following matters:

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

#### **Prudence Review of Smart Meter Costs**

TBHEDI acknowledges that its costs are higher than the range established in EB-2007-0063 and above the more recent sector averages VECC had referred to on page 3 of its Final Submissions; however, VECC takes no issue with the nature of the costs as Board Staff believes that the costs as reported in this application are prudently incurred (see page 6 of the Board Staff Submission dated April 20, 2012).

#### **Recovery of Smart Meter Costs**

TBHEDI acknowledges that VECC takes no issue with the cost variance between the changes made to the CAPEX and OPEX in the Smart Meter Model during the interrogatory process.

TBHEDI notes that its actual expenditures to December 31, 2011 have been officially approved by its Board of Directors on April 26, 2012, and thus, the 2011 CAPEX and OPEX balances as reported in the Smart Meter Model are considered audited.

#### **Cost Allocation & Calculation of Smart Meter Rate Riders**

TBHEDI acknowledges that VECC agrees with Board Staff that both the SMDR and SMIRR should be calculated on the cost allocation method TBHEDI provided based on the PowerStream method as it reflects a more fair allocation of costs.

In its Submission, VECC states it agrees with Board Staff that TBHEDI does not set out the determination of the revenue requirement for the SMDR in its response to VECC IR#7(d). TBHEDI respectfully submits that on page 8 of its response to VECC's interrogatory #7d it states that "the percentages calculated (in the chart) above were used to allocate the net deferred revenue requirement as at December 31, 2011 between the customer classes." To clarify, the allocation of the revenue requirement for the SMDR is determined using the same allocation approach for costs in the SMIRR. (Both the SMIRR and SMDR allocated the revenue requirement by a 73%/27% split between residential and the GS<50kW customer classes).

TBHEDI acknowledges VECC's discussion on three approaches to the allocation of revenues and that Board Staff's second method will produce a rider that better reflects causality. TBHEDI respectfully requests that VECC refer to the cost allocation section on page 5 of TBHEDI's response to Board Staff's submission.

*All of which is respectfully submitted*