

**2012 ELECTRICITY DISTRIBUTION RATES
Cambridge and North Dumfries Hydro Inc.
("CND")**

**Application for Disposition and Recovery of
Costs Related to Smart Meter Deployment**

EB-2012-0086

Board Staff Comments

CND Draft Rate Order

August 9, 2012

INTRODUCTION

On July 26, 2012, the Board issued its Decision and Order on CND's 2012 application for smart meter cost recovery. The Decision required CND to submit a draft Rate Order by August 2, 2012. CND submitted its draft Rate Order and supporting documentation on August 2, 2012. Board staff submits that CND has appropriately reflected the Board's findings in all areas of the draft Rate Order except for the comments noted below.

Board staff notes that the Board-issued Smart Meter Model Version 2.17 assumed a May 1, 2012 implementation date and therefore did not take into account interest on OM&A and depreciation expenses past this date. Board staff submits that CND may wish to incorporate the additional carrying charges on OM&A and depreciation expense, as this should also be taken into account for the principal on SMFA revenues.

Board staff also submits that CND has not correctly calculated the SMDRs and SMIRRs for the period of recovery from September 1, 2012 to April 30, 2014, to coincide with the expected effective date of May 1, 2014 for CND's next rebased rates arising from a cost of service application.

Specifically, CND has incorrectly calculated the SMIRR based on a 20 month recovery. By design, the SMIRR is a monthly rate to recover, based on the expected number of customers (in the class) and over the 12 month period the annualized revenue requirement. The annualized revenue requirement is, in turn, the annual capital-related costs (depreciation expense, return on capital and associated taxes/PILs) and OM&A expenses on the installed smart meters and their ongoing operations. The SMIRR is based on the 2012 revenue requirement, and the assumption is that the revenue requirement and therefore the rate will not change materially until the utility's next cost of service rebasing application. Thus, the SMIRR remains unchanged as a monthly rate. In the attached Smart Meter Models, Board staff has made changes for the following:

- On sheet 8, the interest rates have been changed so that interest is calculated up to August 31, 2012. In addition, the SMIRR revenues shown as "negative SMFA revenues" have been deleted, as their inclusion results in incorrect interest charge calculations.
- On sheet 9, changes have been made in cells S32, S35 and S37 so that interest on OM&A and depreciation expense in 2012 is taken into account in the SMDR. In cell S37, the interest is assumed to be 8/12 of the annualized interest for 2012 from sheet 8B, as interest only applies for 8 months (January to August) of this year.

- Also on sheet 9, the recovery period has been changed to 20/12, to reflect the recovery period of 20 months from September 1, 2012 to April 30, 2014).
- An additional sheet “Adjusted_SMDR” has been added to each model, to derive the SMDR adjusted to recover the 4 months of SMIRR revenues from May 1, 2012 to August 31, 2012.

The changes made are shown in yellow highlight and with comments on the affected cells in the sheets of the attached Smart Meter Models. The changes have been made to both of the class-specific models. Board staff submits that the revised class-specific SMDRs and SMIRRs are a more accurate implementation of the findings from the Board’s Decision and Order.

Board staff notes that the SMIRR calculations are unaffected as a monthly rate.

The following table, based on Table 1 of CND’s DRO, shows the further impacts of these changes.

Class	SMDR (\$/month, 22 months)				(20 months)	
	Original	Revised			DRO	Staff submission
		Board staff IR #11	VECC IR #9	Reply Submission (No change)		
Residential	(\$0.06)	(\$0.38)	(\$0.40)	(\$0.40)	\$0.00	\$0.07
GS < 50 kW	(\$0.16)	\$3.07	\$3.28	\$3.28	\$4.85	\$5.91

Class	SMIRR (\$/month)					
	Original	Revised			DRO	Staff submission
		Board staff IR #11	VECC IR #9	Reply Submission (IESO-SME fee removed)		
Residential	\$1.67	\$1.67	\$1.66	\$1.21	\$1.33	\$2.22
GS < 50 kW	\$3.76	\$3.76	\$3.83	\$3.38	\$3.72	\$6.20

- All of which is respectfully submitted -