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May 7, 2013

Michael R. Buonaguro
34 King Street East, Suite 1102
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Canada

Dear Sir:

**Re: VECC Interrogatories
Atikokan Hydro Inc.
2013 Smart Meter Cost Recovery
Board File No. EB-2013-0019**

Atikokan Hydro Inc. is pleased to submit its responses for Board Staff and VECC Interrogatories regarding EB-2013-0019 Smart Meter Application

The Application includes the following Exhibits:
VECC_IR_Atikokan_SM_20130507.pdf
Working excel document c.xlsx

These responses have been filed electronically with the Board today and two (2) paper copies will be delivered to the Board Secretary.

If you require further information please contact me.

Regards,

A handwritten signature in black ink that reads 'Wilf Thorburn'.

**Wilf Thorburn
CEO Secretary/Treasurer
Atikokan Hydro Inc.**

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ONTARIO ENERGY BOARD

IN THE MATTER OF

the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15 (Schedule B), as amended;

AND IN THE MATTER OF an Application by
Atikokan Hydro Inc. (Atikokan) for an order or orders
approving or fixing just and reasonable
distribution rates beginning July 1, 2013 to reflect the
recovery of costs for deployed smart meters.

Information Requests of the Vulnerable Energy Consumers Coalition (VECC)

VECC Question # 1

Reference: Manager's Summary, Page 4

- a) Please discuss Atikokan's view of the purpose of the Board's Audit Report and whether it provides final amounts to be recovered and/or it determines prudence of smart meter costs.

Response: Question #1 has been withdrawn by VECC

VECC Question # 2

Reference: Manager's Summary, Page 6

- a) Table 3: Please provide a breakdown of capital & OM&A costs per meter between costs for minimum functionality and costs beyond minimum functionality.
- b) Please discuss the capital and OM&A smart meter cost data that Atikokan has available by customer class.
- c) Table 3: Please further explain the column "Unallocated cost per month as per Board Regulatory Audit" and provide the calculation for the total costs per meter of \$3.62 and the SMIRR of \$2.73 under that column.

Response:

- a) Table 3:
- i. As per line 174 tab 2 [Smart_Meter_Costs] of *Atikokan_Hydro_2013_Smart_Meter_Model_V3 01AHI_EB-2013-0019_20130308.xlsm*, the OM&A

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amount of \$61,362 as noted in table 3 is only for minimum functionality. Atikokan Hydro does not have any information to allocate OMA costs per meter between costs for minimum functionality and costs beyond minimum functionality.

- ii. In terms of capital, as per line 107 tab 2 [Smart_Meter_Costs] of *Atikokan_Hydro_2013_Smart_Meter_Model_V3 01AHI_EB-2013-0019_20130308.xlsm*, \$7,937 would be the amount of capital allocated to meters above minimum functionality and \$180,782 would be allocated to minimum functionality meters. These amounts are derived from various allocations as the model is completed [meters, installation, etc.] As noted, 50% of the original application was approved by the Board, and the remainder has been subject to an OEB Regulatory Audit.

b) Capital and OMA data:

i. Capital:

- a. Atikokan Hydro's capital data has been stated in the Smart_Meter_Costs] of *Atikokan_Hydro_2013_Smart_Meter_Model_V3 01AHI_EB-2013-0019_20130308.xlsm* model. Atikokan Hydro does not have data to track capital expenditures between classes. However from the table in answer to VECC question 4a, the capital installed cost per meter for residential customers was calculated at \$246 and the capital installed cost for general service customers was calculated at \$324.

ii. OM&A:

- a. As can be seen in the OM&A section of tab 2[Smart_Meter_Costs] of *Atikokan_Hydro_2013_Smart_Meter_Model_V3 01AHI_EB-2013-0019_20130308.xlsm* model, there are no OM&A drivers specific to customer class. Atikokan Hydro does not track OMA costs for meters on a customer call basis.

- c) The "Unallocated cost per month as per Board Regulatory Audit" refers to the resultant values when the smart meter model is populated with the values as in table 1 of the *Atikokan_Hydro_Audit_Review_Smart_meter_March_2013*. As noted in EB-2013-0019, The process to arrive at the values in this application was to consider the values approved by the regulatory audit and the values approved in the Decision and Order of June 18, 2012. The values approved in the Decision and order of June 18, 2012, were 50% of the amount Atikokan Hydro had presented in its cost of service application process, and were the amounts audited by the Regulatory audit group. The input for the model, "*Atikokan_Hydro_2013_Smart_Meter_Model_V3 01AHI_EB-2013-0019_20130308.xlsm*," is the result of the

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amounts confirmed by the regulatory audit minus the 50% Board approved amount to arrive at incremental amounts for both the Smart Meter Disposition Rider (per metered customer per month) and the Smart Meter Incremental Revenue Requirement Rate Rider (per metered customer per month).¹ The unallocated cost per meter is the value that would have been required on a per meter basis to recover the full amount of the values as noted in Table 1 of "Atikokan Hydro_Audit Review_Smart meter_March 2013."

**Table 1 - Smart Meter Costs before and after Audit
Adjustments on a Total Basis**

Smart Meter Costs	Before Audit	After Audit	\$ Change	% Change
Capital Costs	506,698	442,038	-64,660	-13%
OM&A Costs	224,207	173,465	-50,742	-23%
Total Costs	730,905	615,503	115,402	-16%²

Atikokan Hydro realizes that the cost needs to be apportioned to each customer class and has apportioned the costs as recommended in Board Guideline G-2011-0001 to achieve full cost causality.

However, 50% of the before audit amounts had been approved in the Decision and order of EB-2011-0293. The figures in Table 3 of the present application are derived from smart meter model "c" and will be as a working excel model c.xlsx. Model "c" is populated with values supported by the results of "Atikokan Hydro_Audit Review_Smart meter_March 2013."

The values are in tab 9 of model "c". It would appear that there is a rounding issue of one cent in the link between table 3 and tab 9 of one cent.

VECC Question # 3

a) Please confirm Atikokan's existing smart meter rate riders by customer class and

¹ Page 6, heading Application, EB-2013-0019

² Page 6 of 20 Atikokan Hydro_Audit Review_Smart meter_March 2013."

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summarize the cost allocation methodology used to calculate the rate riders.

Response:

The following excerpts are from Atikokan Hydro Inc. EB-2011-0273 Draft Rate Order Page 25 of 28 Revised and Filed –July 16, 2012 and confirm that the existing meter rates. The excerpts also confirm that the calculation follows Section 3.5 of Guideline G-2011-0001: Smart Meter Funding and Cost Recovery – Final Disposition, issued on December 15, 2011, and approved by the Board in recent decisions regarding smart meter cost disposition, SMFA revenues and associated interest should be directly allocated.

A Smart Meter Model and a **Revised Smart Meter Model by Rate Class** has been provided as part of this DRO to support the calculation of the Smart Meter Disposition Rider by rate class assuming recovery of 50% of the requested smart meter costs at this time. Table 15 provides the resulting SMDR by rate class

Board staff outlined in their comments that in accordance with Section 3.5 of Guideline G-2011-0001: Smart Meter Funding and Cost Recovery – Final Disposition, issued on December 15, 2011, and approved by the Board in recent decisions regarding smart meter cost disposition, SMFA revenues and associated interest should be directly allocated. The SMFA was uniform across all metered customer classes, and the utility knows the number of customers by class at any point in time (as the information is documented in Exhibit 3 for the load and customer forecasting), and so the utility should be able to get a reasonable estimate of the SMFA revenues calculated by each customer class. Board staff submits that Atikokan should propose revised class-specific SMDRs in compliance of Section 3.5 of Guideline G-2011-0001.

In response to Board staff comments Atikokan has revised the smart meter disposition rate rider by rate class to include the following

- SMFA allocated to rate class as it was collected from the rate class.
- Carry charges on the SMFA allocated as the SMFA
- Carry charges on OM&A and amortization allocated based on the allocation of OM&A and amortization to rate class

The details supporting the SMFA collected by rate class is provided in the Revised Smart Meter Model by Rate Class³

Table 15: Smart Meter Disposition Rider by Rate Class

Class	SMDR (\$/Month)
Residential	\$0.48
GS < 50 kW	\$0.78
GS > 50 kW	\$3.80 ⁴

³ Page 26 of Atikokan Hydro Inc. EB-2011-0273 Draft Rate Order Page 25 of 28 Revised and Filed –July 16, 2012

⁴ Page 27 of Atikokan Hydro Inc. EB-2011-0273 Draft Rate Order Page 25 of 28 Revised and Filed –July 16, 2012

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Smart Meter Actual Cost Recovery Rate Rider - SMDR Calculated by Rate Class				
	Total	Residential	GS < 50	GS > 50
Atikokan Hydro Smart Meter Unit Cost				
Rex 2 Meters		\$ 279.77	\$ 279.77	
A3TL meters			\$ 629.50	
A3RL meters				\$ 1,003.10
Number of meters installed				
Rex 2 Meters	1,586	1,427	159	
A3TL meters	65		65	
A3RL meters	22			22
Total number of meters installed	1,673	1,427	224	22
Smart Meter Cost	\$ 506,697	\$ 399,228	\$ 85,401	\$ 22,068
Allocation of Smart Meter Costs	100.00%	78.79%	16.85%	4.36%
Allocation of Number of meters installed	100.00%	85.30%	13.39%	1.32%
Total Return (deemed interest plus return on equity)	\$ 35,579	\$ 28,033	\$ 5,997	\$ 1,550
Amortization	\$ 40,066	\$ 31,568	\$ 6,753	\$ 1,745
OM&A	\$ 112,104	\$ 95,620	\$ 15,010	\$ 1,474
Total Before PILs	\$ 187,749	\$ 155,221	\$ 27,759	\$ 4,769
PILs	\$ 3,002	\$ 2,482	\$ 444	\$ 76
Carry Charges on Amort and OM&A	\$ 2,577	\$ 2,154	\$ 369	\$ 55
Total Revenue Requirement	\$ 193,328	\$ 159,857	\$ 28,572	\$ 4,900
Smart Meter Rate Adder Revenues	(\$155,935)	(\$132,230)	(\$21,858)	(\$1,847)
Total Carrying Charge	(\$3,262)	(\$2,766)	(\$457)	(\$39)
Smart Meter True-up	\$ 34,131	\$ 24,861	\$ 6,256	\$ 3,013
Metered Customers	1,673	1,427	224	22
Rate Rider to Recover Smart Meter Costs - 3 yrs.	\$ 0.57	\$ 0.48	\$ 0.78	\$ 3.80

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The table above confirms that the approved rates are in compliance with Section 3.5 of Guideline G-2011-0001

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VECC Question # 4**Reference:** Manager's Summary, Page 7, Weighted meter cost - Capital

- a) Please provide a breakdown of the types and average costs of meters installed by customer class.

Response:

Types of meters - customer classes	Customer count	Cost	Average cost per meter by customer class	% of total cost by customer class
Total cost of meters including GS>50		\$ 442,038	\$ 264	
GS 50 to 4999 kW A3RL		\$ 18,971	\$ 862	4.29%
GS < 50 Rex2 and A3TL		\$ 72,551	\$ 324	16.41%
Residential Rex 2		\$ 350,516	\$ 246	79.30%
Total number of meters installed	1673			
Total meters installed for residential	1427			
Total number GS<50 kW meters installed	224			
Total number GS 50 to 4999 kW installed	22			

Application EB-2013-0019 is for the incremental amount between the results of the Audit report and the approved 50% values that were set as recoverable in the decision for EB-2011-0293. As the table indicates the average cost per meter installed was \$264.00. Elster Meters were the meter of choice as a result of the RFP for smart meters. Rex 2 meters were installed for all residential customers and 159 of the 224 commercial customers [less than 50 kW]. The average cost of installation for the residential customers for Rex2 meters was \$246.00. The cost for the GS<50 kW customers was a blend of 159 meters at \$246.00 plus the cost of A3TL meters to give an average installed cost of \$324.00 per meter. The GS 50 to 4999kW customer group received A3RL meters at an average installed price of \$862.00 per meter.

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VECC Question # 5

Reference: Manager's Summary, Page 8

Reference: Board Guideline G-2011-0001, Smart Meter Funding and Cost Recovery – Final Disposition, dated December 15, 2011, Page 19

Preamble: The Guideline states, "The Board views that, where practical and where data is available, class specific SMDRs should be calculated on full cost causality.

- a) Please summarize and provide the rationale for Atikokan's proposed cost allocation methodology in this application.
- b) Please complete a separate smart meter revenue requirement model by rate class based on full cost causality by rate class.
- c) Please re-calculate the SMDR & SMIRR rate riders based on full cost causality by rate class.
- d) If Atikokan is unable to provide separate smart meter revenue requirement models by rate class, please provide a detailed explanation.

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Response:

- a) Atikokan Hydro has followed the principals of Section 3.5 of Guideline G-2011-0001: Smart Meter Funding and Cost Recovery – Final Disposition, issued on December 15, 2011, and approved by the Board in recent decisions regarding smart meter cost disposition. This is achieved in the current smart meter model [*Atikokan_Hydro_2 013 _Smart _Meter_ Model_V3 01AHI_EB-2013-0019_20130308.xlsm*] by allocating a percentage that defines each customer class share of costs to the model. This is entered in tab 10A at cells T25, V25, and X25.

Table **Smart Meter Actual Cost Recovery Rate Rider – SMDR Calculated by Rate Class** in question 3a) was produced and accepted by the Board as per Atikokan Hydro Inc. EB-2011-0273 Draft Rate Order Page 25 of 28 Revised and Filed –July 16, 2012.

Types of meters - customer classes	Customer count	Cost	Average cost per meter by customer class	% of total cost by customer class
Total cost of meters including GS>50		\$ 442,038	\$ 264	
GS 50 to 4999 kW		\$ 18,971	\$ 862	4.29%
GS < 50 kW		\$ 72,551	\$ 324	16.41%
Residential		\$ 350,516	\$ 246	79.30%
Total number of meters installed	1673			
Total meters installed for residential	1427			
Total number GS<50 kW meters installed	224			
Total number GS 50 to 4999 kW installed	22			

This table [above] follows the principle of the table on page 5 that was used to support the rates in the Board approved draft rate order for EB-2011-0293. In EB-2013-0019, the same process was used to allocate each customer class its share of cost, but the total meter capital cost used was the value from the smart meter audit report [\$442,038].

This percentage allocation was then entered into the model provided by the OEB to ensure that the principles of Section 3.5 of Guideline G-2011-0001: Smart Meter Funding and Cost Recovery are met. Tab 10 A and 10 B allocate the appropriate amounts to be recovered on a per month per customer per customer class once the time of recovery is entered. As noted in

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EB-2013-0019, revenues from a past SMFA were collected from May to August. This amount [23k] was allocated to the various classes in the same manner as the recovery was calculated. Atikokan Hydro feels that this methodology ensures that the principles of Section 3.5 of Guideline G-2011-0001 have been met.

- b) Not available
- c) Not available. Atikokan Hydro feels that the existing smart meter model allocates the cost and revenues that meet the principles of Section 3.5 of Guideline G-2011-0001.
- d) See question 5 a.

VECC Question # 6

Reference: Manager's Summary, Page 9, Table 6

- a) Please provide the calculation of the bill impacts for the GS<50 kW and GS>50 kW customer classes.

Response:

- a) See Board Staff question 3

VECC Question # 7

Reference: Atikokan's Smart Meter Recovery Model

- a) Please explain the negative entries at lines 1.1.2, 1.5.5, 1.5.6, 1.6.2.
- b) Please discuss the nature of the costs at line 1.6.2.
- c) Please provide a breakdown of other OM&A expenses by year at line 2.1.2.

Response:

- a) As noted in the application, the method used to arrive at the incremental smart meter disposal

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amounts was to create a model based on the results of the Atikokan Hydro_Audit Review_Smart meter_March 2013 and compare those results with the model used to create the rates for the 50% approval for EB-2011-0293.

Table 1 from EB-2013-0019 is shown below:

Smart Meter Costs Before and After Audit Adjustments and Incremental Costs on a Total Cost Basis					
Smart Meter Costs on a Total Basis	Before Audit (Original Request in EB-2011-0293) A	Audit Adjustments B	After Audit Costs C= A+B	Approved Costs in EB-2011-0293 D = A x 50%	Incremental Smart Meter Costs E = C-D
Capital Costs	506,698	-64,660	442,038	253,349	188,689
OM&A Costs	224,207	-50,742	173,465	112,104	61,362
Total Costs	730,905	-115,402	615,503	365,453	250,051

As noted in column B there were adjustments resulting from the regulatory audit. If the amounts in the 50% model approved by the Board in EB-2013-0293, were greater than the amounts approved in the Atikokan Hydro_Audit Review_Smart meter_March 2013,[model is included as appendix "A", then a negative number resulted in order to reduce the item claimed to give the reductions noted in the above table.

Line 1.1.2 was a reduction of internal staff labour not considered incremental, line 1.5.5 involved reclassification of an OMA item, line 1.5.6 was a reduction in non-incremental billing system expenses, and line 1.6.2 was a reduction of internal staff labour.

- b) Line 1.6.2 is the balance of the 50% cost of meters for the GS 50 to 4999 kW class of customer and labour to install the meters [incremental] that was approved in the Decision and order EB-2011-0293.
- c) Line 2.1.2 depicts operational costs for the smart meters. These amounts are incremental to the 50% approved by the Board.

The costs are for CSI services related to smart meters as well as AMI [Automatic {smart} Meter Integration] data systems coordinator for 2009. In 2010 ODS services were fully deployed in the operation and were costs in addition to those experienced in 2009. In 2011 a security audit on the smart meter infrastructure was conducted in addition to all costs experienced in 2010.