London Hydro Inc.
2012 Smart Meter Cost Disposition and Recovery
EB-2012-0187

Board staff Interrogatories

1. Responses to Letters of Comment

Following publication of the Notice of Application, the Board has, to date, received no letters of comment. Please confirm whether London Hydro Inc. ("London Hydro") has received any letters of comment. If so, please file a copy of any letters of comment. For each, please confirm whether a reply was sent from London Hydro to the author of the letter. If confirmed, please file that reply with the Board. Please ensure that the author's contact information except for the name is redacted. If not confirmed, please explain why a response was not sent and confirm if London Hydro intends to respond.

2. Ref: Manager's Summary, page 12 – Conventional Meter Disposal

On page 28, London Hydro states that:

> Honeywell [is] administrating the disposal of the meters consolidated the process and record keeping efforts and provided cost savings. London Hydro received from Honeywell, a copy report from Greenport outlining the disposals. This report also included the amount of scrap value that was credited to Honeywell, which in turn Honeywell credited to London Hydro.

a) Please document the scrap value credited to Honeywell and to London Hydro.

b) Please state how London Hydro is taking these amounts into account. Will they be used to offset the remaining net book value of stranded meters for when London Hydro seeks disposition in its next Cost of Service rebasing application? If not, please explain any alternative treatment.

3. Ref: Manager's Summary, page 82 and 83 – Stranded Meter Costs

On page 82 of its Application, London Hydro states that it is not seeking disposition of stranded meter costs in this Application, but will seek recovery in its next Cost of Service rebasing application. London Hydro states that the NBV of stranded meters as of December 31, 2011 is $3,511,000 and that it continues to amortize the stranded meters. Please provide London Hydro's estimate of the NBV of the stranded meters as of December 31, 2012, including any adjustment for the scrap or salvage value of replaced conventional meters, if applicable, as discussed in Board staff interrogatory #2 above.

4. Ref: Manager's Summary, 61 – Cost Beyond Minimum Functionality, Operational Data Store ("ODS")

O. Reg. 426/06 s. 2(1) states that:

> *"No distributor shall recover any costs associated with meter data functions to be performed by the Smart Meter Entity".*

O. Reg. 393/07 defines the exclusive authority of the Smart Meter Entity to , among other functions, conduct all services performed on smart metering data to produce billing quantity data, validation, estimating and editing services.

London Hydro's Application describes a MDUS-compliant Operational Data Store ("ODS") functionality (at page 61) that "presented the lowest long term ownership costs, the least risk… and the greatest flexibility for the future Smart Grid vision".

a) Are there any features of London Hydro's ODS which are duplicative of functions performed (or to be performed) by the provincial MDM/R?

b) If the answer to a) is in the affirmative, please identify what features of the ODS are duplicative of functions performed by the MDM/R, the associated costs and the reasons for having this functionality.

c) What portion of the total capital and OM&A costs are specifically related to the ODS?

d) What is the in-service date for the ODS?

5. Ref: Manager's Summary, page 44 –Itron Enterprise Edition solution

On page 44 London Hydro states that: “given the combined purpose of this product [the Itron Enterprise Edition solution], London Hydro has elected to recover part of the investment costs under the Smart-meter rate rider and the remaining part of the investment under a cost of service application”.

a) Is this product fully in service now? Please explain your response.

b) With respect to the functions provided by the ODS as described on pages 43 to 46 of London Hydro’s Application, please indicate, in tabular format:

   i) the functions are related to smart meter activities and which are related to other operational requirements, such as Smart Grid;

   ii) the functions London Hydro is seeking recovery for as part of this Application. If London Hydro is seeking recovery of non-smart meter function costs as part of this Application, or is deferring recovery of smart meter-related costs to its cost of service application, please explain;

   iii) the costs of the functions that London Hydro is seeking recovery of in this Application, and the percentage that this represents of the total actual or forecasted costs for the Itron Enterprise Edition solution.

6. Ref: Manager’s Summary, page 20, - Procurement of Sensus FlexNet AMI – Regional collector investment

On page 20 London Hydro states that London Hydro:

- Opted to host its own Sensus FlexNet RNI master station (as opposed to incurring a recurring OM&A expense to have KTI Limited host the system).

- Opted to obtain its own ratio spectrum and install the associated radio transceivers and antennas throughout its service territory (as opposed to incurring a recurring OM&A expense to have PageNet provide the wireless communications infrastructure).

a) Please identify the total costs, disaggregated by: capital costs, non-recurring operating expenses; and recurring operating expenses, incurred for ownership and operation of the communications network.

b) Please provide a cost-benefit analysis for the above mentioned projects and compare the cost to the OM&A expenses that would have been incurred if London Hydro had decided to have KTI Limited host the system.

7. Ref: Manager's Summary, page 69 – Costs Beyond Minimum Functionality

On page 69, London Hydro states:

> Although combination demand / energy meters (for "general service greater than 50 kW" customers) are outside the scope of the Ministry of Energy's Functional Specification [Ref 2], London Hydro's RFP includes a requirement that the AMI system include functionality for transporting such meter data from such meters. As, such London Hydro intends to procure a nominal 25 such revenue meters for the purposes of system acceptance testing. Such meters have not been procured to date because it is known that there is an issue that won't be resolved until Version 3.x of the FlexNet RNI software – which won't be released until the summer of 2012.

a) Please state the basis for London Hydro's estimated $12,800 capital expenditure related to the above mentioned meters as shown in 1.6.2 on Sheet 2 of the Smart Meter model.

b) Please state if London Hydro has included any OM&A expenses related to these meters.

c) What is London Hydro's basis for recovering cost related to the GS>50 kW customer class from the Residential and GS<50 customers.

Cost Allocation

8. Ref: Manager's Summary, p. 80 - Class Specific Smart Meter Disposition Riders ("SMDR")

London Hydro has provided a table with calculated SMDRs for Residential and the GS < 50 kW customer classes, using a similar approach as was approved by the Board's Decision and Order in PowerStream's 2010 Smart Meter Application

(EB-2010-0209). Recent Board decisions, such as for Guelph Hydro-Electric System Inc. (EB-2011-0100) and Lakeland Power Distribution Limited (EB-2011-0413) have approved a class-specific cost allocation methodology where practical.

a) Board staff observes that London Hydro's proposal results in a proposed SMDR for the GS < 50 kW class that is a larger credit than the proposed SMDR for the Residential class. Since the GS < 50 kW class would have a higher percentage of more expensive polyphase meters, the average cost per meter for this class should be higher than the Residential class. Therefore, the deferred revenue requirement per meter should be higher for the GS < 50kW since the SMFA was uniform for all metered classes. All else being equal, Board staff would expect that the SMDR credit for the Residential class should be greater than the SMDR credit for the GS < 50 kW class.

Please explain the rationale for the results stemming from London Hydro's proposal.

b) Using the *attached spreadsheet* as an example, please provide updated calculations of class-specific SMDRs for the Residential and GS < 50 kW classes to which smart meters were deployed. Please file the resulting spreadsheet in working Microsoft Excel format.

Smart Meter Model, Version 2.17

9. Ref: Smart Meter Model, Version 2.17, Sheet 3 – Cost of Capital

In cell G23 of Sheet 3, London Hydro has used a long-term debt capitalization of 50% for 2006. However, as London Hydro had a rate base between $100 million and $250 million in its 2006 EDR application (RP-205-020/EB-205-0389), its deemed debt capitalization approved in the Board's decision was 55% debt. The starting debt capitalization in 2006 would affect the migration to the current 60% debt and 40% equity capitalization currently accepted by the Board. Also, London Hydro's size meant that the approved deemed debt rate in its 2006 EDR application, and also applicable for 2007, was 6.00% rather than 6.25% as

shown in the model. Please explain London Hydro's use of the 50% debt capitalization in 2006 as well as a debt rate of 6.25%.

10. Ref: Excel Smart Meter Model, Version 2.17, Sheet 3 – Taxes/PILs Rates

London Hydro has used the maximum taxes/PILs rates input on sheet 3, row 40, for the years 2006, 2007, 2008, 2009, 2010, 2011 and 2012 and beyond. These are summarized in the following table:

Year	2006	2007	2008	2009	2010	2011	2012 and beyond
Aggregate Federal and provincial income tax rate	36.12%	36.12%	33.50%	33.00%	31.00%	28.25%	26.25%

Please confirm that these are the tax rates corresponding to the taxes or PILs actually paid by London Hydro in each of the historical years, and that London Hydro forecasts it will pay for 2012. For historical years to 2011, these would be the aggregate rate derived for calculating the taxes/PILs included in the revenue requirement in cost of service applications, or as calculated in taxes/PILs calculations as part of IRM applications. Otherwise, please explain the tax rates entered and their derivation.

11. Ref: Excel Smart Meter Model, Version 2.17, Sheet 3 – Depreciation Rates

On Sheet 3, under Depreciation Rates, for the classes of Tools & Equipment and Other Equipment, London Hydro has used an estimated useful life of 5 years. Typically, assets in these classes are assumed to have useful lives of 10 years. Please explain London Hydro's basis for assuming shorter average useful lives for these asset classes.

12. Ref: Excel Smart Meter Model, Version 2.17, Sheet 8 – Funding Adder Revenues

In cell C49 London Hydro input an interest rate of 1.47% for 2012 Q2. As a result, the total smart meter funding revenue collected includes combined interest amount of $16,429 for the months of May and June 2012. In its smart meter cost recovery application, London Hydro requests an effective date of May 1, 2012. Board staff notes that cell L99, Sheet 8 of the model is an unprotected cell to

allow for the individual input of the interest rate for the month of April 2012. Please explain why the above interest amounts for May and June 2012 should be included in the calculation of the SMDR?

13. Ref: Smart Meter Model, Version 2.17, Sheet 8A – OM&A Expenses

London Hydro shows negative entries for OM&A expenses for certain months in column K of Sheet 8A as follows:

Cell	Month and Year	Amount
K64	April 2009	($96,015.90)
K83	November 2010	($2,626,97)
K87	March 2011	($14,718.84)
K89	May 2011	($58,254.35)
K92	August 2011	($1,797.87)

Please explain these entries.

14. Ref: Smart Meter Model and Class-Specific SMDRs and SMIRRs

a) If London Hydro has changed data inputs to the Smart Meter Model, Version 2.17 as a result of interrogatories by Board staff and/or the Vulnerable Energy Consumers Coalition, please update and re-file the smart meter model in working Microsoft Excel format.
b) Please also file an update to the calculation of class-specific SMDRs and SMIRRs. For the SMDRs, please provide an update table as requested in Board staff interrogatory # 8.