

**Haldimand County Hydro Inc.
2012 Smart Meter Cost Recovery
EB-2012-0272**

Board staff Interrogatories

1. Ref: Application, page 36 – Smart Meter Capital Costs

On page 36 of the Application, Haldimand documents that the installation vendor contract with Olameter expired and that the utility contracted with another third party vendor, Rodan Energy Solutions to continue smart meter deployment.

- a) Why did Haldimand decide not to extend or negotiate a contract with Olameter past the initial contract expiration?
- b) By what process and criteria did Haldimand select Rodan Energy Solutions? Please provide a summary.
- c) Please summarize if the agreement with Rodan Energy Solutions is more costly than, or offers benefits, relative to the initial contract with Olameter.

2. Ref: Application, page 46 – Sync Operator Position

On page 46 of its Application, Haldimand states:

It was also necessary for Haldimand to include a new position of “Sync Operator” in 2012. During the Smart Meter deployment, the Sync Operator functions were completed by three internal positions which caused delays in day to day activities. Some of these Sync Operator functions include the following:

- a) Synchronization between the AMI, the MDM/R, the ODS, and the Harris billing system;
- b) Gatekeeper to critical service order activity that touches the Smart Meter, such as non-communicating meters;
- c) Ensure accuracy of TOU meter data for billing purposes; and
- d) Monitoring and verification that all Smart Meter data has been processed and meets MDM/R requirements.

During the implementation of Smart Meters Haldimand hired a temporary position in its Customer Service department to accommodate some of the backlog of day to day activities as previously noted in this Application. This temporary position ended February 29,

2012 with the creation of the new position, Sync Operator, who was hired March 14, 2012.

- a) What other functions are there of the Sync Operator?
- b) Are all functions of the Sync Operator related to the deployment and operation of installed smart meters and associated systems and TOU customer data and billing?
- c) What operational savings or efficiencies has Haldimand realized, or expect to realize, due to the functions of the Sync Operator. For example, if the Sync Operator is the “[g]atekeeper for service order activity ... such as non-communicating meters”, does this relieve work for Haldimand’s trouble report handling system and reduce customer reports through early identification of possible trouble reports, such as outages? How has Haldimand accounted for any efficiencies and savings in its regular operations?

3. Ref: Sheet 2 “Smart_Meter_Costs” (2.1.1 OM&A Costs)

On sheet 2 of the Residential Smart Meter Model, Haldimand documents OM&A costs for Maintenance of the Advanced Metering Communications Device (“AMCD”) in 2.1.1. The costs have increased from \$69,491 in 2011 to \$106,200 in 2012.

- a) Please explain the increasing costs for AMCD maintenance.
- b) Is the 2012 estimate of \$106,200 a one-time expense or a recurring expense?

4. Ref: Sheet 2 “Smart_Meter_Costs” (2.2.1 OM&A Costs)

On sheet 2 of the Residential Smart Meter Model, Haldimand documents OM&A costs for Advanced Metering Regional Collector (“AMRC”) in 2.2.1. The costs have increased from \$98,370 in 2011 to \$129,523 in 2012.

- a) Please explain the increasing costs for AMRC maintenance.
- b) Is the 2012 estimate of \$129,523 a one-time expense or a recurring expense?

5. Ref: Smart Meter Model – Sheet 2

Haldimand has documented on Sheet 2 a total of \$1,020,828 for OM&A expenses from 2009 to 2012, for Residential customers. For 2012 alone, the OM&A is estimated at \$376,588. For Haldimand’s 18,535 Residential customers, this works out to an incremental OM&A of \$1.69 per month.

- a) Board staff notes that communication expenses for 2009 and 2011 are documented on pages 27 to 29 of Haldimand's Application. Please explain the OM&A expenses documented under "2.5.2 Customer Communication (may include program communication)" for the year 2012.
- b) Please explain the OM&A expenses documented under "2.5.3 Program Management" for each of the years 2010, 2011 and 2012. Also explain why the costs are increasing and whether these are one-time expenses or recurring costs.
- c) Please explain the increasing OM&A expenses under "2.5.5 Administrative Costs" for the period from 2009 to 2012 inclusive. Also explain whether these costs are one-time or recurring.
- d) Please provide a full description of the OM&A expenses documented under "2.5.6 Other AMI Expenses". Please explain whether these are one-time or recurring expenses.

6. Ref: Smart Meter Model – Taxes/PILS Rates

Haldimand has input the following rates for taxes/PILS rates on Sheet 3 row 40, for the years 2006, 2007, 2008, 2009, 2010, 2011 and 2012 and beyond. These are summarized in the following table:

Taxes/PILS							
Year	2006	2007	2008	2009	2010	2011	2012
Aggregate Corporate Income Tax Rate	36.12%	36.12%	33.50%	33.00%	29.79%	28.25%	24.33%
Capital Tax (until July 1st, 2010)	0.30%	0.225%	0.225%	0.225%	0.075%	0.00%	0.00%

Please confirm that these are the tax rates corresponding to the taxes or PILS actually paid by Haldimand in each of the historical years, and that Haldimand forecasts it will pay in 2012. In the alternative, please explain the tax rates input and their derivation.

7. Ref: Managers Summary – Comparison of Average Cost per Smart Meter

On page 21 of the Managers Summary Table 9, Haldimand states Capital Expenditures plus Operating Costs equal \$4,524,821. Board staff notes that the total of sheet 2 for all the class-specific Smart Meter Model is \$4,951,065. Please provide a reconciliation of Table 9 with the total capital and OM&A expenditures from sheet 2 of the filed Smart Meter Models.

8. Ref: Managers Summary – Capital and Operating Expenditures – 2012 (Unaudited Actual)

On page 41 of the Managers Summary Haldimand states \$0 for unaudited actual operating costs for smart meters. Board staff observes that the total OM&A (i.e. operating costs) stated in the Smart Meter Models total \$426,246 for 2012. Please clarify whether Haldimand has spent any money on operating costs up to the time of this Application, and whether the OM&A of \$426,246 is being spent or expected to be spent from June to December of 2012. Please explain.

9. Ref: Managers Summary – General Service 50 to 4999 kW

On page 44 of the Managers Summary Haldimand states \$55,184 was spent on Capital for the General Service 50 to 4999 kW customers. Staff notes the total in the Smart Meter Model for this customer class is \$55,543. Please provide a reconciliation of the costs documented in the Application to the costs on sheet 2 of the General Service 50 to 4999 kW Smart Meter Model.

10. Ref: Application, page 49 – Stranded Meters

On page 49 of its Application, Haldimand states that it “continues to recover these costs by including the net book value of stranded meters in its rate base for rate-making purposes and continues to amortize these stranded meters over the remaining amortization period.” It further states that it will bring forward a proposal for recovery of stranded meters in its next cost of service rates application.

Since Haldimand rebased its rates through a cost of service application for 2010, Haldimand is next schedule to apply for rates through a cost of service rates application for 2014.

Please provide an estimate, by customer class, of the net book value of conventional meters stranded by replacement by smart meters as of December 31, 2013.

11. Ref: Application, pages 6 and 14 and Section 26 – Foregone Revenue Rate Rider

In its Application, Haldimand has requested approval for foregone revenue rate riders to recover six months of foregone SMIRR revenues from May 1 to October 31, 2012. It has provided calculations of these foregone revenue rate riders.

In its decisions with respect to other applications seeking approval for disposition and recovery of smart meter costs, the Board has approved an approach whereby recovery of the foregone SMIRR revenue is recovered through an adjustment to the SMDR rather than through a separate rate rider.¹

Under this approach, the adjusted SMDR is derived as follows:

	Deferred revenue requirement from 2006 to December 31, 2011	
+ _	Simple Interest on Principal of OM&A and Depreciation Expense from 2006 to December 31, 2011	
+	Foregone SMIRR Revenue (May 1, 2012 to October 31, 2012)	SMIRR rate X number of customers (in class) X 6 months
-	SMFA revenues from May 1, 2006 to April 30, 2012	
-		
=	Adjusted deferred revenue requirement to be recovered via SMDR	
	SMDR = Adjusted deferred revenue / (number of customers (in class) X recovery period (number of months))	

This calculation can be done on a class-specific basis, and should be where the SMIRR is class-specific. Board staff has attached a spreadsheet to assist in such calculation.

- a) Does Haldimand agree that this is an alternative approach for keeping the utility whole through the recovery of the foregone SMIRR revenues, and which avoids the need for separate foregone revenue rate riders?
- b) Please use the attached spreadsheet, or a variation of it, to calculate an alternative scenario where by the SMDRs will include the recovery of foregone SMIRR revenues for the period May 1 to October 31, 2012.

12. Ref: Smart Meter Model. Sheets 8A, 8B, and 9

¹ e.g. Decisions EB-2012-0086, Cambridge and North Dumfries Hydro Inc., EB-2012-0187, London Hydro Inc., both issued July 26, 2012

In the Smart Meter Model filed by Haldimand, the utility has relied upon sheet 8B to calculate the interest on OM&A and depreciation/amortization expenses. This is shown by Haldimand 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.

Please explain why Haldimand has used Sheet 8B rather than Sheet 8A for the determination of the SMDR.

13. Ref: Smart Meter Model – Cost Allocation

The design of the Smart Meter Model, Version 2.17, as issued by the Board with Guideline G-2011-0001, assumed a May 1, 2012 effective date and allowed for interest calculations on SMFA revenues and OM&A and depreciation expenses to that date.

Haldimand filed its application on July 18, 2012 and has proposed an effective date of November 1, 2012.

With the SMDR and SMIRR to be implemented later in 2012, it is appropriate that interest charges on the SMFA revenues recorded in the sub-account of Account 1555 – Smart Meter capital costs and on the OM&A and depreciation expenses recorded in sub-accounts in Account 1556 – Smart Meter Operating Expenses be taken into account in the determination of the net deferred revenue requirement to be recovered via the SMDR. It is noted that these interest charges may largely be offsetting and hence that there may be a minimal impact on the SMDRs.

Accordingly, Board staff has revised the model to allow for the interest to be calculated up to the end of any month in 2012, and for this to be factored into the calculation of the uniform SMDR. Board staff has assumed an implementation date of November 1, 2012, and hence interest

should be calculated up to the end of October 2012. The model is labelled as Version 2.17 Haldimand and attached to these IRs.

Haldimand should revise this model to reflect any other adjustments that it feels appropriate as result of responses to interrogatories from Board staff and VECC.

- a) If Haldimand has made revisions to its Smart Meter Model, Version 2.17 as a result of its responses to interrogatories, please update the attached Smart Meter Model V. 2.17 Haldimand for each class.
- b) If Haldimand has made revisions to its Smart Meter Model, Version 2.17 Haldimand as a result of its responses to interrogatories, please update its proposed class-specific SMDRs. Similarly, please update the calculation of class-specific SMIRRs.