

Brant County Power Inc.
2012 Smart Meter Cost Recovery
EB-2012-0017

Board Staff Interrogatories

In the Board's Notice of Application and Hearing for an Electricity Distribution Rate of Brant County Power Inc. ("BCPI"), August 14, 2012 was set as the deadline for interrogatories to BCPI. The following are Board staff's interrogatories.

1. Letters of Comment

Following publication of the Notice of Application, the Board has received no letters of comment to date.

- a. Please confirm whether BCPI has received any letters of comment, and if so, please file a copy of the letters of comment.
- b. Please confirm whether a reply was sent from BCPI for each. If confirmed, please file the reply with the Board. Please ensure that the author's contact information except for the name is **redacted**.
- c. If not confirmed, please explain why a response was not sent and confirm if BCPI intends to respond.

2. Audited Balances

Please confirm that the 2011 balances used in the Smart Meter Model V 2.17 (the "Model") are the approved December 31, 2011 Audited Balances.

3. Budget Variances

BCPI is reporting on Tab 2: *Smart Meter Costs* of the Model that 100% of the smart meters are installed. Please provide a table showing budget vs. actual costs for the smart meter programme, broken into the components as recorded in Tab 2.

4. Smart Meter Entity

Are there any costs incurred that are associated with functions for which the Smart Meter Entity ("SME") has the exclusive authority to carry out pursuant to O. Reg. 393/07? If so please provide the bases on which recovery of those costs is allowed under applicable law associated with the SME.

5. Smart Meter Model – Smart Meter Capital Costs

BCPI recorded its capital expenditures on smart meters in Tab 2; *Smart Meter Costs* of the Model. Line items 1.5.3 *Professional Fees* and 1.5.5 *Program Management* are classified as Tools and Equipment which has an amortization period of 5 years as indicated in Tab 3; *Cost of Service Parameters*. The Amortization Rate for Smart Meters is 15 years.

- a. Please explain why these overhead costs to the smart meter program are not proposed to be amortized similar to the installation costs, which is over the life of the smart meters.

On page 1 of the Application, BCPI states that 9,570 smart meters had been installed as of April 30, 2012 and that approximately 40 remain to be installed. In the Model BCPI recorded 9,612 smart meters as installed by the end of 2012.

- b. Are all the smart meters now installed?
- c. If all the smart meters are installed, does the model accurately reflect the counts and costs? If not please update the model.

6. Smart Meter Model – Smart Meter OM&A Costs

BCPI recorded its OM&A costs for smart meters in Tab 2; *Smart Meter Costs* of the Model. Board staff notes that maintenance costs for the AMC were recorded in 2009, while the installations of smart meters did not start until 2010.

- a. Please explain the apparent discrepancy.

BCPI has recorded software maintenance costs in 2006.

- b. Please explain this early expense.

BCPI has recorded O&M related Program Management expenses as early as 2006. While it is understandable that a distributor would incur costs prior to installation for Program Management, Board staff would like to know the following:

- c. What is the nature of these expenses?
- d. Are these expenses incremental to the expenses set in BCPI's forecasts, and therefore not in BCPI's previous revenue requirements?
- e. Are any of these costs of a capital nature?

7. Smart Meter Model – Interest and Return on Equity

The Interest and Return on Equity in Tab 3; *Cost of Service Parameters* are to represent the costs that underpin the rates that were in effect for the respective periods from 2006 to 2012 inclusive. Board staff was unable to confirm some of the values that BCPI has input into the Model. Board staff notes that BCPI did not file a 2nd Generation IRM application for rates effective May 1, 2008. As such, the capital structure and allowed debt and equity are expected to be as those found for BCPI in its 2006 EDR application as found in the 2006 column on Tab 3.

- a. If Board staff has misunderstood the status of BCPI's 2008 rates, please explain. Otherwise, please correct the 2008 interest rates.

For 2009 and 2010, BCPI shows that it had a short term debt component at a rate of 1.33% and 2.07% respectively. Given that BCPI had not rebased since the setting of rates in 2006, it is Board staff's understanding that all of BCPI's debt was deemed long term at 6.25% for these years.

- b. Please explain the long term debt component, or override the model by setting the 4% short term debt to the 6.25%

In 2011, BCPI rebased its rates, and the Board approved a long term debt rate of 5.32%.

- c. Please explain the use of a long term debt rate of 5.13% or correct the input to the Model.

BCPI has approved 2012 rates determined through the 3rd Generation IRM process. The approved capital structure and costs underpinning those rates would be those approved in BCPI's most recent cost of service application, which was 2011.

- d. Please provide a reason for the rates found in Tab 3 for 2012, or in the alternative, please correct them.

8. Smart Meter Model – Taxes/PILs Rates

BCPI has used the maximum taxes/PILs rates input on Tab 3 *Cost of Service Parameters*, for the years summarized in the following table:

	Tax Year						
	2006	2007	2008	2009	2010	2011	2012
Aggregate Federal and Provincial Income Tax Rate	36.12%	36.12%	33.50%	33.00%	31.00%	28.25%	26.25%

Please confirm that these are the tax rates corresponding to the taxes or PILs actually paid by BCPI in each of the historical years, and the forecasted taxes/PILs for 2012. In the alternative, please explain the tax rates used and their derivation. If there are any corrections required, please provide them.

9. Costs Beyond Minimum Functionality

BCPI has not identified any costs beyond minimum functionality. The Board states the Guidelines at page 17:

“Costs for CIS systems, TOU rate implementation, etc. are beyond minimum functionality...”

and

“Costs for other matters such as CIS changes or TOU bill presentment may be recoverable, but the distributor will have to support these costs and will have to demonstrate how they are required for the smart meter deployment program and that they are incremental to the distributor’s normal operating costs.”

- a. If applicable, please state the level of, and describe the costs incurred, beyond minimum functionality making specific reference to MDM/R, web presentment, CIS changes, TOU rates, business process changes, training and customer education costs.
- b. Please state how these costs are required for BCPI’s smart meter programme, and how they are incremental to BCPI’s normal course of business.
- c. Please restate the unit costs provided on page 2 of the Application, separating the minimum functionality costs and state the incremental costs beyond minimum functionality as a separate unit cost. If the costs provided on page 2 of the Application are not final 2012 costs as found in 5 c. above, please update the unit costs.
- d. What is the annual impact on OM&A for beyond minimum functionality?

10. Customer Repairs

The Board in the Guidelines stated:

"The actual costs for materials and parts to repair or replace any customer-owned equipment should be expensed and also tracked separately in a different sub-account of the Smart Meter OM&A Variance Account 1556 until disposition is ordered by the Board following a review for prudence of the smart meter costs. As the meter base remains the property of the customer, the Board determined that it would not be appropriate to have it form part of the distributor's rate base."

- a. Please state the total costs of any repairs or replacements of customer-owned equipment.
- b. Are there any meter bases included in these costs? If so, please state the total amount.
- c. Please confirm that these costs were recorded in a different sub-account of the Smart Meter OM&A Variance Account 1556.

11. Smart Meter Model – Funding Adder Revenues

BCPI has provided the interest rates for the deferral and variance accounts on Tab 8; *Funding Adder Revenues* of the Model. BCPI has not included interest for 2012. BCPI is proposing an effective date of November 1, 2012.

- a. Please explain why BCPI is not proposing to calculate interest on the collected revenues from the Smart Meter Funding Adder ("SMFA") up to the October 31, 2012. In the alternative, please update the Model.
- b. Did BCPI stop billing its SMFA on April 30, 2012?
- c. Please update the Model to include any further SMFA revenues and related interest, if BCPI did not stop billing on April 30, 2012.

12. Smart Meter Model – SMFA SMDR SMIRR

On Tab 9; *SMFA SMDR SMIRR* of the Model there is an elective to choose between using sheet 8A which is populated with monthly interest, and sheet 8B which is quarterly interest, in the lack of availability of monthly interest. BCPI has provided monthly interest, but has selected option 8B. Please explain this selection, or correct the selection.

13. Smart Meter Model – General

Board staff has addressed a number of concerns in the above set of interrogatories which may require revising the Model. If any of these questions results in changes to the inputs to the Model please update and re-file its Model in working Microsoft Excel format.

14. Tables 3 and 4 – Rate Riders

BCPI states that it does not have sufficient data to calculate class specific rate riders. In the PowerStream Smart Meter Decision, the Board recognized that, as there would be significant differing costs in different customer classes, the principle of cost causality would support class-specific cost recovery.¹ This recognition was in large part due to the costs of the meters themselves, and to the extent that accurate data was available from the utility's records. To this end, the Board's guidelines have indicated that a utility is expected to address the allocation of costs in its application seeking the disposition of smart meter costs recorded in accounts 1555 and 1556.² Further, in recent decisions, the Board has reviewed and approved the evolution of approaches for calculating class-specific rate riders.

Costs are determined by class in the PowerStream methodology by:

- Allocating the return and depreciation based on customer weighted smart meter costs;
- Allocating the OM&A based on the number of meters; and
- Allocating PILs based on the allocated revenue requirement before PILs.³

To calculate the Smart Meter Disposition Rider ("SMDR") the revenues by class can be determined. Revenues from the classes other than residential and GS<50 kW can be allocated on a per meter basis to the residential and GS<50 kW classes to determine the SMDR.

- a. Please calculate class specific rate riders.

¹ *PowerStream Smart Meter Decision; EB-2011-0128, November 21, 2011*

² *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* Thunder Bay Hydro Distribution Inc. used Smart Meter Model, Version 2.17, and prepared its application considering recent Board decisions on smart meter cost disposition and recovery.

³ *PowerStream Decision EB-2011-0128*

BCPI has stated in its transmittal letter that it is requesting a Smart Meter Incremental revenue Requirement ("SMIRR") rider for one year. The SMIRR is intended to be a rider to compensate the distributor for the incremental costs it incurs from having installed and operate smart meters until the distributor can include smart meters and related costs in its next costs of service application. BCPI is not scheduled to rebase through a cost of service application until 2015.

- b. Please explain why BCPI only intends the SMIRR to be in effect for one year.

15. Stranded Meters

BCPI states on page 3 that it plans to deal with adjustments to its assets for regulatory purposes in its 2015 CoS application. Please provide BCPI's estimate of the NBV of stranded meters as of December 31, 2011 and the respective unit costs.