

September 11, 2012

Ontario Energy Board
PO Box 2319
2300 Yonge St
Toronto, ON M4P 1E4
Attn: Board Secretary

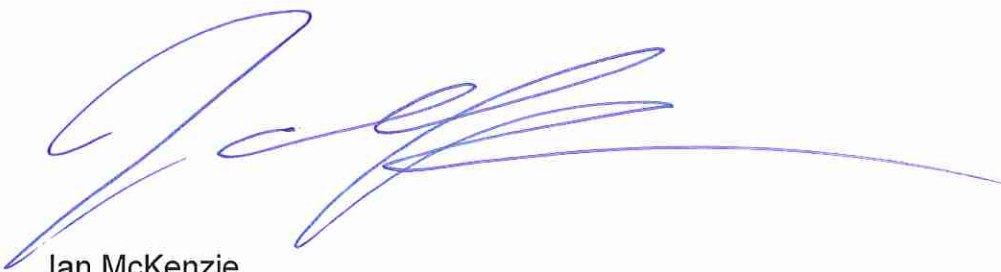
**RE: Brant County Power Inc. (BCP) – Disposition of Smart Meter Variance
Accounts EB-2012-0265**

Please find attached responses to Board Staff interrogatories.

Please note, a complete response to IR #14 was not available for this filing and will be submitted at a later date, as referenced in our IRR.

If you have any questions, please do not hesitate to contact me directly.

Sincerely,



Ian McKenzie
Director of Finance and Regulatory Affairs

Brant County Power Inc.
2012 Smart Meter Cost Recovery
EB-2012-0017

Board Staff Interrogatories

In the Board's Notice of Application and Hearing for an Electricity Distribution Rate of Brant County Power Inc. ("BCPI"), August 14, 2012 was set as the deadline for interrogatories to BCPI. The following are Board staff's interrogatories.

1. Letters of Comment

Following publication of the Notice of Application, the Board has received no letters of comment to date.

- a. Please confirm whether BCPI has received any letters of comment, and if so, please file a copy of the letters of comment.
- b. Please confirm whether a reply was sent from BCPI for each. If confirmed, please file the reply with the Board. Please ensure that the author's contact information except for the name is **redacted**.
- c. If not confirmed, please explain why a response was not sent and confirm if BCPI intends to respond.

Response:

Brant County Power did not receive any letters of comment

2. Audited Balances

Please confirm that the 2011 balances used in the Smart Meter Model V 2.17 (the "Model") are the approved December 31, 2011 Audited Balances.

Response:

Yes, the costs included in the Smart Meter Model reconcile to the 2011 Trial Balance which reconciles to the Audited Statements.

3. Budget Variances

BCPI is reporting on Tab 2: *Smart Meter Costs* of the Model that 100% of the smart meters are installed. Please provide a table showing budget vs. actual costs for the smart meter programme, broken into the components as recorded in Tab 2.

Response

Actual costs were provided in Tab 2 as referenced. As the reporting standards were not available prior to budgeting, installation and procurement the requested budget by component is not available. BCP has provided our bottom line budget in an effort to provide the information requested.

Brant County Summary	Number of Meters	Total Capital	Average Capital Per Meter	Cost of Capital	15 Year Operating Costs	Average O&M Per Meter Per Month	Total Costs	Average Total Price Per Meter
Option 2	9,681	\$1,211,627.49	\$125.16	\$664,299.70	\$755,982.20	\$0.43	\$2,631,909.39	\$271.86

4. Smart Meter Entity

Are there any costs incurred that are associated with functions for which the Smart Meter Entity ("SME") has the exclusive authority to carry out pursuant to O. Reg. 393/07? If so please provide the bases on which recovery of those costs is allowed under applicable law associated with the SME.

Response

Not to the knowledge of Brant County Power.

5. Smart Meter Model – Smart Meter Capital Costs

BCPI recorded its capital expenditures on smart meters in Tab 2; *Smart Meter Costs* of the Model. Line items 1.5.3 *Professional Fees* and 1.5.5 *Program Management* are classified as Tools and Equipment which has an amortization period of 5 years as indicated in Tab 3; *Cost of Service Parameters*. The Amortization Rate for Smart Meters is 15 years.

- a. Please explain why these overhead costs to the smart meter program are not proposed to be amortized similar to the installation costs, which is over the life of the smart meters.

On page 1 of the Application, BCPI states that 9,570 smart meters had been installed as of April 30, 2012 and that approximately 40 remain to be installed. In the Model BCPI recorded 9,612 smart meters as installed by the end of 2012.

- b. Are all the smart meters now installed?
- c. If all the smart meters are installed, does the model accurately reflect the counts and costs? If not please update the model.

Response

- a. This was due to other tools and equipment being amortized over 5 years, this has been adjusted in the revised smart meter model attached to these IRRs.
- b. All smart meters are now installed.
- c. The costs in the model are accurate and have not been revised for this IR.

6. Smart Meter Model – Smart Meter OM&A Costs

BCPI recorded its OM&A costs for smart meters in Tab 2; *Smart Meter Costs* of the Model. Board staff notes that maintenance costs for the AMC were recorded in 2009, while the installations of smart meters did not start until 2010.

- a. Please explain the apparent discrepancy.

BCPI has recorded software maintenance costs in 2006.

- b. Please explain this early expense.

BCPI has recorded O&M related Program Management expenses as early as 2006. While it is understandable that a distributor would incur costs prior to installation for Program Management, Board staff would like to know the following:

- c. What is the nature of these expenses?
- d. Are these expenses incremental to the expenses set in BCPI's forecasts, and therefore not in BCPI's previous revenue requirements?
- e. Are any of these costs of a capital nature?

Response

- a. While BCP started installing Smart Meters in 2010, the network and infrastructure to communicate was required to be operations before meter roll-out. This is the reason for the discrepancy noted.
- b. The costs referenced were for initial consulting from our software vendor to ensure BCP has the required functionality for the Smart Meter Program
- c. All referenced expenses relate to outside vendor consulting activities. This was to assist BCP in procurement and functionality of the Smart Meter network / process.
- d. The costs were all incremental to BCP's rate setting forecasts and not recovered through distribution rates
- e. The costs outlined in 2006 were capital in nature and were reversed in 2007 (i.e. 2007 costs in the model are lower than actual expenditures). These costs were moved to capital in 2007 as discussed above.

7. Smart Meter Model – Interest and Return on Equity

The Interest and Return on Equity in Tab 3; *Cost of Service Parameters* are to represent the costs that underpin the rates that were in effect for the respective periods from 2006 to 2012 inclusive. Board staff was unable to confirm some of the values that BCPI has input into the Model. Board staff notes that BCPI did not file a 2nd Generation IRM application for rates effective May 1, 2008. As such, the capital structure and allowed debt and equity are expected to be as those found for BCPI in its 2006 EDR application as found in the 2006 column on Tab 3.

- a. If Board staff has misunderstood the status of BCPI's 2008 rates, please explain. Otherwise, please correct the 2008 interest rates.

For 2009 and 2010, BCPI shows that it had a short term debt component at a rate of 1.33% and 2.07% respectively. Given that BCPI had not rebased since the setting of rates in 2006, it is Board staff's understanding that all of BCPI's debt was deemed long term at 6.25% for these years.

- b. Please explain the long term debt component, or override the model by setting the 4% short term debt to the 6.25%

In 2011, BCPI rebased its rates, and the Board approved a long term debt rate of 5.32%.

- c. Please explain the use of a long term debt rate of 5.13% or correct the input to the Model.

BCPI has approved 2012 rates determined through the 3rd Generation IRM process. The approved capital structure and costs underpinning those rates would be those approved in BCPI's most recent cost of service application, which was 2011.

- d. Please provide a reason for the rates found in Tab 3 for 2012, or in the alternative, please correct them.

Response

- a. BCP has corrected the model as requested
- b. BCP has corrected the model as requested
- c. BCP has corrected the model as requested
- d. BCP has corrected the model as requested

	2006	2007	2008	2009	2010	2011	2012
Federal Tax	528,310	523,260	411,574	(72,575)	45,276	307,446	
Provincial Tax	336,905	331,177	296,405	-	32,679	105,151	
Taxable Income	2,406,462	2,365,349	2,117,179	(199,997)	251,538	1,226,028	
Tax Rate	35.95%	36.12%	33.44%	36.29%	30.99%	33.65%	33.65%
Note: for 2009 BCP does not have a break out between federal and provincial tax values.							
Note: for 2012 we have used 2011 as a proxy for 2012							

9. Costs Beyond Minimum Functionality

BCPI has not identified any costs beyond minimum functionality. The Board states the Guidelines at page 17:

"Costs for CIS systems, TOU rate implementation, etc. are beyond minimum functionality..."

and

"Costs for other matters such as CIS changes or TOU bill presentment may be recoverable, but the distributor will have to support these costs and will have to demonstrate how they are required for the smart meter deployment program and that they are incremental to the distributor's normal operating costs."

- a. If applicable, please state the level of, and describe the costs incurred, beyond minimum functionality making specific reference to MDM/R, web presentment, CIS changes, TOU rates, business process changes, training and customer education costs.
- b. Please state how these costs are required for BCPI' smart meter programme, and how they are incremental to BCPI's normal course of business.
- c. Please restate the unit costs provided on page 2 of the Application, separating the minimum functionality costs and state the incremental costs beyond minimum functionality as a separate unit cost. If the costs provided on page 2 of the Application are not final 2012 costs as found in 5 c. above, please update the unit costs.
- d. What is the annual impact on OM&A for beyond minimum functionality?

Response

BCP has capitalized approximately \$14,000 worth of TOU and web presentment in 1555 and has recorded approximately \$17,000 of O&M costs relating to CIS implementation. These costs were incremental to BCPs normal business functions. These costs would not have been incurred if not for the Smart Meter program and were not included in the operating budget.

Capital and Operating Unit Cost per Installed Meter

- Number of Installed Meters - 9,612
- Capital Costs
 - Advanced Metering Communication Device (AMCD) = 1,134,603 or \$118.04/meter
 - Advanced Metering Regional Collector (AMRC) = \$228,714 or \$23.80/meter
 - Advanced Metering Control Computer (AMCC) = \$177,267 or \$18.44/meter
 - Other AMI Capital Costs = \$114,293 or \$11.89/meter
 - Total AMI costs = \$1,654,878 or \$172.17/meter
 - Costs Beyond Minimum Functionality = \$14,000 or \$1.46 /meter
 -
- OM&A Expenses
 - Advanced Metering Communication Device (AMCD) = 121,541 or \$12.65/meter
 - Advanced Metering Regional Collector (AMRC) = \$40,951 or \$4.26/meter
 - Advanced Metering Control Computer (AMCC) = \$20,823 or \$2.17/meter
 - Other AMI Capital Costs = \$95,292 or \$9.914/meter
 - Total AMI costs = \$278,607 or \$38.99/meter
 - Costs Beyond Minimum Functionality = \$17,000 or \$1.77/meter

10. Customer Repairs

The Board in the Guidelines stated:

"The actual costs for materials and parts to repair or replace any customer-owned equipment should be expensed and also tracked separately in a different sub-account of the Smart Meter OM&A Variance Account 1556 until disposition is ordered by the Board following a review for prudence of the smart meter costs. As the meter base remains the property of the customer, the Board determined that it would not be appropriate to have it form part of the distributor's rate base."

- a. Please state the total costs of any repairs or replacements of customer-owned equipment.
- b. Are there any meter bases included in these costs? If so, please state the total amount.
- c. Please confirm that these costs were recorded in a different sub-account of the Smart Meter OM&A Variance Account 1556.

Response

BCP did have immaterial customer owned equipment repairs. BCP repaired damage to 2 properties relating to siding damage from the Smart Meter change out.

BCP also had to perform repairs to 4 customers meter bases (emergency situations).

In total, these costs totalled approximately \$5,000.

These costs are not contained in a separate sub-account of 1556.

11. Smart Meter Model – Funding Adder Revenues

BCPI has provided the interest rates for the deferral and variance accounts on Tab 8; *Funding Adder Revenues* of the Model. BCPI has not included interest for 2012. BCPI is proposing an effective date of November 1, 2012.

- a. Please explain why BCPI is not proposing to calculate interest on the collected revenues from the Smart Meter Funding Adder ("SMFA") up to the October 31, 2012. In the alternative, please update the Model.
- b. Did BCPI stop billing its SMFA on April 30, 2012?
- c. Please update the Model to include any further SMFA revenues and related interest, if BCPI did not stop billing on April 30, 2012.

Response

- a. BCPI is not proposing to not collect interest over this period. The OEB model is locked for editing and we can't change the rates contained within the model
- b. No, our model has recoveries until the end of October 2012 in Tab 8.
- c. All revenues are included and as stated in IRR a) above the locked editing function of excel does not allow the requested change.

12. Smart Meter Model – SMFA SMDR SMIRR

On Tab 9; *SMFA SMDR SMIRR* of the Model there is an elective to choose between using sheet 8A which is populated with monthly interest, and sheet 8B which is quarterly interest, in the lack of availability of monthly interest. BCPI has provided monthly interest, but has selected option 8B. Please explain this selection, or correct the selection.

Response

BCP can't locate where we provided monthly interest in the Smart Meter application. BCP utilized option 8b for interest as we did not populate the expense side of the interest equation on a monthly basis, only the revenue side in Tab 8 is on a monthly basis.

The expense data is not readily available in the components required by the OEB model on a monthly basis, so the annual interest option was elected. No model changes have been performed as part of this IR.

13. Smart Meter Model – General

Board staff has addressed a number of concerns in the above set of interrogatories which may require revising the Model. If any of these questions results in changes to the inputs to the Model please update and re-file its Model in working Microsoft Excel format.

Response

Revised model attached.

14. Tables 3 and 4 – Rate Riders

BCPI states that it does not have sufficient data to calculate class specific rate riders. In the PowerStream Smart Meter Decision, the Board recognized that, as there would be significant differing costs in different customer classes, the principle of cost causality would support class-specific cost recovery.¹ This recognition was in large part due to the costs of the meters themselves, and to the extent that accurate data was available from the utility's records. To this end, the Board's guidelines have indicated that a utility is expected to address the allocation of costs in its application seeking the disposition of smart meter costs recorded in accounts 1555 and 1556.² Further, in recent decisions, the Board has reviewed and approved the evolution of approaches for calculating class-specific rate riders.

Costs are determined by class in the PowerStream methodology by:

- Allocating the return and depreciation based on customer weighted smart meter costs;
- Allocating the OM&A based on the number of meters; and
- Allocating PILs based on the allocated revenue requirement before PILs.³

To calculate the Smart Meter Disposition Rider ("SMDR") the revenues by class can be determined. Revenues from the classes other than residential and GS<50 kW can be allocated on a per meter basis to the residential and GS<50 kW classes to determine the SMDR.

- a. Please calculate class specific rate riders.

BCPI has stated in its transmittal letter that it is requesting a Smart Meter Incremental revenue Requirement ("SMIRR") rider for one year. The SMIRR is intended to be a rider to compensate the distributor for the incremental costs it incurs from having installed and operate smart meters until the distributor can include smart meters and related costs in its next costs of service application. BCPI is not scheduled to rebase through a cost of service application until 2015.

¹ *PowerStream Smart Meter Decision; EB-2011-0128, November 21, 2011*

² *Guideline G-2008-0002: Smart Meter Funding and Cost Recovery*, issued October 22, 2008. On December 15, 2011, the Board issued *Guideline -2011-0001: Smart Meter Funding and Cost Recovery – Final Disposition* Thunder Bay Hydro Distribution Inc. used Smart Meter Model, Version 2.17, and prepared its application considering recent Board decisions on smart meter cost disposition and recovery.

³ *PowerStream Decision EB-2011-0128*

- b. Please explain why BCPI only intends the SMIRR to be in effect for one year.

Response

- a. BCP was not able to complete the requested customer specific rate derivation by the deadline outlined in the Decision and Order. These will follow as soon as they are available.
- b. It was BCP's understanding that this was a re-occurring annual rate rider that would be re-approved until CoS rebasing. The SMIRR should be in place until our rebasing in 2015. Sorry for the confusion.

15. Stranded Meters

BCPI states on page 3 that it plans to deal with adjustments to its assets for regulatory purposes in its 2015 CoS application. Please provide BCPI's estimate of the NBV of stranded meters as of December 31, 2011 and the respective unit costs.

Response

Please see estimated calculations below.

2011 Audited Financial Results	
2011 Meter Asset Values	
Cost	1,456,198
Accumulated Amortization	613,188
Net Book Value	843,010
2011 Metered Customer Count	
	9,740
NBV unit cost / meter	\$ 86.55
# of Deployed Smart Meters	
	9570
Estimated NBV of Stranded Assets	\$ 828,296