Northern Ontario Wires Inc. ("NOW")
Smart Meter Cost Disposition and Recovery Application (the "Application")
EB-2012-0353

Board Staff Interrogatories

1. Ref: *Guideline G-2011-0001: Smart Meter Funding and Cost Recovery – Final Disposition* ["Guideline G-2011-0001"], issued December 15, 2011

Section 3.5 of Guideline G-2011-0001 states that a utility must file a copy of the letter from the Fairness Commissioner attesting that the utility complied with the London Hydro RFP process to become authorized for discretionary metering activities (i.e. deployment of smart meters). Please file a copy of the letter from the Fairness Commissioner addressed to NOW.

2. Ref: Exhibit 1/Tab 1/Schedule 5, pages 1-2 – Stranded Meter Costs

On page 1 and 2 of the Application, NOW states that stranded meter costs will be dealt with in its next cost of service application for 2013 rates. NOW also states that it no longer books depreciation expense on the majority of these meters effective 2010.

a) The conventional meters that have been stranded by conversion to smart meters were reflected in NOW's rate base and revenue requirement in its previous cost of service rates application for 2009 rates [EB-2008-0238]. NOW's distribution rates in 2009 and subject to price cap adjustments in subsequent years are presumed to earn a return on and depreciation of these stranded meters. Please explain NOW's basis for no longer booking depreciation expense on these stranded meters.
b) Please provide NOW's estimate of the net book value of the stranded meters as of December 31, 2012.

3. Ref: Exhibit 1/Tab 1/Schedule 6, page 1 – Costs Beyond Minimum Functionality

On page 1 of the Application, NOW provides a table showing the number of smart meters installed per rate class as of July 2012. Included in the table are a total of 4 smart meters installed for the GS > 50 kW rate class as of July 2012. NOW states that the smart meters for the GS > 50 kW rate class are being installed as the conventional meters become problematic and require replacement, and that it is unable to provide forecast numbers for this rate class.

In other Applications considered, or being considered, by the Board, some distributors that have sought to recover costs for the installation of smart meters for the GS > 50 kW class. In many of these cases, Board staff observes that the utilities are replacing interval meters with updated meters that will be able to communicate a customer's interval data using the deployed AMI network; interval meters are typically replaced when they need repair or replacement or upon re-sealing.

a) Please provide details on how the conventional meters for the GS > 50 kW rate class have become problematic and require replacement.
b) What are NOW's plans with respect to the replacement of meters for GS > 50 kW customers with smart meters or meters that can take advantage and communicate with NOW's AMI infrastructure.
c) While NOW has commenced deployment of smart meters to the GS > 50 kW class, it has only proposed to recover the costs from Residential and GS < 50 kW customers. Please provide NOW's explanation for proposing recovery of the costs of these GS > 50 kW smart meters and their operation, from Residential and GS < 50 kW customers.

4. Ref: Exhibit 1/Tab 1/Schedule 8, page 3 & 4 – Annual Security Audit

On page 3 and 4 of the Application, NOW provides a description of its annual security audit as well as the procurement process used to select an audit partner. NOW states that the audit was contracted as a two year term with 32 participating LDCs leveraging cost savings by sharing the costs and results of the audit amongst the LDCs. NOW further states that the project is entering year two, and that going forward NOW has budgeted for an annual security audit.

a) Please provide the budgeted amount for the annual security audit for 2012.
b) Please confirm whether or not the budgeted amount has been included as part of the costs reported in the Smart Meter Model. If so, please indicate where this is included on sheet 2 of the Smart Meter Model.

5. Ref: Exhibit 1/Tab 1/Schedule 8, page 4 – Program Management, Business Process Re-design and Integration with MDM/R

On page 4 of the Application, NOW states:

> NOW, along with the rest of the District 9 group, continued to receive consulting support from Utilassist [sic] throughout 2010, receiving a series of education sessions covering the MDM/R design specifications, meter read data, VEE and other billing processes, and the design of a

testing/cutover strategy and integration with the IESO's MDM/R process and systems.

On Sheet 2 of the Smart Meter Model, NOW has not indicated any Business Process Redesign OM&A expenses (item 2.5.1).

a) Please confirm whether or not NOW has incurred any costs for business process redesign to date.
b) Please indicate where on sheet 2 of the Smart Meter Model the costs for the services provided by Util-Assist.

6. Ref: Guideline G-2011-0001, page 19

On page 19 of the Board's Guideline: Smart Meter Funding and Cost Recovery – Final Disposition (G-2011-0001), the Board states:

> In considering the 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.

Board staff notes that NOW has not provided any discussion of operational efficiencies and cost savings that have been achieved to date. In many smart meter cost recovery applications considered, or being considered by the Board, the distributor has noted meter reading savings as a result of the smart meter deployment.

a) Please provide an estimate of any meter reading savings that have resulted from the deployment of smart meters to date.
b) Please provide a reconciliation accounting of how those savings have been accounted for in the costs documented in this Application, if applicable.

7. Ref: Exhibit 1/Tab 1/Schedule 8, pages 5-6 – Web Presentment

On page 5 and 6 of the Application, NOW states:

> The Ministry of Energy and Infrastructure has indicated that customers should ideally have web access to their consumption data with which to make informed decisions about future usage as part of a utility's rollout of TOU pricing. In 2011 NOW Inc. performed some preliminary investigation into the web presentment solutions available and plans to implement a solution in late 2012 or early 2013. NOW Inc. has included the cost of a web presentment solution [in] its smart meter OM&A forecasts for 2013.

Board staff notes that no forecasted costs for 2013 are documented in NOW's Smart Meter Model. Please provide the forecasted costs of a web presentment solution for 2013.

8. Ref: Exhibit 1/Tab 1/Schedule 8, page 6 – Costs beyond Minimum Functionality

On page 6 of the Application, NOW states:

> NOW Inc. has incurred costs that are considered to be costs beyond minimum functionality. Cost related to MDM/R Integration and transition to Time of Use Billing have been categorized as "Cost beyond minimum functionality". These costs include project management, travel and training, customer education, AS2 software and sync operator costs. Web presentment costs have also been categorized as "Cost beyond minimum functionality".

a) Please provide a further description of each of these costs.
b) For travel and training, please explain how these costs were necessary for NOW's smart meter program and were incremental to training expenses factored into NOW's revenue requirement as approved in its 2009 cost of service application and recovered in approved distribution rates.

9. Ref: Exhibit 1/Tab 1/Schedule 9, pages 1-3 – Smart Meter Costs per Unit

NOW has provided tables summarizing the average costs per meter for each rate class. Using the below table as a guide, please provide the following:

a) A table showing the cost per meter, in total and for each of Residential, GS < 50 kW, and GS > 50 kW customer classes, and broken out as follows:
    - Minimum functionality: capital
    - Minimum functionality: capital and OM&A
    - Minimum functionality and beyond minimum functionality: capital
    - Minimum functionality and beyond minimum functionality: capital and OM&A.

	2006	2007	2008	2009	2010	2011	2012	Total
Capital related to								

minimum functionality								
Capital beyond minimum functionality								
OM&A related to minimum functionality								
OM&A beyond minimum functionality								
Number of Smart Meters Deployed								

	Total	**Average per meter**
Total (capex + opex)		
Capex only		
OM&A only		
Beyond minimum functionality only		

b) Please provide a breakdown of the meter types installed, by year, for the Residential, GS < 50 kW, and GS > 50 kW classes.

10. Ref: Smart Meter Model Version 3.0, Sheet 8A

On Sheet 8A of the Smart Meter Model, NOW has not input any OM&A and depreciation expenses for all months in 2012. This will result in an underestimate of the carrying charges on OM&A and depreciation expense used in the determination of the SMDRs.

Please update sheet 8A to include OM&A and depreciation expenses for all months in 2012. These entries should correspond with the 2012 annual OM&A shown on sheet 2 of the model and annual 2012 depreciation expense calculated on sheet 5 of the model.

11. Ref: Smart Meter Model: Smart Meter Model, sheet "Rider per Class" – Class-specific SMDRs

The main difference in the calculation of the SMIRR and the SMDR is the applicability of SMFA revenues and associated interest as an offset to the deferred revenue for the SMDR. There is no SMFA revenue offset for the SMIRR.

Guideline G-2011-0001 states, at pages 19-20:

> The Board views that, where practical and where the data is available, class specific SMDRs should be calculated based on full cost causality. The methodology approved by the Board in EB-2011-0128 should serve as a suitable guide. A uniform SMDR would be suitable only where adequate data is not available.
>
> Recognizing that SMFA revenues have been collected from all metered customers since May 1, 2006, the Board's decision in EB-2011-0128 also addressed the treatment of smart meter adder amounts collected from customer classes for which smart meter costs were not incurred, as it related to PowerStream's smart meter deployment program. The Board directed PowerStream to allocate the smart meter adder amounts collected from the GS > 50 kW and Large Use customer classes evenly to the Residential and GS < 50 kW classes when calculating the true-up for the SMDR. The Board concluded that this approach was appropriate because the amounts involved were not significant enough to warrant a more precise allocation.12 However, for all customer classes for which smart meter costs have been directly incurred, the SMFA revenues plus carrying costs should be directly used as an offset to the incremental revenue requirement to determine the SMDR for that class.

NOW has used the Smart Meter Model Version 3.00 for 2013 applications. Smart Meter Model Version 3.00 calculates class-specific SMDRs on sheet 10A and class-specific SMIRRs on sheet 10B.

Board staff notes that, as NOW is scheduled to file a cost of service application for 2013 rates, it does not require a SMIRR; instead, approved smart meter costs and 2013 capital and operating expenses for smart meters will be factored into NOW's 2013 rate base and revenue requirement and hence recovered through approved distribution rates.

a) On sheet 10A, NOW shows a capital cost allocation of 73% to Residential and 27% to GS < 50 kW, on row 26. Please explain and provide support for NOW's capital weighted meter cost allocation of 73% Residential and 27% GS < 50 kW.

b) As previously examined in Board staff interrogatory # 3, why does NOW not allocate capital-related and operating expenses to the GS > 50 kW class?

c) Please explain how NOW has determined the allocation of SMFA revenues and associated interest for the purposes of calculating class-specific SMDRs. In addition please explain why no SMFA revenues are shown for the GS > 50 kW class, even though customers in this class would have been paying the SMFA from May 1, 2006 to April 30, 2012, the same as Residential and GS < 50 kW customers.

12. Ref: Smart Meter Model

If NOW has changed its data inputs to the Smart Meter Model, Version 3.00 as a result of interrogatories by Board staff and/or the Vulnerable Energy Consumers Coalition, please update and re-file the smart meter model in working Microsoft Excel format. This update should include updated class-specific SMDRs for applicable classes as calculated on sheet 10A of the Smart Meter Model Version 3.00.