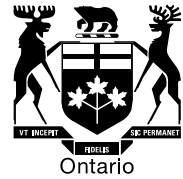


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**BY E-MAIL**

July 27, 2012

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

Dear Ms. Walli:

**Re: Board staff comments on draft Rate Order  
PUC Distribution Inc.  
Application for 2012 Smart Meter Cost Recovery effective May 1, 2012  
Application Board File Number EB-2012-0084**

In accordance with the procedure documented in the Decision and Order, issued on July 19, 2012, please find attached Board staff's comments in the above proceeding with respect to PUC Distribution Inc.'s draft Rate Order, filed on July 26, 2012.

Sincerely,

*Original Signed By*

Stephen Vetsis  
Analyst - Applications

Attachment

**PUC Distribution Inc. (“PUC”)  
2012 Application for Smart Meter Cost Recovery (EB-2012-0084)**

**Board Staff Comments on Draft Rate Order**

On July 19, 2012, the Board issued its Decision and Order on PUC’s 2012 application for smart meter cost recovery. The Decision and Order required PUC to submit a draft Rate Order by July 26, 2012. PUC submitted its draft Rate Order and supporting documentation on July 26, 2012. Board staff submits that PUC has appropriately reflected the Board’s findings in all areas except for the area noted below.

**Calculation of Smart Meter Disposition Rate Riders (“SMDRs”)**

In the Decision and Order, the Board approved PUC’s proposed cost allocation methodology. PUC had proposed to allocate Smart Meter Funding Adder (“SMFA”) revenues collected from each class to those same classes on the basis of the same percentages as they were recovered.

In its draft Rate Order, PUC provided an Excel version of the table it used to calculate the SMDRs. Board staff notes that when calculating the smart meter true up for each of the customer classes, PUC multiplied the overall true-up (in cell D23) by the percentage of historical costs allocated to each class. As a result, the SMFA revenues are allocated to each class in proportion to overall historical smart meter deployment costs instead of being allocated on the basis of SMFA revenues actually collected from each class. Board staff has recalculated the class-specific SMDRs, using the approach approved by the Board in the Decision and Order, by taking the difference between the revenue requirement allocated to each class and the SMFA revenues collected from each class. The resulting rate riders are summarized in the table below and the calculations are provided in the attached Excel spreadsheet. Board staff submits that PUC should confirm the accuracy of Board staff’s calculations in its reply comments and whether PUC agrees that this is the approach approved by the Board.

<b>Class</b>	<b>SMDRs provided in draft Rate Order</b>	<b>SMDRs calculated by Board staff</b>
Residential	\$ 0.69	- \$ 0.43
GS < 50 kW	\$ 1.78	\$ 9.77
GS > 50 kW	\$ 2.96	\$ 23.13