

**2012 ELECTRICITY DISTRIBUTION RATES**  
**Peterborough Distribution Inc.**  
**Application for Disposition and Recovery of Costs**  
**Related to Smart Meter Deployment**

**EB-2012-0008**

**STAFF SUBMISSION on the DRAFT RATE ORDER**

**June 27, 2012**

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**Peterborough Distribution Inc.  
Smart Meter Cost Recovery Application  
EB-2012-0008**

**Board Staff Submission on the Draft Rate Order**

## **Introduction**

On January 10, 2012, Peterborough Distribution Inc. ("PDI") filed with the Ontario Energy Board (the "Board") a stand-alone Smart Meter Cost Recovery application (the "Application") requesting a Smart Meter Disposition Rider ("SMDR") and a Smart Meter Incremental Revenue Requirement Rider ("SMIRR"). The Application was based on the Board's policy and practice with respect to recovery of smart meter costs.<sup>1</sup>

The Board issued its Decision and Order (the "Decision") on June 14, 2012 in which it directed PDI to file a Draft Rate Order ("DRO") incorporating the Board's findings. On June 25, 2012, PDI filed a DRO.

The following submission reflects observations and concerns arising from Board staff's review of the DRO.

## **Treatment of Unauthorized Smart Meters**

PDI installed 3,303 smart meters at a cost of \$476,351 prior to being authorized under Ontario Reg. 427/06, as amended by Ontario Reg. 235/08 on June 25, 2008. PDI stated that the smart meters were acquired prior to authorization for two different purposes: 1) to facilitate implementation of its Conservation and Demand Management ("CDM") Plan; and 2) as replacement meters.

In its Decision, the Board found the smart meters related to 120 social housing units and 75 installations of load shifting devices, which were part of PDI's CDM Plan, and therefore were authorized as per O. Reg. 427/06 Section 1. (1).

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<sup>1</sup> *Guideline G-2008-0002: Smart Meter Funding and Cost Recovery*, issued October 22, 2008. On December 15, 2011, the Board issued *Guideline -2011-0001: Smart Meter Funding and Cost Recovery – Final Disposition*. PDI used Smart Meter Model, Version 2.17 and prepared its application considering recent Board decisions on smart meter cost disposition and recovery.

However, the Board did not allow any costs associated with the replacement meters prior to being authorized. The costs associated with these meters were to be included only after the date of authorization.

In the DRO, PDI submitted two Smart Meter Models (the “Model(s)”) which are found in Appendix B and Appendix C to the DRO. Appendix B excluded the replacement meters acquired in 2006 and 2007 but included their net book value in 2008 in order to determine the SMDR. Appendix C included the gross book value of the replacement meters in order to determine the SMIRR.

Board staff is of the opinion that Appendix B does not properly reflect the Board’s findings. Board staff also submits that only one model is necessary. PDI basically made two adjustments in Appendix B; it removed the replacement meters from 2006 and 2007, leaving only the smart meters for CDM in the years prior to authorization, and it included the replacement meters in 2008, but at the depreciated net book value. The Model calculates depreciation based on the Board approved straight line depreciation method. The Board does not allow declining balance depreciation calculations. By using net book value for the replacement meters the depreciation, return, and PILs for the period 2008 through to 2011 calculated by the Model are understated. This results in lower revenue requirements in these years than would be found if the Board’s Policy on depreciation is followed. Therefore, PDI should include the gross book value for the replacement meters in 2008.

Board staff submits that PDI should include the gross book value for the replacement meters in 2008. The Model will calculate the appropriate depreciation, return and taxes for the SMDR. The Model in Appendix C will not be required, for by including the gross book value for the replacement meters, the Model in Appendix B will calculate the appropriate revenue requirement for the SMIRR.

## Cost Allocation

The Decision stated:

*“The Board finds that the allocation of costs is consistent with the PowerStream Decision and is therefore approved. However the revenues are to be assigned to the residential and General Service < 50 kWh (“GS<50kWh”) classes in the manner that they were collected. The amounts collected from the non-participating smart meter classes is to be allocated 50/50 to the Residential and GS<50 kWh classes. The interest and any other items that comprise the total balance is to be allocated to the participating classes based on the assigned revenues.”*

While it appears that PDI followed the Boards findings in allocating the SMFA revenues in determining the SMDR, PDI did not provide the calculations. Board staff submits the PDI should provide the calculation of the revenues by class grouped into the following line items:

1. Class SMFA Revenues;
2. Allocated non-participating class revenues;
3. Allocated Interest; and
4. Total.

- All of which is respectfully submitted -