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BY EMAIL

October 10, 2012
File No. 1019261050

Kirsten Walli
Board Secretary
Ontario Energy Board
Yonge-Eglinton Centre
P.O. Box 2319
2300 Yonge Street, Suite 2700
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Draft Issues List
EB-2012-0100/EB-2012-0211**

On behalf of the SME, we enclose a mark-up of the draft issues list provided in Appendix A to Procedural Order No. 4 showing changes suggested by the SME. The rationale for each of the changes suggested by the SME is set out below.

- The SME proposes that issues 1.1 and 1.2 be consolidated into a single review of all MDM/R costs.

The SME's initial application did not present costs as either OM&A or capital; rather MDM/R costs were categorized based on the phase of MDM/R to which they related. In response to the Board's May 18, 2012 letter, the SME filed Supplemental Pre-Filed Evidence that distinguishes between OM&A and capital costs for each phase. As detailed in that filing, Phase 2 consists of capital costs, while Phases 1, 3 and 4 are predominantly OM&A costs. Other costs identified in the application are a mix of capital and OM&A.

The SME believes that a review which considers costs by project phase would be the most efficient approach for dealing with this application. The SME proposes that the Board review the costs on a phase-by-phase basis that will allow it to consider all of the costs, whether classified as capital or OM&A, for each phase (as opposed to treating OM&A and capital costs as separate issues). Further, as the SME is not seeking to earn a return on rate base, a precise distinction between OM&A and capital costs is not required for rate-making purposes.

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- The SME has revised the language of the former issue 1.5(a) (issue 1.4(a) under the SME suggested revisions) in a manner that more precisely reflects the proposed rate design in the application.

Yours truly,


Patrick G. Duffy

PGD/mas
Encl.

cc: Registered Intervenors
Brian Rivard, *IESO*
Paula Lukan, *IESO*

EB-2012-0100/EB-2012-0211

DRAFT ISSUES LIST¹

SME APPLICATION FOR SMART METERING CHARGE

1.0 SMART METER COSTS

1.1 ~~OM&A Costs~~ MDM/R Costs

- (a) Are the 2006 to 2011 ~~OM&A~~ costs proposed to be recovered by the SME reasonable and appropriate?
- (b) Are the forecast 2012 to 2017 ~~OM&A~~ costs proposed by SME reasonable and appropriate?

~~1.2 Capital Costs~~

- ~~(a) Are the 2006 to 2011 capital costs proposed to be recovered by the SME reasonable and appropriate?~~
- ~~(b) Are the forecast 2012 to 2017 capital costs proposed by SME reasonable and appropriate?~~

~~1.3~~ 1.2 Financing Costs

- (a) Are the SME's proposals for financing reasonable and appropriate?

~~1.4~~ 1.3 IESO/SME Cost Allocation

- (a) Have shared OM&A, Capital and Financing costs with the IESO been appropriately allocated to the SME?

~~1.5~~ 1.4 Automatic Rate Adjustment

¹ Note that this Draft Issues List relates only to the application by the SME for an order approving a monthly Smart Metering Charge, an annual automatic adjustment mechanism and a variance account. It does not relate to the allocation and recovery of the SMC or to the SME/LDC Agreement.

- (a) Is the SME's proposal to recover ~~an average of its actual and proposed costs from 2006 to 2017~~ forecasts costs equally from all Residential and General Service <50kW Customers for the period July 1, 2012 to December 31, 2017 reasonable and appropriate?
- (b) Is the SME's proposal for an annual automatic adjustment to update the billing determinant with the annual changes in the number of Residential and General Service <50kW Customers listed in the OEB Electricity Distributor Yearbook reasonable and appropriate?
- (c) What other adjustment mechanisms, if any, should be considered?

1.61.5 Miscellaneous Matters

- (a) Is the SME's proposal to establish a variance account for changes in the SME costs or revenue surplus reasonable and appropriate?
- (b) Is the SME's proposal regarding service level credits reasonable and appropriate?