



Sioux Lookout Hydro Inc.  
P.O. Box 908, 25 Fifth Ave.  
Sioux Lookout, ON P8T 1B3  
Tel: (807)737-3800  
Fax: (807)737-2832  
Email: [slhydro@tbaytel.net](mailto:slhydro@tbaytel.net)

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June 27, 2012

Kirsten Walli, Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, ON M4P 1E4

**Re: Response to Board Staff Interrogatories; Sioux Lookout Hydro Inc.  
Application for Recovery of Costs Related to Smart Meter Deployment  
Board File No. EB-2012-0245**

Dear Ms. Walli:

This letter acknowledges receipt of Board Staff Interrogatories dated June 13, 2012. Sioux Lookout Hydro Inc. submits two (2) paper copies of its responses to the Board Staff Interrogatories for the Application for Recovery of Costs Related to Smart Meter Deployment and encloses the following:

- Responses to Board Staff Interrogatories
- Appendix A – SMDR & SMIRR Cost Allocation
- Appendix B – Updated Guelph Hydro Spreadsheet
- Appendix C – 2012 Smart Meter Model\_V2.17\_SiouxLookout\_20120620.xls

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

If you have any further questions, please do not hesitate to contact me at (807)737-3800 or via email at [dkulchyski@tbaytel.net](mailto:dkulchyski@tbaytel.net).

Sincerely,

Deanne Kulchyski  
President/CEO

Encl/



**Response to Board Staff Interrogatories  
Application for 2012 Smart Meter Cost Recovery effective  
September 1, 2012  
Board File Number EB-2012-0245**

**Interrogatory**

**1. Letters of Comment**

*Following publication of the Notice of Application, the Board has, to date, received no letters of comment. Please confirm whether Sioux Lookout Hydro Inc. ("SLHI") 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 SLHI 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 SLHI intends to respond.*

**Response**

SLHI confirms that we have received no letters of comment.

**Application  
Interrogatory**

***Procurement of Smart Meters and Services***

**2. Ref: Application p2 and p10**

*At p2 of the application, it states that:*

*SLHI was part of the Northwest Group (Thunder Bay Hydro, Kenora Hydro, Fort Frances Power, Atikokan Hydro and Sioux Lookout Hydro), who contracted with Util-Assist Inc. (Util-Assist) to manage the various smart meter related procurements, develop the overall project plan and to monitor and guide the project through to time-of-use (TOU) bill production.*

*The Northwest Group contracted with Kinetiq Canada Ltd. (Kinetiq) to prove that the Elster automated metering infrastructure (AMI) system was meeting the provincial standard, to integrate the AMI data with the*



*meter data management repository (MDM/R), to reconcile the meter data sent to the MDM/R matched the data received back to the utility, and finally to automate business processes so as to avoid increasing staffing in the Billing Department.*

*At p10 of the application, it states that:*

*At the present time SLHI [is] taking part in an RFP with the Northwest group to procure a vendor to provide a web presentment solution.*

*Please confirm that participation in the Northwest Group – and contracts with Util-Assist, Kinetiq and the vendor for web presentment – were/are cost effective for SLHI and its ratepayers. Please provide quantitative examples that demonstrate the benefits, such as reduced costs, of SLHI's participation in the Northwest Group for SLHI and its ratepayers.*

## **Response**

SLHI confirms that participation in the Northwest Group were cost effective for SLHI and its ratepayers. SLHI has not yet completed the web presentment procurement, but details on the contracts with Util-assist and Kinetiq are as follows:

Util-Assist provided services related to the London RFP procurement and selection process as well as planning, procurement, implementation, acceptance testing, back office integration and advisement services on live TOU billing integration. They were key in assisting with RFP evaluation and scoring services. The total cost for their services were \$64,896 per year from 2008 to 2010. These costs were shared among the Northwest Group. By working together with the Northwest Group SLHI avoided paying much higher costs if these costs were borne by SLHI alone.

An RFP process was utilized to procure the services of Kinetiq for our Operational Data Store (ODS). The monthly fixed fee of \$1,195 for their services is shared among the five utilities in the Northwest Group based on the number of customers. Therefore SLHI pays 4.33% or \$52 per month.

## **Interrogatory**

### **3. Ref: EB-2007-0785, Exh2/Sch3/Tab2/p10**

*As noted in SLHI's last cost of service application, "SLHI has a service agreement with Thunder Bay Hydro Utility Services, where they provide us with*



*all [emphasis added] of our billing functions through a host computer which is maintained on their premises.”*

- a) *Please confirm whether the arrangement with Thunder Bay Hydro Utility Services (“TBHUS”) is still in place.*
- b) *If the arrangement with TBHUS is still in place, please explain the reference to increasing staffing in the Billing Department on p2 of the current application.*
- c) *Does the arrangement with TBHUS provide SLHI with incremental OM&A savings or costs with respect to its smart meter program? Please explain.*

### **Response**

- a) SLHI confirms that the arrangement with TBHUS is still in place.
- b) SLHI indicated on page 2 that the arrangements through the NorthWest group have prevented SLHI from having to increase staffing in the Billing Department. Therefore there have been no additional billing staff hired.
- c) SLHI pays incremental costs for the Smart Meter Program of \$2000 per month to TBHUS.

### **Interrogatory**

#### **4. Ref: O. Reg. 426/06 and O. Reg. 393/07**

*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 as, among other functions, “providing all services, as specified by the Smart Meter Entity, performed on smart metering data to produce billing quantity data, including validation, estimating and editing services.”*

*Are there any functions performed by smart meter-related contractors for the Northwest Group which are duplicative of functions performed (or to be performed) by the provincial MDM/R? If yes, please identify.*

### **Response**

No. The systems which interact with the MDMR enable the Northwest Group Utilities to interface with the MDMR. These systems are in place to automate some of the tasks which would inundate the current clerical staff, as well as provide a solution for disaster recovery.



## **Smart Meter Costs**

### **Interrogatory**

#### **5. Ref: Application p3, p4 and p7**

*Board staff has identified, what appear to be, data entry errors in the tables on p3 and p4 of the application.*

- a) In the table on p3, please confirm that the “recoverable rate adder cost” per meter should be \$307.99 and not \$315.86.*
- b) Please confirm whether the SLHI term “recoverable rate adder cost” is equivalent to “total capital and OM&A cost”.*
- c) In the table on p4, please confirm that the total “recoverable rate adder cost” should be \$693,135.67 and not \$823,865.22.*
- d) In the table on p4, please confirm that the “recoverable rate adder cost” per meter should be \$249.96 and not \$297.10.*
- e) Please confirm that correction of any of the data above has no impact on the SMDR and SMIRR, as applied for.*
- f) In the table on p3, it indicates that the total meters installed as at December 31, 2011 is 2,675. In the table on p7, it indicates that the number of meters installed is 2,706. Please clarify.*

### **Response**

- a) SLHI confirms that in the table on page 3, the “recoverable rate adder cost” per meter should be \$307.99.
- b) The total “recoverable rate adder cost” is equivalent to Total Capital and incremental OM&A Costs, excluding costs beyond minimum functionality.
- c) SLHI confirms that the total “recoverable rate adder cost” in the table on page 4 should be \$693,135.67.
- d) SLHI confirms that the “recoverable rate adder cost” per meter should be \$249.96.
- e) SLHI confirms that the correction of the above data has no impact on the SMDR and SMIRR as applied for.
- f) The table on page 3 should be updated to reflect the number of meters installed as 2,706. The updated table is shown below:



Actual Costs							
	2706						
<b>TOTAL METERS INSTALLED: 2,706</b>							
Rate Filing	2007	2008	2009	2010	2011	TOTAL	TOTAL
Smart Meter Unit Costs (AMI)	\$0.00	\$0.00	\$370,409.03	\$22,059.77	\$0.00	\$392,468.80	\$145.04
Smart Meter Other Unit Costs	\$4,146.89	\$17,305.20	\$101,207.22	\$16,345.59	\$13,087.73	\$152,092.63	\$56.21
Smart Meter Installation Costs Per Unit	\$0.00	\$0.00	\$36,802.85	\$0.00	\$0.00	\$36,802.85	\$13.60
Smart Meter Other Costs Per Unit	\$0.00	\$0.00	\$79,614.24	\$1,685.64	\$0.00	\$81,299.88	\$30.04
<b>Smart Meter Unit Costs</b>						<b>\$662,664.16</b>	<b>\$244.89</b>
AMI Computer Hardware Costs	\$0.00	\$0.00	\$43,199.97	\$7,990.85	\$0.00	\$51,190.82	\$18.92
AMI Computer Software Costs	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Other Computer Hardware Costs	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Other Computer Software Costs	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
<b>Computer Hardware/Software Costs</b>						<b>\$51,190.82</b>	<b>\$18.92</b>
Incremental AMI O&M Expenses	\$0.00	\$0.00	\$0.00	\$45,869.76	\$51,744.40	\$97,614.16	\$36.07
Incremental AMI Admin Expenses	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Incremental Other O&M Expenses	\$0.00	\$0.00	\$0.00	\$362.40	\$12,033.68	\$12,396.08	\$4.58
Incremental Other Admin Expenses	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
<b>Incremental OM&amp;A Costs</b>						<b>\$110,010.24</b>	<b>\$40.65</b>
<b>Recoverable Rate Adder Costs:</b>						<b>\$823,865.22</b>	<b>\$304.46</b>
<b>MDM/R Cost:</b>							
TOU Billing Budget	\$0.00	\$6,455.15	\$7,323.16	\$1,218.46	\$6,068.51	\$21,065.28	\$7.78
<b>Total Smart Meter Costs</b>	<b>\$4,146.89</b>	<b>\$23,760.35</b>	<b>\$638,556.47</b>	<b>\$95,532.47</b>	<b>\$82,934.32</b>	<b>\$844,930.50</b>	<b>\$312.24</b>
<b>CAPITAL</b>	<b>\$4,146.89</b>	<b>\$23,760.35</b>	<b>\$638,556.47</b>	<b>\$48,697.41</b>	<b>\$13,087.73</b>	<b>\$728,248.85</b>	<b>\$269.12</b>
<b>OPERATING</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$46,835.06</b>	<b>\$69,846.59</b>	<b>\$116,681.65</b>	<b>\$43.12</b>
<b>TOTAL</b>	<b>\$4,146.89</b>	<b>\$23,760.35</b>	<b>\$638,556.47</b>	<b>\$95,532.47</b>	<b>\$82,934.32</b>	<b>\$844,930.50</b>	<b>\$312.24</b>

SLHI confirms these changes do not affect the SDMR and SMIRR applied for.

## Interrogatory

### **6. Ref: Application p5**

*SLHI provided a table on p5 which shows the differences between the budgeted and actual expenditures as of 2011, based on its expenditures for smart meters from 2007 to 2011.*

- a) *Board staff has identified, what appear to be, calculation errors in the table on p5. The per meter cost variances do not reflect 2,773 meters or 2,675 meters.*
  - i) *Please verify the per meter costs and revise as necessary.*
  - ii) *Please confirm that correction of any of the data above has no impact on the SMDR and SMIRR, as applied for.*
- b) *Listed below the table are explanations of the variances. One of the explanations given for the variance is including operating costs in capital costs until April 1, 2010, and that this is related to reporting on a CGAAP basis. Has*



*SLHI adopted IFRS? If yes, when was IFRS adopted? If not, please explain the reference to accounting standards in the variance explanation.*

## **Response**

- a) SLHI identified an error in the calculation of per meter costs on page 5. The per meter costs in the variances are calculated using the average of the budgeted meters to be installed and the actual meters installed. Therefore, Smart Meter Unit costs are calculated using the formula:  $\$179,053.21 / [(2773 + 2706) / 2] = \$65.36$ . The updated table is shown below:

Variances							
<b>TOTAL METERS BUDGETED TO INSTALL:</b>	2773	<b>Meters Installed</b>			2706		
<b>Rate Filing</b>	2007	2008	2009	2010	2011	TOTAL	TOTAL
Smart Meter Unit Costs (AMI)	\$0.00	\$0.00	\$100,784.92	\$19,132.68	-\$2,927.09	\$116,990.51	\$42.71
Smart Meter Other Unit Costs	\$4,146.89	\$3,655.20	\$64,153.28	\$2,695.59	\$13,087.73	\$87,738.69	\$32.03
Smart Meter Installation Costs Per Unit	\$0.00	\$0.00	-\$13,965.46	\$0.00	\$0.00	-\$13,965.46	-\$5.10
Smart Meter Other Costs Per Unit	\$0.00	-\$2,211.30	-\$11,184.87	\$1,685.64	\$0.00	-\$11,710.53	-\$4.27
<b>Smart Meter Unit Costs</b>						\$179,053.21	\$65.36
AMI Computer Hardware Costs	\$0.00	\$0.00	-\$3,683.43	\$7,990.85	\$0.00	\$4,307.42	\$1.57
AMI Computer Software Costs	\$0.00	\$0.00	-\$8,014.65	\$0.00	\$0.00	-\$8,014.65	-\$2.93
Other Computer Hardware Costs	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Other Computer Software Costs	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
<b>Computer Hardware/Software Costs</b>						-\$3,707.23	-\$1.35
Incremental AMI O&M Expenses	\$0.00	\$0.00	-\$28,891.09	\$3,667.40	\$22,643.18	-\$2,580.51	-\$0.94
Incremental AMI Admin Expenses	\$0.00	\$0.00	\$0.00	-\$3,402.00	\$0.00	-\$3,402.00	-\$1.24
Incremental Other O&M Expenses	\$0.00	\$0.00	-\$17,010.00	-\$16,647.60	-\$4,976.32	-\$38,633.92	-\$14.10
Incremental Other Admin Expenses	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
<b>Incremental OM&amp;A Costs</b>						-\$44,616.43	-\$16.29
<b>Recoverable Rate Adder Costs:</b>						\$130,729.55	\$47.72
<b>MDM/R Cost:</b>							
TOU Billing Budget	\$0.00	\$6,455.15	-\$127,117.97	-\$115,925.78	-\$11,715.12	-\$248,303.72	-\$90.64
<b>Total Budgeted Smart Meter Costs</b>	<b>\$4,146.89</b>	<b>\$7,899.05</b>	<b>-\$44,929.27</b>	<b>-\$100,803.22</b>	<b>\$16,112.38</b>	<b>-\$117,574.17</b>	<b>-\$42.92</b>
<b>CAPITAL</b>	\$4,146.89	\$7,899.05	\$16,942.00	-\$47,259.68	\$10,160.64	-\$8,111.10	-\$2.96
<b>OPERATING</b>	\$0.00	\$0.00	-\$61,871.27	-\$53,543.54	\$5,951.74	-\$109,463.07	-\$39.96
<b>TOTAL</b>	<b>\$4,146.89</b>	<b>\$7,899.05</b>	<b>-\$44,929.27</b>	<b>-\$100,803.22</b>	<b>\$16,112.38</b>	<b>-\$117,574.17</b>	<b>-\$42.92</b>

SLHI verifies that the correction of the data has no impact on the SMDR and SMIRR as applied for.

- b) As of December 31, 2011 SLHI has not adopted IFRS. The reference to the accounting standard is simply a reference to the accounting standard for clarification.





## **Interrogatory**

### **7. Ref: Application p3 and p7, Audited Financial Statements**

*SLHI provided Audited Financial Statements (“AFS”) for the year ended December 31, 2011 with its application.*

- a) On p3 of the application, the total capital and operating costs at December 31, 2011 is listed as \$844,930.50. Please explain the difference between this total cost and the cost of smart meter deferral regulatory liability of \$843,996 as listed on p14 of the AFS.*
- b) Similarly, on p7 of the application, the smart meter rate adder revenue collected from May 1, 2006 to December 31, 2011 is listed as \$217,249, which also corresponds with the opening principal balance for January 2012 on sheet 8 of the Smart Meter Model. Please explain the difference between this revenue and the smart meter rate adder funding regulatory asset of \$198,908 as listed on p14 of the AFS.*

## **Response**

In response to both a) and b) of this interrogatory, the amount of \$843,996 included on page 14 of the AFS does not include the carrying charges. The carrying charges are included in the smart meter rate adder funding thus reducing the amount from \$217,249 to \$198,908. The amount of \$844,930 in the application does not include the carrying charges. Please see the table below for a reconciliation of the two:

	<b>Audited Financial Statements</b>	<b>Smart Meter Application</b>
<b>Smart Meter rate adder Funding</b>	(198,908)*	(217,249)
<b>Smart Meter Deferral</b>	843,996	844,930
<b>Carrying charges</b>		17,337
<b>Total</b>	645,099	645,017
<b>Difference</b>		71

\*includes carrying charges of \$17,337 and a small error was found in the distribution of a capital expense of \$1,004.64 which should have been included in the capital variance but was allocated to the funding adder account in error.

The small difference of \$71 is immaterial.





## **Interrogatory**

### **8. Ref: Board Guideline G-2011-0001**

*At p19 of the Guideline G-2011-0001: Smart Meter Funding and Cost Recovery – Final Disposition, December 15, 2011, the Board states: “In considering the recovery of smart meter costs, the Board also expects that a distributor will provide evidence on any operational efficiencies and cost savings that result from smart meter implementation.”*

- a) *Please provide a summary of operational efficiencies and costs savings relating to the implementation of smart meters to date.*
- b) *Please confirm whether the cost savings have been factored into the calculation of the SMIRR.*
- c) *Please explain whether SLHI expects to realize additional operational efficiencies and costs savings in the future. If yes, provide details.*

## **Response**

- a) SLHI has not yet identified any operational efficiencies other than not requiring any additional billing staff to date. SLHI suspects that any operational efficiencies will be identified over time as the processes are established.
- b) As stated in the answer to a), no operational efficiencies have been identified to date.
- c) As stated in the response above, SLHI may be able to realize operational efficiencies and cost savings in the future but the nature of these are not known at this time.

## **SMFA Revenues** **Interrogatory**

### **9. Ref: Application p6 and p7, Smart Meter Model Sheet 8**

*On sheet 8 of the smart meter model, the total funding adder revenues to April 2012 are listed as \$248,944 with carrying charges of \$5,678. On p6 of the application, the table is titled SMDR as at December 31, 2011. However, the SMFA revenues and carrying charges listed in this table are consistent with the data listed in sheet 8 of the model for April 2012.*

*Subsequent tables illustrating determination of class specific SMDR are provided on p7 of the application. The middle sub-table provides the SMFA revenue collected by customer class. However, the revenue provided is that collected to December 31, 2011.*



*Please provide SMFA revenue collected by customer class from May 1, 2006 to April 30, 2012.*

## **Response**

The table on page 7 of the application is simply to provide an allocation to customer class based on the Smart meter funding revenues collected. The actual SMFA revenue collected by customer Class from May 1, 2006 to June 25, 2012 is shown in the table below, note the allocation remains the same.

At the time of the application the actual SMFA collected from customers for consumption to April 30, 2012 was not known. SLHI has updated the model and tables to reflect the actual figures. SLHI customers will be billed for April consumption into June, therefore the table below reflects SMFA revenue to June 25<sup>th</sup>. SLHI does not expect to collect any further SMFA revenue from customers.

SMFA revenue collected by customer class from May 1, 2006 to June 25, 2012		
Class	S	%
<b>Residential</b>	217,591.28	84%
<b>GS &lt; 50 kW</b>	36,634.21	14%
<b>GS &gt; 50 kW</b>	4,505.00	2%
<b>Total</b>	<b>258,730.49</b>	<b>100%</b>

## **Interrogatory**

### **10. Ref: Application p7 – Cost Allocation**

*It is not clear how SLHI has calculated the allocation of SMFA revenues and associated interest shown on the tables on p7 of the application.*

- a) *Please provide further explanation of SLHI's method for the derivation of the class-specific SMDRs, including the approach for allocating the costs in the deferred revenue requirement and the SMFA revenues and interest. If available, please provide the spreadsheets to show the calculations.*
- b) *A common approach for cost allocation is to do the following:*
  - *OM&A expenses have been allocated on the basis of the number of meters installed for each class.*
  - *The Return and Amortization have been allocated on the basis of the capital costs of the meters installed for each class.*
  - *PILs have been allocated based on the revenue requirement derived for each class before PILs.*



- *SMFA revenues and interest on the principal first calculated directly for the Residential and GS < 50 kW classes. The residual SMFA revenues and interest collected from other metered customer classes (i.e., GS 50-4999 kW and Large Use) is then allocated 50:50 to the Residential and GS < 50 kW classes. This approach has been used and approved in some recent cost of service applications, including that for Guelph Hydro's 2012 rates application [EB-2011-0123].*

*Using the attached spreadsheet taken from Guelph Hydro's draft Rate Order filing, please provide calculations for class-specific SMDRs using a more direct allocation of SMFA revenues. This should also reflect any and all revisions to Smart Meter Model, Version 2.17 made as a result of SLHI's responses to interrogatories.*

## **Response**

- a) SLHI utilized the methodology set out in part b) of this interrogatory to calculate class specific SMDRs except for the SMFA revenues. The SMFA revenues for the GS > 50 kw class of 2% were fully allocated to the GS < 50 kw Class. The revenues used also do not include interest.

Deferred Revenue used the weighted average cost per meter by class\* times number of meter per class to equal the total meter costs by class. The percentage of the total meter costs per class was calculated by dividing meter costs by class into total meter costs. Residential was 83% and GS < 50 was 17%. The deferred revenue was separated into four categories, Return, Amortization, OM&A and PILs. The return and Amortization was allocated to each class by multiplying the above percentages by the total amount of deferred revenue for each class. The OM&A was allocated to each class by multiplying the percentage of total number of meters in each class. The PILs have been allocated based on the revenue requirement derived for each class before PILs. Attached as appendix A is the spreadsheet used to calculate the figures.

\*An error was discovered in the calculation of the weighted average cost per meter, the attached spreadsheet reflects the correction.

- a) SLHI calculated the class specific SMDRs using the Guelph model provided by the Board. SLHI included interest on principle SMFA revenue in the model. The spreadsheet is attached as Appendix B. The resulting Class specific SMDRs are illustrated in the table below.



Net Deferred Revenue Requirement as at December 31, 2011			
	SMDR \$	Forecasted Customers (2012)	SMDR
Residential	90,434.48	2318	\$1.63
GS < 50 kW	21,489.21	378	\$2.37
	<b>111,923.69</b>	<b>2696</b>	<b>24 months</b>

## Revenue Requirement

### Interrogatory

#### **11. Ref: Application p6, Smart Meter Model Sheet 5**

*The table on p6 of the application provides a summary of revenue requirement for the period 2007 to 2011. The data for the period 2007 to 2009 inclusive matches the data on line 70 of sheet 5 of the smart meter model. However, the data for 2010 and 2011 do not match, specifically between p6 of the application and sheet 5 of the Smart Meter Model. Please explain.*

### Response

The data for 2010 and 2011 in the table on page 6 includes the interest on sheet 9 of the Smart Meter Model from cells O32 and Q32 respectively.

### Interrogatory

#### **12. Ref: Smart Meter Model Sheet 2 – Capital Costs**

*In cell M86 on Sheet 2 of the Smart Meter Model, Version 2.17, SLHI documents \$82,665 for Professional Fees in 2009. This amount is over 10% of SLHI's claimed smart meter capital costs totalling \$728,250.*

*Please provide further description of and justification for these costs.*



## **Response**

The professional fees incurred were for consulting, legal and contractor support costs required to implement the smart meter program. See the table below for an itemized list of fees for 2009.

<b>Vendor</b>	<b>Description</b>	<b>\$</b>
<b>Elster Canadian Meter</b>	Support for Server & Training	31,797.80
<b>Elster Canadian Meter</b>	Project Initiation fee & system Planning	24,369.66
<b>Kinetiq</b>	One time set up fee	2,000.00
<b>London Hydro</b>	Consultant and Fairness Commissioner costs	2,723.82
<b>Thunder Bay Hydro</b>	SLHI's portion of legal fees for contracts with Olameter, Elster, TBayTel and Accenture	5471.95
<b>Util-assist</b>	Consulting fees for Smart meter procurement and implementation	16,226.70
<b>ESA</b>	Inspection fee for Collectors	75.00
<b>Total</b>		<b>\$82,664.93</b>

## **Interrogatory**

### **13. Ref: Application p3 and p8, Smart Meter Model Sheet 2**

*On sheet 2 of the Smart Meter Model, SLHI documents OM&A expenses of \$46,835 for 2010, \$69,846 for 2011 and a forecasted \$72,125 of incremental OM&A expenses. For each year, the OM&A expenses include an amount of about \$16,400 for communications costs, as documented in row 116 (2.1.2 Other [OM&A Expenses]).*

*SLHI documents that these costs are borne by 2696 Residential and GS < 50 kW metered customers. For the 2012 OM&A expenses alone, this amounts to*

*an OM&A increase per metered customer of \$2.23 (= \$72,125 / (2696 customers x 12 months)).*

*Please provide further description of and justification for the incremental OM&A expenses for which SLHI is requesting recovery over the period 2010 to 2012, beyond the documentation already provided in the Smart Meter Model and on the tables on p3 and p8 and associated discussion. In particular, please provide further description of the categories of OM&A costs and the quanta involved. Also, for each category, please address the following:*

- a) Is the expense internal (i.e. done by SLHI staff) or external (i.e. provided under a service agreement with a third party of affiliated vendor);*



- b) *If provided by a separate service provider, identify if the service provider is affiliated or third-party;*
- c) *Please describe how the decision was made for the selected option. What options were considered? Were there any factors that restricted the options that SLHI could consider (e.g., did the selection of a billing/CIS service provider restrict the communications provider, etc.);*
- d) *Please describe how SLHI has determined that each category of costs is fully incremental. For example, if SLHI has about \$16,400 incremental costs for communication of customer usage data now, were there any such costs previously incurred and which were factored into SLHI's revenue requirement and recoverable through approved distribution rates? Alternatively, are there costs that SLHI no longer incurs as a result of now transmitting customer usage data from smart meters over communications lines?*

## **Response**

### **OM&A Expenses**

2.1.2 Other – Cellular Communication to the AMI Network: These costs are paid externally to TBayTel a third party under a service agreement. The Northwest Group issued an RFP to procure the service provider. TBayTel was the only vendor to submit a bid. The services are required to be able to communicate and collect data from the smart meters. At the time SLHI's only cell provider was TBayTel. These costs are considered fully incremental. SLHI did not incur any such costs previously and therefore were not factored into SLHI's revenue requirement through approved distribution rates. There are no other costs that SLHI does not incur as a result of now transmitting customer usage data from smart meters over communications lines. SLHI employed a full time meter reader. Since the implementation of smart meters, the employee is still required to read meter classified as GS > 50 kW, as well as provide other necessary duties to SLHI.

2.3.2 Software Maintenance: These costs are paid externally to Thunder Bay Hydro. These costs are shared amongst the Northwest Group and are for AMI monitoring and support and to maintain the MAS server. Sharing these costs allows SLHI to reduce our costs of operating the AMI. If we were to monitor the AMI and maintain the server here at SLHI, we would be required to hire additional staff which would increase costs.

2.3.2 Other – Elster SLA for Support: These are yearly maintenance fees for system maintenance through our contract with Elster, a third party. These costs would not be incurred without the implementation of smart meters, and are therefore fully incremental.



2.5.3 Program Management: These costs are paid to an external third party, N-Dimension for security audit fees. The audit is still ongoing and expected to be complete by August 2012. The contract was awarded to N-Dimension through the RFP process. The process was managed by Util-Assist. The audit is necessary to ensure the security of the AMI network.

2.5.6 Other AMI Expenses: These costs are for ODS operational charges paid to Kinetiq, an external third party. The Northwest Group utilizes the same Billing system, and the ODS allows certain tasks to be automated in order to reduce the need for hiring additional staff.

## **Interrogatory**

### **14. Ref: Smart Meter Model Sheet 3 – Working Capital Allowance**

*SLHI has used a working capital allowance factor of 13% in cell S36, “2012 and later”, rather than the 15% factor approved in SLHI’s previous cost of service application and used for all other years. Please explain the changed value for 2012.*

## **Response**

SLHI used 13% in response to the letter issued by the Board on April 12, 2012 stating that “Based on the results of WCA studies filed with the Board in the pasts few years, the Board has determined that the default value going forward will be 13% of the sum of the cost of power and controllable expenses.”

## **Interrogatory**

### **15. Ref: Application p9, Smart Meter Model Sheet 3**

*On sheet 3 of the Smart Meter Model, in cell S31, SLHI has entered a Return on Equity of 0%. On p9 of its application, SLHI states:*

*The Return on Equity was excluded from the SMIRR calculation since we are currently collecting a return on stranded meter assets which are still included in our rate base.*

*Entering a 0% return on equity also has the impact of reducing the PILs expense for 2012 that is recovered in the SMIRR. This is seen on sheet 7 –Taxes/PILs, where the 2011 grossed-up PILs is \$2670.82 while the 2012 grossed-up PILs reduces to \$1033.33.*





*What would be the return on equity for installed smart meters in 2012 compared to the return on equity for the stranded conventional meters that are still reflected in the rate base underlying SLHI's current approved distribution rates?*

**Response**

The table below calculates the return on equity for installed smart meters in 2012 as compared to the return on equity for the stranded conventional meters that are still reflected in the rate base underlying SLHI's current approved distribution rates.

2012	Stranded Meters included in Rate Base	2012 Installed Meters
<b>Gross Fixed Assets (average)</b>	\$294,462	
<b>Accumulated Depreciation (average)</b>	(\$106,981)	
<b>Net Fixed Assets (average)</b>	<b>\$187,482</b>	<b>\$558,419</b>
<b>Working Capital</b>		
<b>Operating Expenses</b>	\$72,125	\$72,125
<b>Working Capital Factor</b>	13%	13%
<b>Working Capital Allowance</b>	\$9,376	\$9,376
<b>Rate Base</b>	<b>\$196,858</b>	<b>\$567,795</b>
<b>Return on Equity Factor</b>	8.57%	8.57%
<b>Return on Equity</b>	<b>\$16,871</b>	<b>\$48,660</b>

**Justification for Functionality that Exceeds Minimum Functionality**

**Interrogatory**

**16. Ref: Application p2 and p10, Smart Meter Model Sheet 2**

*On p10, SLHI lists costs incurred for functionality that exceeds minimum functionality, as defined in the combined proceeding on smart meters (EB-*



2007-0063). The list includes TOU customer education materials, staff training for TOU implementation and projected costs for web presentment.

On p2 of the application, it states that the actual implementation of TOU billing was in September 2011. Are there costs related to TOU implementation budgeted in 2012? If yes, please explain the purpose of those costs.

## **Response**

No there are no costs related to TOU implementation budgeted for 2012. All of the costs budgeted for 2012 are related to projected costs for web presentment.

## **Stranded Meters**

### **Interrogatory**

#### **17. Ref: Application p11**

*In the application, SLHI proposes that the recovery of stranded conventional meters be dealt with in its next cost of service application, currently scheduled for 2013 rates. Until then, the NBV of the stranded meters remains in rate base and the annualized costs are recovered in its normal distribution rates.*

*SLHI documents that the NBV of stranded conventional meters as of December 31, 2011 was \$193,371.*

*Please provide the estimated NBV of stranded conventional meters as of December 31, 2012, disaggregated by Residential and GS<50 kW customer classes.*

## **Response**

The NBV of stranded conventional meters as of December 31, 2012 are estimated to be \$181,592. The residential portion of this is \$156,169 and GS < 50 customer class is \$25,423.



## **Interrogatory**

### **Proposed SMDR and Proposed SMIRR**

#### **18. Ref: Application p7 and p10**

- a) *If SLHI has made revisions to its Smart Meter Model, Version 2.17 as a result of its responses to interrogatories, please update the proposed class-specific SMDRs.*
- b) *Similarly, please update the calculation of class-specific SMIRRs.*

## **Response**

- a) Below are the updated proposed class-specific SMDRs from the updated Guelph model:

Net Deferred Revenue Requirement as at 111,924 December 31, 2011				
	SMDR \$	Forecasted Customers (2012)	SMDR	
<b>Residential</b>	\$90,435	2318	<b>\$1.63</b>	
<b>GS &lt; 50 kW</b>	\$21,489	378	<b>\$2.37</b>	
	<b>\$111,924</b>	<b>100%</b>	<b>2696</b>	<b>24 months</b>

- b) Below are the updated proposed class-specific SMIRRs:

	Forecasted Customers (2012)	SMIRR \$	SMIRR
<b>Residential</b>	2318	\$114,171	<b>\$4.10</b>
<b>GS &lt; 50 kW</b>	378	\$37,458	<b>\$8.26</b>
	<b>2696</b>	<b>\$151,629</b>	<b>12 months</b>



## **Interrogatory**

### **Foregone Revenues**

#### **19. Ref: Application p7 and p9 – SMIRR Effective Date**

*In its application, SLHI proposed an effective date of September 1, 2012 for the SMDR, with a recovery period of 24 months. With respect to the SMIRR, SLHI states at p7 of its application:*

*SLHI is seeking a rate rider to recover the SMIRR associated with the smart meters installed up to December 31, 2011 to cover the incremental costs in 2012. Upon the Board's approval the proposed rate rider would be in place until this revenue requirement is incorporated into the distribution rates in SLHI's next COS Application which is scheduled for the May 1, 2013 rates.*

*On p9 of the application, SLHI states:*

*Based on the forecasted costs above, SLHI has calculated the SMIRR assuming a 12 month recovery period. SLHI plans to file its next cost of service application for its rate effective May 1, 2013.*

*Board staff observes that, if the SMDR and SMIRR are both effective September 1, 2012, the SMIRR will only be in effect for 8 months (from September 1, 2012 to April 30, 2012). SLHI's proposal with respect to the foregone revenue recovery for the period from May 1 to August 31, 2012 is not clear in the application.*

*In Orangeville Hydro Limited's current smart meter application (EB-2012-0039), the Board, in its decision, stated:*

*In developing its draft Rate Order, Orangeville is directed to establish the SMDRs based on an 11-month recovery period to April 30, 2013 and to accommodate within the SMDR the applicable revenue requirement amounts related to the month of May.<sup>1</sup>*

*In its draft Rate Order filing, Orangeville has used the approach documented above to adjust the SMDR to account for the foregone revenues for the SMIRR for one month. The Board's final Rate Order is pending at the time of these interrogatories.*

*~~In another recently filed application for smart meter cost recovery, Waterloo North Hydro Inc. has proposed an effective date of November 1, 2012, and has adjusted the SMDR similarly to account for six months of foregone~~*



*SMIRR revenues from May 1, 2012 to October 31, 2012.<sup>2</sup>*

*Board staff observes that this approach can be applied at a customer class level to calculate revised class-specific SMDRs.*

- a) Please clarify the period for which SLHI is seeking recovery for the incremental revenue requirement for 2012 through the SMIRR in this application.*
- b) Subject to Board approval, please provide SLHI's views on the appropriateness of "bumping up" the deferred revenue requirement to be recovered through the SMDR to recover the foregone SMIRR revenues for the period May 1 to August 31, 2012.*
- c) If SLHI proposes to avail itself of this approach, please provide re-estimated class-specific SMDRs including estimated foregone SMIRR revenues for the period May 1 to August 31, 2012. Please show the calculations, and file any applicable spreadsheets.*

## **Response**

- a) SLHI was seeking recovery for the incremental revenue requirement for 2012 for the period of September 1, 2012 until the next COS application, which is expected to have rates in effect on May 1, 2013.
- b) SLHI feels it would be appropriate to include the revenues foregone from May 1, 2012 to August 31, 2012 in the SMDR since no revenue was being collected during that time.
- c) Please see below for the calculation of the class-specific SMDRs including the estimated foregone SMIRR revenues for the period May 1 to August 31, 2012 calculated using Orangeville Hydro's method (EB-2012-0039):



<b>Smart Meter Actual Cost Recovery Rate Rider - SDMR</b>			
<b>Calculated by Rate Class</b>			
	<b>Total</b>	<b>Residential</b>	<b>GS &lt; 50</b>
Allocators			
LDC Average Smart meter Unit Cost		\$99.17	\$296.14
Smart Meter Unit Cost	\$346,551	\$228,984	\$117,568
Allocation of Smart Meter Costs		66.07%	33.93%
Number of Meters installed	2706	2309	397
Allocation of Number of meters installed		84.12%	14.19%
Total Return (deemed interest plus return on equity)	\$113,025	\$93,811	\$19,214
Amortization	\$143,691	\$119,264	\$24,427
OM&A	\$116,681	\$99,563	\$17,118
Total Before PILs	\$373,397	\$312,637	\$60,760
PILs	\$3,556	\$2,977	\$579
Total Revenue Requirement 2006 to 2011	<b>\$376,953</b>	<b>\$315,614</b>	<b>\$61,339</b>
	100.00%	84.12%	14.19%
Smart Meter Rate Adder Revenues			
Residential	-\$217,591	-\$183,037.78	-\$30,876.20
GS < 50	-\$36,634	-\$30,816.70	-\$5,198.39
GS > 50	-\$4,505	-\$2,253	-\$2,253
Carrying Charge	-\$6,298	-\$5,298.17	-\$893.74
Total Revenues and Carrying Charges	<b>-\$265,029</b>	<b>-\$221,405.15</b>	<b>-\$39,220.83</b>
Smart Meter True-up	\$111,924	\$94,209	\$22,118
SMIRR Lost Revenue May to Aug 2012	\$50,577	\$37,933	\$12,644
Total	<b>\$162,501</b>	<b>\$132,142</b>	<b>\$34,762</b>
Metered Customers (2012)	2696	2318	378
Rate Rider to Recover Smart Meter Costs - 2 yrs	\$2.51	\$2.38	\$3.83



<b>Smart Meter Actual Cost Recovery Rate Rider - SMIRR</b>			
<b>Calculated by Rate Class</b>			
		Residential	GS < 50 kw
Return	\$20,411	\$13,487	\$6,924
Amortization	\$58,060	\$38,363	\$19,697
OM&A	\$72,125	\$61,543	\$10,582
Subtotal	\$150,596	\$113,393	\$37,203
PILs	\$1,033	\$778	\$255
Incremental Revenue Requirement for 2012	\$151,629	\$114,171	\$37,458
Metered Customers	2696	2318	378
Rate Rider to Recover Smart Meter Costs - 1 yr	\$4.69	\$4.10	\$8.26
<b>Calculation of SMIRR Four months of Lost Revenue included in SMDR rate rider</b>			
Allocation of Smart Meter Costs		75.00%	25.00%
Metered Customers (2012)	2696		
Rate Rider to Recover Smart Meter Costs	\$4.69		
SMIRR Four Months lost Revenue	\$ 50,577	\$ 37,933	\$ 12,644



**APPENDIX A**  
**SMDR and SMIRR Cost Allocation**

	# of meters installed	%	Weighted Avg		%
			Price per Meter	Total Meter Costs	
A			B	A*B	
Residential	2309	85%	99.17	228,984	66%
GS < 50 kw	397	15%	296.14	117,568	34%
	<b>2706</b>	<b>100%</b>		<b>346,551</b>	<b>100%</b>

**Incremental Revenue**

	Return	Amortization	OM&A	Subtotal	PILS	Total	% Total
Residential	\$13,486.56	\$38,363.13	\$61,543.47	\$113,393.16	\$777.81	\$114,170.97	75%
GS < 50 kw	\$6,924.44	\$19,696.87	\$10,581.53	\$37,202.84	\$255.19	\$37,458.03	25%
Incremental Revenue Requirement for 2012	<b>\$20,411.00</b>	<b>\$58,060.00</b>	<b>\$72,125.00</b>	<b>\$150,596.00</b>	<b>\$1,033.00</b>	<b>\$151,629.00</b>	<b>100%</b>

**SMFA revenue collected by customer class from May 1, 2006 to December 31, 2011**

Class	\$	%	%
Residential	182591.36	84%	84%
GS < 50 kw	30920.27	14%	14%
GS > 50 kW	3737.88	2%	2%
<b>Total</b>	<b>217249.51</b>	<b>100%</b>	<b>100%</b>

**SMFA revenue collected by customer class from January 1, 2012 to April 30, 2012**

Class	\$	%	%
Residential	26991.83	84%	84%
GS < 50 kw	4455.42	14%	14%
GS > 50 kW	605.86	2%	2%
<b>Total</b>	<b>32053.11</b>	<b>100%</b>	<b>100%</b>

**SMFA revenue collected by customer class from May 1, 2012 to June 25, 2012**

Class	\$	%	%
Residential	8008.09	85%	85%
GS < 50 kw	1258.52	13%	13%
GS > 50 kW	161.26	2%	2%
<b>Total</b>	<b>9427.87</b>	<b>100%</b>	<b>100%</b>

**SMFA revenue collected by customer class from May 1, 2006 to June 25, 2012**

Class	\$	%	%
Residential	217591.28	84%	84%
GS < 50 kw	36634.21	14%	14%
GS > 50 kW	4505	2%	2%
<b>Total</b>	<b>258730.49</b>	<b>100%</b>	<b>100%</b>

2012 SMIRR				
		Residential	GS < 50 kw	
Return	\$20,411	\$13,487	\$6,924	
Amortization	\$58,060	\$38,363	\$19,697	
OM&A	\$72,125	\$61,543	\$10,582	
Subtotal	\$150,596	\$113,393	\$37,203	
PILs	\$1,033	\$778	\$255	
Incremental Revenue Requirement for 2012	\$151,629	\$114,171	\$37,458	\$151,629.00
Metered Customers	2696	2318	378	
Rate Rider to Recover Smart Meter Costs - 1 yr	4.69	\$4.10	\$8.26	
Calculation of SMIRR Four months of Lost Revenue included in SMDR rate rider				
Allocation of Smart Meter Costs		75%	25%	
Metered Customers (2012)	2696			
Rate Rider to Recover Smart Meter Costs	4.69			
SMIRR Four Months lost Revenue	\$50,577	\$37,933	\$12,644	

Net Deferred Revenue Requirement as at December 31, 2011			
	\$111,924		
Residential	\$94,016	84%	
GS < 50 kW	\$17,908	16%	
	\$111,924	100%	

	2012 Forecasted customers	SMDR \$	SMDR	SMIRR \$	SMIRR
Residential	2318	94018	1.63	\$114,171	4.10
GS < 50 kW	378	17908	2.37	\$37,458	8.26
	2696		24 months	\$151,629	12 months

APPENDIX B

SIOUX LOOKOUT HYDRO - 2012 SMART METER COST RECOVERY APPLICATION - EB-2012-0245

	2007	2008	2009	2010	2011	Total 2007 to 2011	Explanation Allocator	ID and Factors	Total	Residential	General Service Less than 50 kW
<b>Revenue Requirement for the Historical Years</b>	\$305.38	\$1,790.66	\$50,552.86	\$148,147.71	\$176,158.58	\$376,955.19					
<b>Total Return on Capital</b>	\$153.00	\$879.00	\$23,370.00	\$45,068.00	\$43,555.00	\$113,025.00	Weighted Meter - Capital	CWMC	100.00%	83.00%	17.00%
						<b>Allocated per Class</b>			\$113,025.00	\$93,810.75	\$19,214.25
<b>Amortization and interest Expense</b>	\$138.00	\$853.00	\$27,154.00	\$55,460.00	\$60,086.00	\$143,691.00	Weighted Meter - Capital	CWMC	100.00%	83.00%	17.00%
						<b>Allocated per Class</b>			\$143,691.00	\$119,263.53	\$24,427.47
<b>Operating Expenses</b>	\$0.00	\$0.00	\$0.00	\$46,835.00	\$69,846.00	\$116,681.00	Number of Smart Meters Installed for each Class		2,706	2,309	397
						<b>Allocated per Class</b>			\$116,681.00	\$99,562.61	\$17,118.39
<b>Grossed-up Taxes/PILs</b>	\$14.31	\$57.90	\$28.84	\$783.95	\$2,670.82	\$3,555.82	Revenue Requirement allocated to each Class before PILs		\$373,397.00	\$312,636.89	\$60,760.11
						<b>Allocated per Class</b>			\$3,555.82	\$2,977.21	\$578.61
									<b>Total</b>	<b>Residential</b>	<b>General Service Less than 50 kW</b>
<b>TOTAL REVENUE REQUIREMENT</b>						\$376,952.82			\$376,952.82	\$315,614.10	\$61,338.72
							Percentage of costs allocated to Residential and GS < 50 kW customer classes		100.00%	83.73%	16.27%
						Revenue Generated from Smart Meter Funding Adder (including interest)	\$265,028.84				
							SMFA Revenues directly attributable to class			84.12%	14.19%
							Residual SMFA revenues (from other metered classes) attributed evenly			0.85%	0.85%
							<b>Total</b>			84.96%	15.04%
						Revenues Generated from SMFA	\$265,028.84			\$ 225,179.38	\$39,849.46
						Net Deferred Revenue Requirement	\$111,923.98				
							<b>Allocated per Class</b>		\$111,923.98	\$90,434.72	\$21,489.26
							<b>Number of Metered Customers (2012)</b>			2,318	378
							<b>Smart Meter Disposition Rate Rider</b>			\$1.63	\$2.37

Smart Meter Funding Adder Revenues Year	Average Number of customers			Estimated SMFA Revenues			
	Residential	GS < 50 kW	Other Metered Customer Classes	Residential	GS < 50 kW	Other Metered Customer Classes	Total
2006 (May 1, 2006)	2,279	407	38	\$ 4,558.00	\$ 814.00	\$ 76.00	\$ 5,448.00
2007	2,296	398	42	\$ 6,888.00	\$ 1,194.00	\$ 126.00	\$ 8,208.00
2008	2,310	396	41	\$ 17,325.00	\$ 2,970.00	\$ 307.50	\$ 20,602.50
2009	2,301	396	40	\$ 27,612.00	\$ 4,752.00	\$ 480.00	\$ 32,844.00
2010	2,303	395	45	\$ 62,825.84	\$ 10,775.60	\$ 1,227.60	\$ 74,829.04
2011	2,313	383	50	\$ 80,769.96	\$ 13,374.36	\$ 1,746.00	\$ 95,890.32
2012 (to April 30, 2012)	2,318	378	53	\$ 26,981.52	\$ 4,399.92	\$ 616.92	\$ 31,998.36
				\$ 226,960.32	\$ 38,279.88	\$ 4,580.02	\$ 269,820.22
				<b>84.12%</b>	<b>14.19%</b>	<b>1.70%</b>	100.00%
				83.73%	16.27%		
	Even allocation			50.00%	50.00%		
	Allocation of 1.7% to Res and GS < 50 kW			<b>0.849%</b>	0.849%		
				<b>84.96%</b>	15.04%		