



111 Horton Street
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June 18, 2012

By RESS and Courier

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

Dear Ms. Walli:

Re: London Hydro Application for Smart Meter Cost Recovery effective May 1, 2012: Reply Submission (Board File:EB-2012-0187)

Please find the enclosed reply submission by London Hydro Inc. in response to the Board Staff submission, issued and received on June 13, 2012.

An electronic version of this reply submission is being sent by e-mail and to be filed via the Board's RESS system. Two paper copies of the Reply Submission will be delivered via courier to the Board, to the attention of the Board Secretary.

If you have any questions or concerns with the Reply Submission, please do not hesitate to contact me at (519) 661-5800 Ext. 5750.

(Original signed by)

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cc: David Arnold, Chief Financial Officer, London Hydro
cc: Mr. Michael Janigan, Council for VECC
cc: Ms. Shelly Grice, Econalysis Consulting Services

London Hydro Inc.
**Reply Submission for Disposition and Recovery of Costs Related to Smart Meter
Deployment Application**

EB-2012-0187

INTRODUCTION

On March 24, 2012, London Hydro Inc. ("London Hydro") filed an Application for Smart Meter Cost Recovery (the "Application"), effective for May 1, 2012 rates with the Ontario Energy Board ("OEB" or the "Board"). On April 18, 2012, the Board issued its Letter of Direction and Notice of Application in respect to the above-captioned proceeding. Pursuant to the Notice of Application, London Hydro received interrogatories from the Board staff on May 14, 2012. Interrogatories received from the Vulnerable Energy Consumers Coalition ("VECC") were delivered on May 17, 2012. London Hydro filed responses to the interrogatories from Board staff and VECC on May 29, 2012.

On June 13, 2012, London Hydro received submission on the Application from Board Staff. To date, VECC has not provided their submission on the Application.

In their submission, neither Board staff had any issue with the prudence of London Hydro's Smart Meter related costs, other than a nominal amount of \$12,800 associated with the proposed installation of 25 polyphase meters, which will be identified further in this submission. Board staff specifically noted that "*per meter costs are reasonable, supported by the documentation, and are well within the ranges that the Board has seen for most utilities serving urbanized areas*". Further, Board staff noted that London Hydro complied under O. Reg. 427/06 as amended by O. Reg. 238/08 in accordance with the London Hydro RFP process, for the procurement of smart meters and associated equipment and for services to install and operate the smart meters and associated equipment.

The purpose of this reply submission is to address and respond to the submission filed by the Board Staff.

London Hydro makes submission on the following topics as discussed by Board Staff in their submissions:

- Allocation of Costs,
- Costs beyond Minimum Functionality,
- Forgone SMDR and SMIRR Revenues for the period May 1 to implementation date.

DISCUSSION AND SUBMISSION

Allocation of Costs

In its submission, Board Staff noted, “ *that it is not clear whether London Hydro is adopting the re-calculated class-specific SMDRs provided in response to Board staff IR # 14*”.

London Hydro supports any methodology that provides more reflective cost causality, and so contributes to fair and reasonable rates for our Customers. The methodology as reflected in Board staff IR #14 and VECC IR #8, provides additional elements for more class-specific SMDR, resulting in more reflective cost causality. Therefore, London is pleased to confirm the acceptance of Board staff’s re-calculated class SMDRs methodology and subject to any changes by the Board, seek SMDRs of **(\$1.16)** per month for Residential customer class and \$1.96 per month for our GS < 50 kW customer class.

Costs beyond Minimum Functionality

London Hydro sought the inclusion of estimated capital costs of \$12,800 for the procurement of 25 polyphase meters for the GS > 50 kW customer class. These meters have been identified by London Hydro in its Application as being outside the scope of the Ministry of Energy’s Functional Specification (costs beyond minimum functionality).

Board staff, in their submission, has reflected that these costs are indeed nominal. In addition, London Hydro would like to point out that with the intentions of filing for a 2013

rebasing rate application, these meter costs would be aligned to the GS > 50 kW customer class once the submission and approval of the cost allocation evidences of the rebasing application have been enacted. Therefore, there would be only minimal amounts of what the Board staffs correctly identify as cross-subsidization between rate classes.

However, in consideration that London Hydro is unable to both provide an exacting procurement date for these meters and that these meters are associated with a pilot project, London Hydro agrees with Board staff submission that these expenses should be removed from the revenue requirement calculation for determining the SMIRRs.

Although London Hydro seeks to withdraw these meter costs from the SMIRRs calculation, London Hydro would respectfully request that it still able to seek and apply for recovery of these costs, with other future polyphase meter replacements, once appropriately incurred, in a future rate application.

Board staff has not directly commented on cost beyond minimum functionality, other than the 25 polyphase meters. However, contained in Board staff submission under Prudence of Smart Meter Costs is reflected that London Hydro “ *has complied with regulation and the London Hydro RFP process for the procurement of smart meters and associated equipment and for services to install and operate the smart meters and associated equipment; as such, Board staff considers that the documented costs are prudent with the exception of \$12,800 capital costs associated with 25 nominal meters beyond minimum functionality*”.

Forgone SMIRR Revenues for the Period May 1 to Implementation Date

London Hydro requested, in the event the Board is unable to issue its Decision and Order for both prudence review of Smart Meter costs and establishment of Smart Meter recovery rate riders effective May 1, 2012, that the existing SMFA of \$1.46 per metered customer per month be continued until such time as this Application is approved by the Board. London confirms that we are in compliance with Board’s London Hydro Decision and Order EB-2011-0181, London Hydro ceased to collect revenue through the SMFA as of April 30, 2012.

In regards to accounting for the foregone revenue for SMDA and SMIRR between May 1, 2012 and the implementation of the Board’s decision in the proceeding, London Hydro concurs with Board staff’s submission recommendation for adoption by the Board to use the same approach as Orangeville Rate Order. In the Order, the Board directed

establishment of the “SMDRs based on an 11-month recovery period to April 30, 2013 and to accommodate with the SMDR the applicable revenue requirement amounts related to the month of May”.

London Hydro is expected to submit a cost of service rate application for 2013 rates. It would be of benefit to our Customer's, in consideration as to rate smoothing and reduced disruptive rate implementation changes, if the Board would consider approval of rate riders for the recoveries of both SMDR and SMIRR accounts with a recommended sunset date of April 30, 2013.

CONCLUSION

In this reply submission, London Hydro agrees with revising the 2012 capital costs, in the amount of \$12,800, pertaining to 25 polyphase meters that are costs beyond minimum functionality. However, in excluding these costs it should be noted that due to the considerable number of smart metered customers in London, the SMIRR rate rider did not change from that accepted by London Hydro and provided in London Hydro's IR response (Board staff IR#14 and VECC #8).

Therefore, London Hydro submits that the costs incurred to fulfil its obligations under the provincial mandated Smart Meter initiative were prudently incurred and compliant with related Ontario Regulations and the Board's Guidelines. London Hydro's costs per meter are reasonable, and well within the ranges that Board has seen for most utilities serving urbanized areas.

London Hydro respectfully requests that the Board approve the revised proposed riders of SMDR Residential (\$1.16) per month, GS < 50 kW of \$1.96 per month, and SMIRR Residential \$2.30 per month, GS < 50 kW of \$5.10 per month. That final approved rate riders be adjusted for the recoveries of both SMDR and SMIRR accounts with a recommended sunset date of April 30, 2013.

All of which is respectfully submitted

