



111 Horton Street  
P.O. Box 2700

June 21, 2012

**By RESS and Courier**

Ms. Kirsten Walli, Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
27<sup>th</sup> 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, and Vulnerable Energy Consumers Coalition ("VECC") submission issued and received on June 20, 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)

---

Mike Chase, CMA, MBA  
Director of Finance and Regulatory  
Fax (519) 661-2596  
[chasem@londonhydro.com](mailto:chasem@londonhydro.com)

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. On June 20, 2012, VECC provided their submission on the Application.

In their submission, neither Board staff nor VECC 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. VECC has provided “*VECC observes that London Hydro’s average smart meter costs are within the ranges established in EB-2007-0063, and less than the more recent sector averages*”.

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.

VECC has provided, in their submission, “*VECC takes no issue with London Hydro’s recalculation of class specific rate riders based on capital costs as the driver, which is consistent with the approved PowerStream methodology, or the direct allocation of SMFA revenues by customer class to better reflect cost causality*”. Further, “*VECC submits that the SMFA revenues collected from GS> 50 kW customer classes should*

*be returned to those customers instead of a 50:50 allocation between residential and GS< 50 customer classes”.*

London Hydro, as identified in our above response to Board staff’s submission, is pleased to agree with both Board Staff and VECC methodology as reflected in Board staff IR #14 and VECC IR #8. Their methodology does provide for better cost causality.

However, with respect to deposition of SMFA revenues back to GS>50 kW customer classes, the amount collected appears to be immaterial. London Hydro suggests that up to this point in the proceedings, methodologies and rate rider determinates have been recalculated and agreed upon, and waiting for Board approval. To proceed with further re-calculation for rate riders and disposition amounts based on the return of small SMFA balances collected from GS> 50kW classes is likely not warranted. To identify the proposed amount for disposition for GS> 50 kW customer class, not including calculations for carrying charges, it totals \$74,377. The Large User Class reflects an amount of \$138, and for Co-Generation Class \$139.

However, if the Board is in agreement with VECC in making these proposed changes and adjustments to the rate riders and creation of disposition rate riders of SMFA collected from GS> 50 kW classes, London Hydro will arrange to accommodate in recalculating and providing in the draft tariff sheets.

### **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 and VECC, in their submission, have provided that “the proposed 25 meters for the GS> 50 kW customer class are outside of the scope of London Hydro’ smart meter initiative”, and “London Hydro has not provided sufficient evidence to justify the inclusion of meters for this pilot project for the GS> 50 kW, especially since London Hydro has not been able to determine a procurement date as of yet”. Both Board staff and VECC have reflected that the cost for these meters costs is indeed nominal.

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 and VECC submission that these costs 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*”.

Contained in VECC’s submission, with respect to cost beyond minimum functionality, “VECC submits London has appropriately demonstrated consistency with the Board’s Guidelines regarding the nature of these costs.

### **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 Customers, in consideration as to rate smoothing and to reduce 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 Board staff and VECC in 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**