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## WATERLOO NORTH HYDRO INC.

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August 15, 2012

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

**Attention: Ms. Kirsten Walli, Board Secretary**

Dear Ms Walli:

**Re: November 1, 2012 Smart Meter Disposition Reply Submission  
EB-2012-0266**

Waterloo North Hydro Inc. (WNH) hereby submits its Smart Meter Disposition Reply Submission to Board Staff's Submission of August 2, 2012 and the Vulnerable Energy Consumer Coalition's (VECC) Submission of August 7, 2012. WNH has enclosed two (2) hard copies of the Reply Submission.

WNH has previously forwarded the PDF version of the Reply Submission via the Board's web portal.

If there are any questions, please contact Chris Amos at 519-888-5541, [camos@wnhydro.com](mailto:camos@wnhydro.com) or myself at 519-888-5542, [asingh@wnhydro.com](mailto:asingh@wnhydro.com).

Yours truly,

*Original Signed By*

Albert P. Singh, MBA, CGA  
Vice-President, Finance and CFO

# **2012 ELECTRICITY DISTRIBUTION RATES**

**Waterloo North Hydro Inc.**

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

**EB-2012-0266**

**REPLY SUBMISSION**

**August 15, 2012**

## **INTRODUCTION**

Waterloo North Hydro Inc. (“WNH”) is a licensed electricity distributor serving customers in the City of Waterloo and the Townships of Wellesley and Woolwich. WNH filed a stand-alone application (the “Application”) with the Board on May 31, 2012, seeking Board approval for the disposition and recovery of costs related to smart meter deployment, offset by Smart Meter Funding Adder (“SMFA”) revenues collected from May 1, 2006 to October 31, 2012. WNH requested approval of proposed Smart Meter Disposition Riders (“SMDRs”) and Smart Meter Incremental Revenue Requirement Rate Riders (“SMIRRs”) effective November 1, 2012. The Application is based on the Board’s policy and practice with respect to recovery of smart meter costs.

Board staff noted that one letter of comment was filed. Waterloo notes that they were not copied on the email and that WNH will not be responding as the customer was expressing an opinion and not expecting a response from WNH.

## **APPROVALS SOUGHT**

WNH is seeking the approval of:

- a) Addition of a SMDR of (\$0.30) per metered Residential customer per month and \$7.06 per metered General Service < 50 kW customer per month, effective November 1, 2012 to October 31, 2013; and
- b) Addition of a SMIRR of \$2.11 per metered Residential customer per month and \$5.51 per metered General Service < 50 kW customer per month, effective November 1, 2012.

WNH revised its originally proposed SMDRs and SMIRRs in responses to interrogatories, with respect to the following:

- WNH corrected data in the smart meter model so that OM&A and depreciation expenses shown on sheet 8 correspond with smart meter cost data shown on sheet 2.

## **Prudence of Smart Meter Costs**

On page 5 of its submission it states: *“Board staff submits that WNH’s Application complies with Guideline G-2011-0001 with regard to the expectation that at least 90% of the smart meter costs be audited actuals.”*

On page 6 of its submission it states: *“Board staff notes that WNH’s per meter costs are below the average, and within the range, seen for distributors of similar sizes and largely serving urbanized areas in these reports and in applications for smart meter cost recovery that have been made to the Board for approval.”*

On page 5 of its submission it states: *“VECC observes that WNH’s total average smart meter costs (excluding costs beyond minimum functionality) are less than the recent sector averages.”*

On pages 6 to 7 of its submission it states: *“Noting that WNH became authorized to deploy smart meters through adherence with the London Hydro RFP process, as required in subsection 1.(1) 8 of O. Reg. 427/06, Board staff submits that WNH has acted in accordance with the regulations in its processes for the procurement of smart meters and associated equipment and for services to install and operate the smart meters and associated equipment. As such, Board staff considers that the documented historical costs and the forecasted costs are prudent.”*

On page 5 of its submission it states: *“In considering the above, VECC submits WNH’s installed meter costs are reasonable and takes no issue with the quantum or nature of WNH’s smart meter costs.”*

**WNH concurs with Board Staff and VECC that the historical and forecasted costs are prudent and submits that they should be approved for disposition.**

## **Costs Beyond Minimum Functionality**

On page 7 of the Board Staff submission it states: *“As documented in its Application, WNH’s smart meter deployment is solely for Residential and GS < 50 kW customers, and so do not exceed minimum functionality in this regard.*

*In its Application, WNH documents \$231,587 capital costs and \$221,672 operating expenses for costs beyond minimum functionality, related to TOU rate implementation, CIS system changes, web presentment, bill presentment, and integration with the MDM/R. Board staff takes no issue with the documented costs related to “beyond minimum functionality” aspects of its smart meter program based on the documentation provided in the Application.”*

On page 6 of its submission it states: *“VECC submits WNH has appropriately demonstrated consistency with the Board’s Guidelines regarding the nature of these costs.”*

**WNH concurs with Board Staff and VECC regarding the documented costs related to “beyond minimum functionality” aspects of its smart meter program and WNH requests that these costs be approved for disposition.**

### ***Exclusion of 2012 Costs and Demand for Customer Growth***

On page 7 of its submission it states: *“Board staff notes that WNH has not included costs for smart meters to be forecasted to be deployed in 2012 due to customer growth.”*

On page 8 of its submission it states: *“Board staff submits that WNH will be compensated through the SMIRR for incremental smart meter costs associated with customer growth until its distribution rates are next rebased through a cost of service application.”*

**WNH concurs with Board Staff that it will be compensated through the SMIRR for incremental smart meter costs associated with customer growth until its distribution rates are next rebased through a cost of service application.**

### **Cost Allocation**

On pages 4 to 5 of the Board Staff Submission it states: *“WNH proposes the class-specific SMDRs and SMIRRs as calculated based on an allocation of costs in accordance with the methodology documented in Guideline G-2011-0001. This methodology has been accepted by the Board in a number of other cases.*

*Board staff accepts WNH’s explanations on how costs have been allocated, as documented in the Application and augmented in its response to VECC IR # 5 and submits that the class-specific SMDRs and SMIRRs revised in response to Board staff IR#7 have been calculated appropriately and in accordance with Board policy and practice.”*

On page 8 of its submission it states: *“VECC accepts WNH’s approach based on the PowerStream methodology as an appropriate cost allocation proxy with one exception. VECC submits that the SMFA revenues collected from the GS>50 kW and Large Use customer classes should be returned to those customers instead of a 50:50 allocation between the residential and GS<50 kW customer classes.”*

WNH has complied with the direction provided in the Board's Powerstream decision (EB-2011-0128). WNH also notes that the July 26, 2012 Board Decision for London Hydro (EB-2012-0187) states *"In Guideline G-2011-0001 the Board recognizes that the SMFA revenues have been collected from all metered customers. The Board's decision in PowerStream's smart meter cost recovery application (EB-2011-0128) addressed the treatment of smart meter adder amounts collected from customer classes for which smart meter costs were not incurred. The Board directed PowerStream to allocate the smart meter adder amounts collected from the GS>50 customer classes evenly to the Residential and GS<50 kW customer classes when calculating the true-up for the SMDR. The Board concluded that this approach was appropriate because the amounts involved were not significant enough to warrant a more precise allocation. This approach is also documented in section 3.5 of Guideline G-2011-0001. The Board agrees with London Hydro that the amounts collected for metered customer classes other than the Residential and GS < 50 kW customer classes are immaterial ... Any SMFA revenues collected from customers in the GS > 50 kW and Large Use classes are to be evenly divided between the Residential and GS <50kW classes."*

WNH has calculated the recoveries by the GS > 50 kW and Large User classes as 1.28% of the total recovery for all classes, the details are presented in the table below.

Rate Class	Total Recovery by Rate Class Before Re-Allocation
GS > 50 kW	\$ 34,812
Large User	67
Total GS > 50 kW & Large User	\$ 34,879
Total Recovery All Classes	\$ 2,733,836
GS >50 kW & Large User Percentage	1.28%

WNH submits that recoveries by the GS > 50 kW and Large User classes are immaterial and as such, WNH's current treatment of evenly dividing these recoveries between the Residential and GS > 50 kW rate classes is appropriate.

## **Other Matters**

### **Stranded Meters**

On page 8 of its submission it states: *“Board staff submits that WNH’s proposal is in accordance with Guideline G- 2011-0001. However, in its next cost of service application for 2015 rates, WNH should make a proposal for the recovery of stranded meter costs through class-specific Stranded Meter Rate Riders, as envisaged in section 3.7 of Guideline G-2011-0001.”*

**WNH concurs that it should make a proposal for the recovery of stranded meter costs through class-specific Stranded Meter Rate Riders in its next cost of service rebasing application.**

### **Operational Efficiencies**

On page 9 of its submission it states: *“Board staff submits that WNH should be prepared to address any operational efficiencies due to smart meter and TOU implementation in its next cost of service rebasing application.”*

On page 3 of its submission it states: *“In considering the above, VECC submits that it is reasonable to conclude that WNH experienced some efficiencies and benefits through the joint group effort with other LDCs. VECC supports Board Staff’s submission (page 9) that WNH should be prepared to address any operational efficiencies due to smart meter and TOU implementation in its next cost of service rebasing application.”*

**WNH concurs that it will be prepared to address any operational efficiencies due to the smart meter and TOU implementation in its next cost of service rebasing application.**

### ***Foregone SMIRR Revenues for the Period May 1 to October 31, 2012***

On page 9 of Board Staff's submission it states: *"WNH has included the estimated SMIRR revenues for six months (i.e., from May 1 to October 31, 2012) in the calculation of the SMDR. Board staff submits that this approach is reasonable and has been applied correctly."*

On page 9 of its submission it states: *"Board staff notes that WNH's proposal is consistent with the treatment as approved by the Board in recent smart meter cost recovery applications."*

On page 10 of its submission it states: *Board staff submits that WNH's proposal for calculation and recovery of the foregone SMIRR revenues from May 1 to October 31, 2012 is in accordance with the Board's current policy and practice, and that this approach is appropriate in terms of enabling the distributor to more fully recover the historical deferred and ongoing costs related to smart meters until the rates are rebased through a cost of service application for the utility. Board staff submits that WNH's methodology is appropriate and that no further adjustments are necessary assuming the effective date of November 1, 2012 is approved as requested."*

On page 7 of its submission it states: *"VECC agrees with Board Staff and takes no issue with WNH's proposal for the recovery of foregone SMIRR revenues from May 1 to October 31, 2012."*

**WNH concurs with Board Staff and VECC regarding SMIRR Foregone Revenues and requests that the recovery of foregone SMIRR revenues be approved for disposition.**

### **Conclusion**

On page 10 of its submission it states: *"Subject to the above comments, Board staff submits that WNH's Application is in accordance with Guideline G-2011-0001, reflects prudently incurred costs and is consistent with Board policy and practice with respect to the disposition and recovery of costs related to smart meter recovery."*

**WNH concurs with Board Staff's submission above with respect to the prudence of the incurred costs and consistency with Board policy and practice with respect to the disposition and recovery of costs related to smart meter recovery.**