



September 5, 2012

Ms. Kirstin Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Re: Smart Meter Prudence Review Application EB-2012-0198

Dear Ms. Walli:

Please find enclosed HHI's response to the Board Staff interrogatories in respect to the application and evidence submitted by Hydro Hawkesbury Inc. ("HHI") for a Smart Meter Prudence Review Application.

This document is being filed pursuant to the Board's e-Filing Services. In order to reduce the carbon footprint, hard copies of these documents will be provided upon request.

Should there be any questions, please do not hesitate to contact me at; 613-632-6689 or michelpoulin@hydrohawkesbury.ca

A handwritten signature in red ink, appearing to read "Michel Poulin", is written over a horizontal line.

Yours truly,
Michel Poulin, General Manager

**Hydro Hawkesbury Inc.
2012 Smart Meter Cost Recovery
EB-2012-0198**

Board staff Interrogatories

1. Ref: Guideline G-2011-001 page 19

On page 19 of Guideline G-2011-0001: Smart Meter Funding and Cost Recovery – Final Disposition (“Guideline G-2011-0001”), issued December 15, 2011, the Board states:

In considering recovery of smart meter costs, the Board also expects that a distributor will provide evidence on any operational efficiencies and cost savings that result from smart meter implementation.

- a. Other distributors have noted that capabilities of smart meters and the associated communications systems can provide information for a utility’s SCADA system and result in earlier detection and response to meter tampering, failures and service disruptions. This should result in better and more efficient maintenance and repair with respect to faults. Is Hawkesbury using, or intent on using, deployed smart meters and communications networks for operational purposes and, if so, does it not expect efficiencies in operations and maintenance as a result? Please explain your response.

HHI’s Response: HHI does not have a SCADA system or any other type of AMI head-end system in place. We communicated with our service provider (Utilismart) to inquire about this capability and we will consider this option if the price is reasonable. At the present time this expense is not budgeted.

- b. Other distributors have also noted cost savings from no longer requiring Residential and General Service < 50 kW customers meters to be read manually. Has Hawkesbury experienced, or expect to experience, cost savings for meter reading from the implementation of

smart meters? Please explain your response and quantify the cost savings.

HHI's Response: We actually have to pay our service provider for monthly reads. Prior to Smart Meter implementation our meter reading cost was averaging \$ 1,752 per month while Smart meter reading costs are \$ 2,160 per month.

2. Ref: Smart Meter Prudence Review Exhibit 1/Tab 1/Schedule 8 – Total Meter Costs

On page 2 of its E1/T1/S8 Hawkesbury has included the following metered cost as summarized in the table below:

Meter	Type of Meter	Quantity	Meter Cost
Residential	Elster	4,803	\$444,335.42
GS<50kW	Elster	578	\$102,765.64
Total		5,381	\$547,101.06

Please explain why the meter costs in the smart meter prudence review add up to \$547,101.06 and not the \$568,701 documented in the model Sheet 2 under "Capital 1.1.1. Smart Meter Costs". If the Smart Meter Model is incorrect, please update.

HHI Response: HHI confirms that the model is correct. E1/T1/S8 should show the following:

Meter	Type of Meter	Quantity	Meter Cost
Residential	Elster	4,803	\$465,935.42
GS<50kW	Elster	578	\$102,765.64
Total		5,381	\$568,701.06

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

Hawkesbury has input the following rates for taxes/PILS 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	18.62%	18.62%	16.50%	16.50%	16.00%	15.50%	15.50%
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 Hawkesbury in each of the historical years, and that Hawkesbury forecasts it will pay in 2012. In the alternative, please explain the tax rates input into the Smart Meter Model, and their derivation.

HHI Response: HHI confirms that its 2006 EDR approved PILs rate was 18.62% and 2010 COS (RRWF) rate was approved as 16.00%, both being the minimum tax rate at that time. HHI has adjusted the other years in accordance with changing tax rate regulations.

4. Ref: Smart Meter Model – Sheet 2, Capital Costs

On Sheet 2 of the Smart Meter Model, under 1.5 “Other AMI Costs Related to Minimum Functionality”, Hawkesbury documents \$30,000 in 2011 under 1.5.3 “Professional Fees” with a capital asset category of “Applications Software”, but a total of \$6,203 for all other categories and years under Other AMI Costs related to Minimum Functionality. Please provide further explanation of the \$30,000 for Professional Fees under this category, including why it represents the majority of costs in this category.

HHI Response: The amount of \$30,000 represents the cost for our MDMR System Readiness done by our service provider EARTH Business Technologies Inc. They were responsible for the whole project therefore explaining the expenditure.

5. Ref: Exhibit 1/Tab 1/Schedule 7, Exhibit 1/Tab 1/Schedule 8/Table A and Smart Meter Model, Sheet 2 – 2012 OM&A

On page 1 of E1/T1/S7, Hawkesbury states that:

HHI has realized all customer awareness and TOU billing expenses in 2011. So no forecast figures are required except for funding for web presentment. This cost would be considered outside of the minimum functionality as specified in Ont. Reg. 425/06. In order to provide

maximum customer support for the Province's TOU initiative, HHI believes that web presentment of TOU meter readings is critical.

On Sheet 2 of the Smart Meter Model, Hawkesbury documents \$958 under 2.5.2 "Customer Communication" for 2012 and \$5,000 under 2.6.3 "Costs for TOU rate implementation, CIS system upgrades, web presentation, integration with the MDM/R, etc.", both for 2012. These are the total OM&A costs shown for 2012.

- a) Board staff interprets E1/T1/S7 as stating that the only OM&A costs documented in the Application past 2011 relate to web presentment. Please confirm or, in the alternative, explain the discussion in E1/T1/S7 quoted above.

HHI's Response: We confirm that the \$5,000 proposed expense is for web presentment as specified in the SM Model on Sheet 2, Line 2.6.3.

- b) The E1/T1/S8/Table documents that the \$5,000 under 2.6.3 for 2012 relates to web presentment. Please explain what OM&A expenses of \$958 under 2.5.2 for 2012 relate to.

HHI's Response: The \$958 expenses are collector's communication fees up to April 30, 2012.

- c) Hawkesbury has included no other OM&A costs for 2012 related to the operation of smart meters and related infrastructure and systems. Does this mean that Hawkesbury has no other incremental OM&A expenses for maintenance and operation of these assets and systems?

HHI's Response: Our understanding was that starting May 1, 2012, all OM&A costs would be considered normal ongoing expenses, therefore recorded in account meter reading expense.

6. Ref: Smart Meter Model, Sheet 8

On sheet 8 of the Smart Meter Model, Board staff observes that SMFA revenues appear to display a bimonthly cyclical pattern, for the period May 2006 to October 2011. Alternative months show a small amount of SMFA revenues recorded, with about 14 X the amount of SMFA revenues in the following month, with SMFA revenues then decreasing to the lower amount and the pattern repeating. Beginning with November 2011, and continuing to May 2012, the SMFA revenues are more level in the range of \$7000 to \$8000 per month, and with a stub amount of \$742 recorded for June 2012.

- a) Please confirm whether the cyclical pattern observed from May 2006 to October 2011 is due to a bimonthly billing cycle. In the alternative, please explain the cyclical pattern.

HHI's Response: Yes, we were billing bi-monthly.

- b) Please explain the change beginning with November 2011 billing. Is Hawkesbury now billing all (metered) customers on a monthly basis?

HHI's Response: Yes, we are billing monthly since November 2011.

- c) If Hawkesbury has changed from bimonthly to monthly billing, is this related to the deployment and operationalization of smart meters or TOU pricing? Please explain.

HHI's Response: Yes it is mainly due to smart meter implementation since we are now paying monthly fees to have our meters read, and also we wanted to have a better control of our collection process.

Note: No other SMFA revenues to be recorded since the SMFA ended on April 30, 2012

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

In the Smart Meter Model filed by Hawkesbury, the utility has relied upon sheet 8B to calculate the interest on OM&A and depreciation/amortization expenses. This is shown by Hawkesbury 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 Hawkesbury has used Sheet 8B rather than Sheet 8A for the determination of the SMDR.

HHI's Response: HHI has amended the model to use Sheet 8A.

8. Ref: Smart Meter Model, SMDR Cost Allocation, Exhibit 1/Tab1/Schedule 9 and Exhibit 1/Tab 1/Schedule 10

Hawkesbury has added two additional sheets to the end of the Board-issued Smart Meter Model, Version 2.17. These sheets are “SMDR Cost Allocation” and “SMIRR Cost Allocation”. In E1/T1/S9 and E1/T1/S10, Hawkesbury explains that these are added to calculate class-specific SMDRs and SMIRRs, based on a methodology employed by Guelph Hydro in its draft Rate Order filing in its 2012 cost of service application EB-2011-0123; Board staff observes that this methodology was accepted by the Board and has been used subsequently in calculating SMDRs and SMIRRs in smart meter applications.

However, Board staff observes that, in deriving the SMFA revenues in rows 26 to 37 of sheet “SMDR Cost Allocation”, Hawkesbury has only shown the SMFA revenues for the Residential and GS < 50 kW customers classes, using a direct allocation to determine SMFA revenues per class. Board staff observes that the total of SMFA revenues and interest on principal of \$317,224.07 corresponds with the total shown on Sheet 8.

The methodology accepted by the Board in PowerStream’s smart meter application EB-2011-128, and in Guelph Hydro’s 2012 cost of service application EB-2011-0123 and in subsequent smart meter applications also entails allocating SMFA revenues and interest collected from other metered customer classes (e.g. GS > 50 kW) equally to metered customer classes receiving smart meters. In this case, it would entail a 50:50 allocation to the Residential and GS < 50 kW classes for the purposes of determining the SMFA revenue offsets for class-specific SMDRs.

Please provide further explanation of how Hawkesbury’s methodology on “SMDR Cost Allocation” has taken into account and allocated the SMFA revenues and associated interest received from meter customer classes other than Residential and GS < 50 kW.

HHI's Response: HHI has amended the model to calculate the amount collected from GS>50 and apply the 50:50 allocation.

9. Ref: Smart Meter Model, Sheet 8 and Application, Exhibit 1/Tab 1/Schedule 9 and Exhibit 1/Tab 1/Schedule 10 – Cost Allocation

The design for 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.

Hawkesbury filed its application on July 16, 2012 and has proposed an effective date of September 1, 2012. However, the standard timelines for such a process will not allow a decision and rate order to be issued in time for a September 1, 2012 implementation.

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 be taken into 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 on 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 V[ersion] 2.17HHI.

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

- a) If Hawkesbury has made revisions to its Smart Meter Model, Version 2.17 as a result of its responses to interrogatories, please update its proposed class-specific SMDRs.

HHI's Response: HHI has used the Boards amended model to recalculate the SMDR amounts.

b) Similarly, please update the calculation of class-specific SMIRRs.

HHI's Response: HHI has used the Boards amended model to recalculate the SMIRR amounts.

Additional Note: HHI acknowledges that Board staff recognizes the later filing date possibly being November 1, 2012. HHI is aware Board staff is recommending in other smart meter disposition proceedings the recognition of deferred SMIRR to correspond with April 30, 2014 termination date of the SMIRR rate rider in HHI's cost of service proceeding.

HHI hereby proposes that the Board allow the collection of deferred SMIRR for the 6 months starting May 1, 2012 and ending October 1, 2012. HHI is proposing the following amount be used to reduce the SMDR.

Lost Revenue (SMIRR) May 1 to October 31, 2012		
	Residential	GS < 50 kW
SMIRR	\$ 1.39	\$ 2.46
Customers	4,803	578
Monthly	\$ 6,662.93	\$ 1,424.76
6 Month	6	6
Deferred SMIR	\$ 39,977.59	\$ 8,548.55

This will change the SMDR calculation as follows:

TOTAL REVENUE REQUIREMENT	\$150,715.89	\$150,715.89	\$124,144.82	\$26,571.07
	Percentage of costs allocated to Residential and GS < 50 kW customer classes	100.00%	82.37%	17.63%
Revenue Generated from Smart Meter Funding Adder	\$317,224.07			
Revenues Generated from SMFA	\$317,224.07		\$ 281,190.39	\$ 36,033.68
Net Deferred Revenue Requirement	-\$166,508.18		88.64%	11.36%
Deferred SMIRR 6 Months (May 1 to Oct 31 2012) times SMIRR times # of Customers			\$ 39,977.59	\$ 8,548.55
	Allocated per Class	-\$117,982.05	-\$117,067.98	-\$914.07
	Number of Metered Customers (2012)		4,803	578
	Smart Meter Disposition Rate Rider		-\$1.35	-\$0.09

HHI therefore proposes the following:

Hydro Hawkesbury Inc.
 Application for 2012 Smart Meter Cost Recovery
 EB-2012-0198
 Board staff Interrogatories
 August 24, 2012

Rate Class	SMDR		SMIRR
	18 Month Recovery		
Residential	(\$1.35)		\$1.39
General Service Less than 50 kW	(\$0.09)		\$2.46

The proposed SMDR is effective November 1, 2012 and terminates after 18 months on April 30, 2014.