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Ontario

BY E-MAIL

January 10, 2014

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: EnWin Utilities Ltd. ("EnWin")
Smart Meter Cost Recovery Rate Application
Board Staff Interrogatories
Board File No. EB-2013-0348

In accordance with Procedural Order #1, please find attached Board Staff's interrogatories in the above noted proceeding. EnWin and the Vulnerable Energy Consumers Coalition have been copied on this filing.

Yours truly,

Original Signed By

Stephen Vetsis
Analyst – Applications & Regulatory Audit

Encl.

Board Staff Interrogatories
2014 Smart Meter Cost Recovery Application
EnWin Utilities Ltd. ("EnWin")
EB-2013-0348
January 10, 2014

Staff-1
Ref: Appendix F, pages 3 and 6

On page 3 of Appendix F, EnWin states:

> Moreover, the Applicant is not seeking recovery at this time for any costs that exceed minimum functionality required by the Province of Ontario. The Board's Guideline, section 3.4, described beyond minimum functionality as incremental smart meter technical capabilities, deployment to larger customers and Time-of-Use ("TOU") implementation costs such as CIS system upgrades, web presentation, integration with the Province's MDM/R, etc. While these are foreseeable costs associated with the Smart Meter Initiative, they are subject to separate regulatory treatment.
>
> As the Board is aware, the Applicant is in the process of preparing for TOU, including CIS system upgrades, web presentation and integration with the Province's MDM/R. This application is specific to the Smart Meter Initiative costs and recovery and thus those related but discrete activities are out of scope.

On page 6, EnWin states:

> The Applicant has completed the Smart Meter Initiative as prescribed by provincial regulation. The Applicant is not at this time seeking recovery for costs beyond minimum functionality but reserves the right to do so in the future.

a) What "separate regulatory treatment" is EnWin referring to with respect to "incremental smart meter technical capabilities, deployment to larger customers and Time-of-Use ("TOU") implementation costs such as CIS system upgrades, web presentation, integration with the Province's MDM/R, etc."?
b) Is EnWin deploying smart meters to any GS > 50 kW customers? If so, how are the costs for such deployment being tracked and recovered?
c) How, and in what account(s), is EnWin tracking the costs for beyond minimum functionality and, specifically, costs related to TOU implementation?
d) How is EnWin proposing or intending to seek approval for the amounts and recovery of costs related to:
    i. Any smart meters deployed to other than Residential or GS < 50 kW customers; and/or

ii. TOU implementation costs, including CIS and billing system upgrades, web presentation, customer communication, integration with the provincial MDM/R operated by the Smart Metering Entity, etc.?

Staff-2
Ref: Appendix F, page 6

On page 6 of Appendix F, EnWin states:

> This is the first application by the Applicant for recovery of Smart Meter Initiative costs and therefore the variance analysis against prior recovery is not applicable in this case.

Please provide a variance analysis of actual smart meter deployment costs against EnWin's budget for the program.

Staff-3
Ref: Appendix F, page 6 – Customer-Owned Equipment

a) Please provide, by year, the number of installations where customer-owned equipment (e.g., meter bases) were repaired or replaced in conjunction with smart meter deployment and corresponding to the costs shown in Table 6.

Staff-4
Ref: Smart Meter Model Version 4.0, Sheet 2

EnWin has not included any capital and operating expenses related to smart meters deployed after December 31, 2012 or any operating expenses for 2013 and 2014 (forecasted) related to the operations and maintenance of the smart meters deployed from 2010 to 2012. The SMIRR is intended to recover the incremental revenue requirement on an ongoing basis for both the recovery of capital-related charges (return of and return on capital and associated PILs, as well as operating expenses).

a) Please explain why EnWin has not included any smart meter operating and capital costs post-2012, including the ongoing costs for meters installed as of December 31, 2012.
b) If EnWin intends to seek recovery for incremental smart meter operating expenses for 2013 and 2014, please provide a version of the Smart Meter model where these costs are included in sheet 2 and into the determination of the SMDRs and SMIRRs.
c) Please comment and quantify, to the extent possible, on the degree to which the SMDRs, SMIRRs and the average total cost per meter may be understated by EnWin's decision to not seek recovery for costs above minimum functionality, as well as, the ongoing costs for all smart meters installed, as of December 31, 2012.

Staff-5
Ref: Smart Meter Model Version 4.0, Sheet 3

On sheet 3 of the Smart Meter Model, EnWin documents that Computer Hardware and Applications Software are classified in CCA (Capital Cost Allowance) class 8, with a CCA rate of 20%. Board staff notes that computer hardware and software, including system applications software, is typically classified under other CCA classes, typically with accelerated CCA for purposes of determining taxes/PILs by most distributors.

a) Please confirm that computer hardware and software is classified as CCA class 8 for EnWin's existing distribution assets, and explain the rationale for such classification.

Staff-6
Ref: Smart Meter Model Version 4.0, Sheet 3

On sheet 3 of the Smart Meter Model, EnWin documents that smart meter capital assets are classified in CCA class 8, with a CCA rate of 20%. For depreciation, EnWin has used a Typical Useful Life of 15 years.

a) Please explain EnWin's rationale for classifying smart meter capital assets in CCA class 8 for determining taxes/PILs.

Staff-7
Ref: Appendix F – Stranded Meters

On page 3 of Appendix F, EnWin states:

> No costs associated with stranded meters have been included in the application in accordance with the Board's Guideline, section 3.7 which states, "The Board therefore expects that stranded meter costs will be left in rate base until the distributor's next cost of service application." [Italics in original]

Board staff notes that EnWin has adopted the Annual IR Index Rate-making ("Annual IR") option for 2014 rate adjustments. Under the Annual IR option, there is no predetermined period until the utility files a cost of service application to rebase rates.

EnWin's rate base and revenue requirement set in its 2009 cost of service application EB-2008-0227 includes the capital and operating costs of conventional meters now stranded upon deployment of smart meters. Hence, EnWin's current distribution rates, even adjusted by the IRM price cap adjustments, continue to recover the costs of

conventional meters. This will continue until costs are rebased through a cost of service application.

a) When is EnWin expecting to file its next cost of service application? If EnWin intends to remain on Annual IR for the foreseeable future, what is EnWin's proposal for how to dispose of stranded meters?
b) Please confirm that EnWin is continuing to record depreciation against book value of stranded conventional meters. If not, please explain.
c) Please provide EnWin's estimate of the NBV of stranded conventional meters, for each of the Residential and GS < 50 kW customer classes, as of December 31, 2013 and December 31, 2014.
d) If EnWin continues to be under the Annual IR adjustment, more and more conventional meters may become fully depreciated, even though the current rates would reflect the depreciation expense reflected in the 2009 revenue requirement. Please explain how EnWin is (or would be) calculating depreciation once conventional meters become fully depreciated.
e) In the situation described in d), an increasing gap will develop between the depreciation expense being recovered in rates and the expense actually booked for accounting purposes. Does EnWin have any proposal for how to treat any over-recovery of depreciation expense of stranded conventional meters if EnWin chooses to remain on Annual IR for an extended period? If so, please explain.

Staff-8
Ref: Smart Meter Model

If EnWin has changed its data inputs to the Smart Meter Model 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. Additionally, please file updated bill impact calculations for the Residential and General Service < 50 kW classes reflecting these changes.