

November 9, 2012
Ms. Kirstin Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E5

**RE: St. Thomas Energy Inc.
Response to Board Staff and VECC Submission on ST. Thomas Energy Inc.
Application for Disposition and Recovery of Cost Related to Smart Meter Deployment.
Board File No. EB-2012-0348**

Please find accompanying this letter, two copies of St. Thomas Energy Inc.'s response to the Ontario Energy Board staff and VECC submission.

St. Thomas Energy Inc. has responded to the submissions as one document and has summarized the common elements of the two submissions.

Electronic version of this response has been filed through the Board's web portal at www.errr.oeb.gov.on.ca.

Yours truly,



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BOARD STAFF and VULNERABLE ENERGY CONSUMERS COALITION (VECC) FINAL SUBMISSIONS

Updated Evidence

Board staff submitted that there are no issues with the updated evidence.

ST. Thomas Energy Inc. Response

St. Thomas Energy Inc. concurs with Board Staff.

Smart Meter Costs

• **Customer Repairs**

Board staff stated that it is not clear if the \$9,030 related to the repair of 39 meter bases have been expensed to operations in prior year or deferred to be collected in future revenues. Board staff submitted that, if the costs have been expensed in prior years, then the amount is not significant for an out of period adjustment. However, if the costs are deferred, the cost should be included in a separate subaccount of Account 1556 and included in the calculation of the SMDRs.

St. Thomas Energy Inc. Response

The \$9,030 for the repair of 39 meter bases has been included in the Application for Disposition and Recovery of Cost Related to Smart Meter Deployment and appears in the rate model as Item 2, OM&A Expense, line 2.1.1, Maintenance, total cost \$9,030 and is therefore already included in the SMDRs.

• **Costs Beyond Minimum Functionality**

Board staff submitted that the cost beyond minimum functionality are appropriate, having been invested in functionality previously approved by the Board, and the total unit costs are in line with unit costs approved for other distributors.

VECC had no issue with the nature or the quantum of costs and agreed with Board staff that these costs have been allowed in past smart meter applications. VECC did note that the \$98,143 of capital costs related to the deployment of GS > 50 kW meters should be recorded on line 1.6.2 Cost for the deployment of smart meters to customers other than residential and GS < 50 kW of the smart meter model as opposed to line 1.1.1.

ST. Thomas Energy Inc. Response

St. Thomas Energy Inc. concurs with Board Staff and VECC that the costs are reasonable and have been allowed in previous applications.

ST. Thomas Energy Inc. has made the following revisions to the smart meter model as a result of the VECC request.

- 1. Removed \$98,143 of 2010 cost from line 1.1.1.*
- 2. Moved \$28,110 of cost related to the 3-phase analyzer to line 1.6.3, asset type tools and equipment.*
- 3. Recorded \$98,143 of GS > 50 kW meter costs for 2010 on line 1.6.2, asset type smart meters.*

The above changes have not impacted the SMDR or SMIRR calculation. St. Thomas Energy Inc. will resubmit the smart meter model.

• Total Unit Costs

Board staff submitted that St. Thomas Energy Inc.'s total cost per meter of \$211.74 is below the average total cost of \$226.92 reported in the Distributor's quarterly update in smart meter implementation of September 30, 2010 and therefore has no issue with the total average costs claimed by St. Thomas Energy Inc.

VECC submitted that St. Thomas Energy Inc.'s total smart meter unit costs of \$207.03, excluding costs beyond minimum functionality, are within the Board's range in EB-2007-063 and well below the recent sector averages. VECC also noted that when costs beyond minimum functionality are included St. Thomas Energy Inc.'s total average cost of \$211.74 are reasonable and below recent sector averages.

ST. Thomas Energy Inc. Response

St. Thomas Energy Inc. concurs with Board Staff and VECC.

Rate Riders

• **Cost Allocation**

Board staff submitted that the allocations are appropriate and have been accepted by the Board in other Applications.

VECC sought separate rate models for each customer class in order to recalculate the rate riders using class specific revenue requirements based on data at the customer class level. VECC submitted that if St. Thomas Energy Inc. has the appropriate level of customer specific data then ST. Thomas Energy Inc. should provide separate rate models.

ST. Thomas Energy Inc. Response

St. Thomas Energy Inc. prepared the cost allocation based upon the customer specific data that was available, namely direct meter costs. St. Thomas Energy Inc. submits that an allocation of the remaining capital and operating cost would be subjective and therefore concurs with Board Staff that the allocations proposed by St. Thomas Energy Inc. are appropriate and have been accepted by the Board in other Applications.

• **Implementation**

Board staff stated that St. Thomas Energy Inc. included the foregone SMIRR revenues for the period from the proposed date of May 1, 2012 up to and including the month prior to the implementation date for the recalculated SMDRs. Board Staff submitted that this proposal is consistent with accepted methodology.

As St. Thomas Energy Inc. was required to submit rate riders based upon two implementation dates, Board staff submitted that St. Thomas Energy Inc. address the timing of the implementation of the rate riders.

VECC agreed with Board staff that St. Thomas Energy Inc. address the timing of an appropriate implementation date.

ST. Thomas Energy Inc. Response

St. Thomas Energy Inc. concurs with Board Staff that the inclusion of foregone SMIRR revenues is appropriate.

1 *St. Thomas Energy Inc. is proposing a December 1, 2012 implementation date. St. Thomas*
2 *Energy Inc. requires an issuance date by December 10, 2012 in order to update and test the*
3 *billing system for customer bills issued on December 17, 2012.*

4
5 *Based upon a December 1, 2012 implementation date, St. Thomas Energy Inc. is requesting the*
6 *following SMDR and SMIRR be approved.*
7

December 31, 2012 Rate Riders		
Customer Class	SMDR – 17 months	SMIRR to 2015-04-30
Residential	\$0.28	\$2.02
GS < 50 kW	\$3.71	\$4.66
GS > 50 kW	\$9.62	\$9.14

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10 **Stranded Meters**

11 Board staff stated that St. Thomas Energy Inc. is not seeking disposition of the stranded meters
12 and the estimated stranded meter value of \$590,000 will be addressed in the 2015 cost of
13 service rebasing application. Board staff also stated that the proceeds from the scrapped
14 meters as an offset to capital costs was in accordance with Board guidelines and submitted this
15 is an appropriate treatment for stranded meters.

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17 **ST. Thomas Energy Inc. Response**

18 *St. Thomas Energy Inc. concurs with Board Staff.*
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21 **Operational Efficiencies and Cost Savings**

22 Board staff submitted that St. Thomas Energy Inc. should be prepared to address any
23 operational efficiencies due to smart meter and TOU implementation in its next cost of service
24 rebasing application. Board Staff also submitted that St. Thomas Energy Inc. appropriately
25 applied a \$30,000 Scientific Research and Experimental Development tax refund to reduce the
26 SMDR.

27
28 VECC concluded that St. Thomas Energy Inc. realized some operational efficiencies and benefits
29 as a result of its collaboration with other utilities. VECC agreed with Board staff that St. Thomas

1 Energy Inc. should be prepared to address operational efficiencies in the next cost of service
2 rebasing application.

3
4 **ST. Thomas Energy Inc. Response**

5 *St. Thomas Energy Inc. will address operational efficiencies and cost savings within its next cost*
6 *of service rebasing application and concurs with Board staff that the Scientific Research and*
7 *Experimental Development tax refund was handled appropriately.*

8
9 *St. Thomas Energy Inc. concurs with VECC that collaboration with other utilities resulted in the*
10 *realization of operational efficiencies and benefits.*

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13 **Conclusion**

14 Board staff submitted; that subject to the above comments, St. Thomas Energy Inc.'s
15 Application is consistent with Guideline G-2011-001, Smart Meter Funding and Cost Recovery –
16 Final Disposition.

17
18 VECC confirmed that the smart meter cost recovery is based upon actual audited costs incurred
19 to December 31, 2011 and that the audited costs conform to the Board's Guidelines.

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21 **ST. Thomas Energy Inc. Response**

22 *St. Thomas Energy Inc. concurs with Board staff and VECC that the Application is consistent with*
23 *Board policy and practice for the recovery of prudently incurred costs.*

24
25 *St. Thomas Energy Inc. requests a December 1, 2012 implementation date of the smart meter*
26 *rate riders and a Decision and Order be issued prior to December 10, 2012 to allow for sufficient*
27 *time for testing and implementation of the requested rate riders.*

28
29 *St. Thomas Energy Inc. thanks Board staff for there submission.*

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31 *St. Thomas Energy Inc. has no issue with the recovery of fees requested by VECC.*