

October 19, 2012

Kirsten Walli
Board Secretary
Ontario Energy Board
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Your reference
EB-2012-0100 /
EB-2012-0211

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Dear Ms. Walli:

**Approval of the SME/LDC Agreement
EB-2012-0100/EB-2012-0211**

Please find enclosed the Electricity Distributors Association's Evidence with respect to the above-referenced matter.

Please do not hesitate to contact me should you have any questions or concerns.

Yours very truly,

Original signed by

Richard King

RK/mnm

Enclosure

Cop(y/ies) to: All parties to EB-2012-0100/EB-2012-0211

DOCSTOR: 2541017\1

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ELECTRICITY DISTRIBUTORS ASSOCIATION EVIDENCE
RECOVERY OF SMART METER CHARGE IN DISTRIBUTION RATES

Introduction

The Electricity Distributors Association (“EDA”) represents the interests of 75 licensed local distribution companies (“LDCs”) in Ontario. This evidence is filed in accordance with item 3 of the Board’s Procedural Order No. 4 in this proceeding, issued on October 1, 2012.

Recovery of SMC in Distribution Rates

As noted at Exh. C/2/1, para. 73 of the pre-filed evidence of the Smart Metering Entity (“SME”) in this proceeding, LDC representatives have worked with the SME on the appropriate rate structure for the Smart Metering Charge (“SMC”). As a result, the SME has brought forward its proposal to recover the costs of the SME by way of a monthly charge per Residential and General Service <50kW customer. These are the end-use customer classes that utilize smart meters and the meter data management/repository (“MDM/R”).

The SME’s pre-filed evidence sets out four criteria underpinning the SME’s proposal to recover its costs by way of a “per customer” charge. These are: simplicity, stability, fairness and efficiency (Exh. C/2/1, para. 74). On the basis of these same criteria, the EDA is proposing that LDCs be permitted to recover its costs remitted to the SME on the basis of a monthly charge per Residential and General Service <50kW customer:

- **Simplicity:** A monthly customer charge for Residential and General Service <50kW customers is simple for customers to understand and for LDCs to administer.
- **Stability:** The proposed SMC to be levied on LDCs is based on the total number of Residential and General Service <50kW customers listed for the LDCs as published in the 2010 OEB Electricity Distributor Yearbook (Exh. C/3/1, para.79). A corresponding pass-through of the SMC on a “per customer” basis by each LDC will ensure that an LDC’s costs and revenues associated with MDM/R are closely matched. This provides revenue and cash flow stability for the LDC, and therefore rate stability for the customer.

- 1 ▪ Fairness: As noted in the SME's pre-filed evidence, the SME's costs are common rather
2 than direct, with costs not varying due to number of meters or usage levels (Exh. C/2/2,
3 para. 74(c)). Thus, the SMC is levied on the basis of an equal sharing of the SME's costs
4 by end-users of the MDM/R (i.e., Residential and General Service <50kV customers).
5 This principle of equal sharing of costs among end-users provides a sound basis for
6 LDC's passing on such costs on the same basis (i.e., a monthly, per customer charge to
7 Residential and General Service <50kW customers).
- 8 ▪ Efficiency: The proposed SMC would be levied on the basis of Residential and General
9 Service <50kW customers in each LDC service area, regardless of the actual date on
10 which service commences. As explained in the SME's pre-filed evidence, this would
11 ensure that there are no incentives or disincentives to begin utilization of the MDM/R
12 (Exh. C/2/2, para. 74(d)). As noted, this aspect of the proposed SMC rate structure was
13 responsive to concerns of the LDCs, and is consistent with the Board's allowance of a
14 preliminary smart metering rate adder.

16 Implementation

17 If the Board were to approve the EDA's proposal for LDCs to levy the SMC as a monthly charge
18 on each LDC's Residential and General Service <50kW customer, this would be implemented by
19 way of a generic rate order applicable to all LDCs in the province in the same manner as other
20 generic charges (e.g., Rural or Remote Rate Protection). The monthly LDC charge should be
21 made effective on the same date and at the same level as the SMC charge to be levied by the
22 SME.

24 Exception Application

25 Although the EDA has consulted with its membership in relation to the subject matter of this
26 proceeding and the proposed methodology for collecting an LDC's SME costs from its
27 customers, it may be that an LDC wishes to bring forward an application to recover such costs in
28 a manner different than that proposed by the EDA in this evidence. Thus, notwithstanding the
29 EDA's proposal to have a generic rate order applicable to all LDCs be the mechanism to
30 implement the LDC's recovery of its SME costs, the EDA acknowledges that an individual LDC

1 would not be precluded from making an application to the Board to propose an alternative
2 mechanism for recovery of its SME costs.

3
4 Deferral Account

5 An LDC's actual SME costs may vary from its revenues collected from Residential and General
6 Service <50kw customers (e.g., due to changes in customer numbers). Thus, each LDC will
7 either be over- or under-collecting revenue in respect of SME costs incurred on its monthly
8 invoices from the IESO. Consequently, as part of the generic rate order noted above, the EDA is
9 seeking Board approval for the establishment of a deferral account for each LDC to record the
10 over- or under-collection of SME costs.