

Entegrus Powerlines Inc.
2012 Smart Meter Cost Recovery
EB-2012-0289

Board Staff Interrogatories

Entegrus Powerlines Inc. ("Entegrus") filed a standalone smart meter cost recovery application (the "Application") in July 4, 2012. In the Board's Notice of Application and Hearing, Friday August 24, 2012 was set as the deadline for Board staff's interrogatories to Entegrus. The following are Board staff's interrogatories.

1. Audited Balances

On page 14 of the Application, Entegrus states that that 100% of the costs submitted for disposition are included in the audited financial statements to December 31, 2011, with the exception of ongoing costs.

- a. Please confirm that, when Entegrus refers to audited statements, that Entegrus means the Audited Financial Statements of Chatham-Kent Hydro Inc., Middlesex Power Distribution Corp. Dutton, Middlesex Power Distribution Corp. Middlesex, and Middlesex Power Distribution Corp. Newbury. If not, please explain what has, and what has not been audited for 2011.
- b. Please confirm that "ongoing costs" refers to costs for 2012. In the alternative, please explain.

2. Cost Accounting

Entegrus describes two different methods for the assignment of costs to each of its rate zones, depending on whether they are for Capital or OM&A.¹ For capital, Entegrus states that it tracked capital costs separately for each rate zone. For OM&A, Entegrus states that it pooled its OM&A and allocated the costs equally to the zones. Board staff is interested in the fact that two different allocation methods are used, one for Capital and one for OM&A.

As of January, 2012, Entegrus is an amalgamated utility. As pointed out by Entegrus, for OM&A, there are cost savings synergies from which all customers will benefit equally.²

¹ Application, pages 25 & 26

² Application, pages 26 & 27

- a. Some capital costs, such as for AMCC, or CIS/TOU billing system costs, may be common for Entegrus or for the separate but affiliated entities of Chatham-Kent Hydro (CKH), Middlesex Power, Middlesex Power – Dutton and Middlesex Power – Newbury, pre-merger. How has Entegrus allocated any common capital costs?
- b. Entegrus states that:

“When these three former MPDC zones are considered in isolation – that is, without taking into account the efficiencies developed over time by CKH through its early and lengthy involvement in the deployment process – it may appear that OM&A costs for these three zones should be lower than those of CKH. However, Entegrus submits that would be unfair to customers in the CKH rate zone, who would be forced to bear comparatively higher costs due to the timing of their Smart Meter deployment but could share none of the benefits of improved approaches to implementation. Entegrus submits that the most appropriate approach in this case is to have all of its customers across its entire service area share equally in the OM&A costs and the savings realized over time through more efficient deployment and installation processes. Accordingly, for the purposes of this Application and equitable cost sharing, OM&A and TOU costs have been pooled amongst the four rate zones and allocated based on meter points. Please see Attachment O for further details on the allocation calculations.”³
- c. What does Entegrus mean by a meter point?
- d. In earlier applications, CKH was approved smart meters installed to certain points in time, and in CKH's 2010 cost of service application, the capital costs for smart meters installed to December 31, 2008 were incorporated into rate base and the operating costs related to these would have been factored into the 2010 test year revenue requirement. Accordingly, OM&A expenses related to the operation of these installed meters were recovered in the 2010 approved distribution rates, and such recovery would continue under the 3rd Generation IRM adjustment. Board staff admits that this would not include all costs, as changes to CIS/billing systems to implement TOU pricing, web presentment,

³ Application page 26

etc., may not have been completed at that time. How has Entegrus accounted for the OM&A costs that were factored into the 2010 revenue requirement and are recovered in the rates for CKH customers in doing its OM&A allocation in this Application?

3. Smart Meter Capital Costs

Please prepare a variation of the table shown on page 25 that disaggregates costs separately for the Residential and GS < 50 kW customer classes for each service area.

4. Unit Cost

Entegrus was approved to undertake its smart meter initiative in the Combined Proceeding based on its proposal, including costs at that time.⁴ In the table on page 25, there are large differences in unit costs for the earlier and previously approved unit costs and those that are being requested now.

a. Please explain the increases.

Based on the tables found on pages 25 and 27, Board staff has developed the following table:

Table 1

		Capital			OM&A			Total		
		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
		Count	Capital	Average	Count	OM&A	Average	Count	Cost	Average
Chatham-Kent										
1	Res & GS	31,800	6,507,333	204.63	31,800	1,135,796	35.72	31,800	7,643,129	240.35
2	GS>50	388	432,799	1,115.46	388	4,680	12.06	388	437,479	1,127.52
Strathroy, Mount Brydges, & Parkhill										
3	Res & GS	7,408	1,365,229	184.29	7,408	181,088	24.44	7,408	1,546,317	208.74
4	GS>50	81	72,264	892.15	81	1,579	19.49	81	73,843	911.64
Dutton										
5	Res & GS	604	115,272	190.85	604	5,199	8.61	604	120,471	199.46
6	GS>50							0		
Newbury										
	Res & GS	201	35,293	175.59	201	1,730	8.61	201	37,023	184.19
8	GS>50	4	2,768	692.00	4	34	8.50	4	2,802	700.50
Total										
9	Res & GS	40,013	8,023,127	200.51	40,013	1,323,813	33.08	40,013	9,346,940	233.60
10	GS>50	473	507,831	1,073.64	473	6,293	13.30	473	514,124	1,086.94

⁴ Decision with Reasons; The Combined Hearing EB-2007-0063, August 8, 2007

- b. Please confirm that Entegrus agrees with this table. If it does not, please correct the table and explain the correction.
- c. Entegrus states that on page 26 of the Application that “the larger geographic territory of CKH drives relatively higher installation costs.” However, with serving larger communities such as Chatham, Entegrus may be able to service more customers with a given number of repeaters and collectors for meter data collection than for a smaller community such as Newbury. On a per meter basis, Entegrus may have a lower cost per meter as it can serve more meters with the same amount of invested AMRC and AMCC infrastructure. This logic is contrary to Entegrus’ statement that CKH’s larger geographic area drives relatively higher installation costs. Please provide further explanation of how CKH’s geographic area results in higher installation costs.

5. Smart Meter Model – Cost of Service Parameters

Entegrus has provided the basic cost of service parameters for historical years and forecast 2012 in Tab 3 Cost of Service Parameters in each of the Models. In Appendix I of the Application, the Cost of Service Parameters General Service > 50 kW for Strathroy, Mount Brydges & Parkhill (“SMP”) do not align with the same parameters for SMP’s Residential and General Service < 50 kW classes. Please explain or correct this difference.

6. Costs Beyond Minimum Functionality

General Service > 50 kW Smart Meters

Entegrus states in its Application that Smart Meters would be deployed to GS>50 kW customers for meter reading efficiency purposes.⁵ Entegrus then goes on and lists six benefits.

- a. Did Entegrus develop a cost benefit analysis to assist in deciding on installing smart meters to the GS>50 kW class? If it did develop a study, please submit a copy.
- b. If no study was made, can Entegrus quantify any capital or operating expense reductions related to the six benefits listed realized since it began smart meter deployment to GS > 50 kW customers?

⁵ Application, page 29

7. Smart Meter Model – SMFA SMDR SMIRR

In the Smart Meter Models filed by Entegrus, the utility has relied upon sheet 8B to calculate the interest on OM&A and depreciation/amortization expenses. This is shown by Entegrus selecting cell C37 on Sheet 9. Sheet 8B calculates the interest based on the average annual balance of deferred OM&A and depreciation/amortization expenses based on the annual amounts input elsewhere in the model.

The more accurate and preferred method for calculating the interest on OM&A and depreciation/amortization expense is to input the monthly amounts from the sub-account details of Account 1556, using sheet 8A of the model. This approach is analogous to the calculation of interest on SMFA revenues on sheet 8 of the model.

Entegrus has provided monthly interest, but has selected option 8B. In its Application, Entegrus states that it chose option 8B for simplicity, because of the large number of models.⁶ The use of Sheet 8A or 8B is a selection from a drop-down box on cells C35 and C37 on sheet 9 of each model. Please provide further explanation as to why Entegrus elected to use the sheet 8B approach.

8. Smart Meter Model – General

- a) If Entegrus has made revisions to its Smart Meter Model, Version 2.17 as a result of its responses to interrogatories from Board staff and the Vulnerable Energy Consumers Coalition, please update its proposed class-specific SMDRs.
- b) Similarly, please update the calculation of class-specific SMIRRs.

9. Stranded Meters

Entegrus has stated that it will be removing the stranded meters from rate base in its next cost of service application, which is scheduled for 2016.⁷

- a) Please confirm that Entegrus continues to record depreciation expense on the conventional meters stranded through replacement by smart meters. In the alternative, please explain.
- b) Please provide the estimated net book value of the stranded meters as of December 31, 2015.

⁶ Application, page 28

⁷ Application, page 33