January 24, 2014

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
27th Floor
Toronto, ON M4P 1E4
Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: 2014 Smart Meter Cost Recovery Application
EB-2013-0348
Responses to Interrogatories

Enclosed please find EnWin's responses to the interrogatories of Board Staff and VECC.

The response is being submitted through the Board's web portal (PDF) with two paper copies following by mail. EnWin will provide VECC a copy by email.

Yours very truly,

***ENWIN* Utilities Ltd.**

Per: Andrew J. Sasso
Director, Regulatory Affairs & Corporate Secretary

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EnWin Utilities Ltd. ("EnWin")
2014 Smart Meter Cost Recovery Application
EB-2013-0348
Interrogatory Responses
January 24, 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."?

Response
There is discrete regulatory treatment for recovering the smart meter initiative costs associated with the minimum functionality prescribed by the province. That treatment is set out in Government issued regulation and Board issued code. This application is filed pursuant to that treatment. There is separate regulatory treatment for recovering other costs of running distribution businesses, such as the treatment set out in the Board's chapter 2 and 3 filing requirements. Cost recovery for those other costs are beyond the scope of this application.

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?

Response

Any smart meters used for customer classes other than Residential and GS<50 have been allocated to a GL associated with USofA 1860. Distribution rates fund this metering infrastructure.

c) How, and in what account(s), is EnWin tracking the costs for beyond minimum functionality and, specifically, costs related to TOU implementation?

Response

EnWin tracks all of its costs in accordance with accounting and regulatory standards. EnWin does not designate any costs as "beyond minimum functionality costs." To EnWin, those costs are part of its standard operations. The distribution rates set by the Board annually provide an envelope of funding that enables those investments in infrastructure.

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.?

Response

EnWin expects that the costs listed by Board Staff, as well as all of EnWin's other costs for which recovery has not previously been approved, will be considered by the Board during EnWin's next rebasing. Until that time, EnWin will continue to manage these and all other costs within the envelope provided by Board-approved distribution rates.

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.

Response

The EnWin budget for the province's smart meter initiative was a management tool that has no bearing on prudence of these mandated expenditures. The relevant and material indicators that the expenditures were prudent are:

- EnWin selected its meters in accordance with the Government-endorsed "London Hydro Consortium" procurement
- EnWin is not seeking recovery for costs beyond minimum functionality through funding intended to fund minimum functionality expenditures
- EnWin properly accounted for the expenditures
- The cost of the minimum functionality component of the smart meter initiative is considerably lower than the industry's average cost of minimum functionality components of the provincial initiative.

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.

Response

Table A is based on dollars as they were incurred and allocated. Table B is based on invoice date from the vendor.

Table A

Year	Capital #1555	OM&A #1556	Total
2010	$39,666	$8,367	$48,033
2011	$36,486	$16,545	$53,031
2012	$21,714	$2,731	$24,445
Total	**$97,865**	**$27,643**	**$125,508**

Table B

Year	Installs with repair/replace of customer owned equipment
2010	94
2011	36
2012	1
Total	**131**

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.

Response
EnWin has proposed to manage its ongoing costs within the envelope of funding the Board allows for regular distribution operations. EnWin is concerned about the impact of provincial energy costs on its ratepayers. In exercising its business judgment, EnWin has determined that the recovery it has applied for will appropriately balance the interests of its stakeholders.

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.

Response
EnWin does not seek to amend this application.

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.

Response
EnWin's costs are not understated. In determining that its costs for the province's smart meter initiative are substantially lower than the provincial average, EnWin has compared its minimum functionality costs per meter to the provincial average of minimum functionality costs per meter published by the Board. To the extent that EnWin has proposed to manage its ongoing costs within the envelope of funding the Board allows for regular distribution operations, this provides a benefit to EnWin's ratepayers.

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.

Response
The CCA rate for EnWin's existing distribution assets is class 50 for computer hardware and application software (55%) and class 12 for computer software (100%). The computer hardware and software purchased for the Smart Meter project were classified within the same CCA class 8 as EnWin's conventional meters and communication, measuring, testing, and speciality equipment for determining taxes/PILs. The determination was based on EnWin's business judgement which was arrived at in consultation with EnWin's external financial auditors.

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.

Response
EnWin has classified the smart meter capital assets in CCA class 8 as these assets are electronic communications equipment used to transfer data to multiple sources. This is consistent treatment with other specialty and communication assets within EnWin's distribution system.

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?

Response

EnWin does not have a planned date for filing its next cost of service rate application. Board-approved distribution rates provide EnWin with an envelope of funding for its operations. EnWin continues to manage its business with that funding in accordance with its regulatory obligations. EnWin does not have a plan for disposing of stranded meters. Given the Board's policies, EnWin expects that the Board would consider the treatment of stranded meters during EnWin's next rebasing.

b) Please confirm that EnWin is continuing to record depreciation against book value of stranded conventional meters. If not, please explain.

Response

EnWin is continuing to record depreciation against book value of stranded conventional meters.

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.

Response

The interrogatory pertains to actual and prospective costs that are not proposed for recovery in this application. The information sought is not relevant or material to this application.

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.

Response

Once conventional meters become fully depreciated EnWin will not be depreciating them any further.

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.

Response

EnWin does not have a proposal nor would it be appropriate for the Board to entertain a proposal in respect of a single factor embedded within distribution rates in this proceeding. The Board's long standing policy precludes cherry-picking single factors for special treatment during IRM years. The Board's policy is for distributors to manage changes (and gaps) in revenue and costs within an envelope of funding. The envelope is established through Board-approved rates that are set during rebasing. For distributors on Annual IR, the Board adjusts the funding envelope through annual mechanistic adjustments to rates until the next rebasing.

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.

Response

EnWin has not changed its data inputs to the Smart Meter Model as a result of interrogatories by Board staff and/or the Vulnerable Energy Consumers Coalition.

VECC-1

Reference: Application, Page 3

Preamble: EnWin indicates it is not seeking recovery at this time for any costs that exceed minimum functionality required by the Province of Ontario. EnWin is in the process of preparing for TOU, including CIS system upgrades, web presentation and integration with the Province's MDM/R, which the Board is aware of. EnWin further states "This application is specific to the Smart Meter Initiative costs and recovery and thus those related but discrete activities are out of scope".

a) Please explain further why EnWin is not seeking recovery at this time for costs that exceed minimum functionality and include a summary of any discussions on this issue with the OEB.

Response

As indicated in the application, EnWin is engaged in a number of activities that relate to the province's smart meter and time of use directives, the most significant of which is implementing a new billing system ("CIS"). EnWin perceives that given the magnitude of the related activities and their overlap with non-SMI/non-TOU business processes, it would be unduly onerous for EnWin, Intervenors, Board Staff, and the Board to deal with those activities in this proceeding. EnWin has not discussed this approach with the Board.

b) When does EnWin plan to seek recovery of these costs?

Response

EnWin does not have a plan regarding costs that exceed minimum functionality. These costs may be before the Board at the time of EnWin's next rebasing.

c) Please provide a summary of costs to date for costs that exceed minimum functionality (OM&A and capital).

Response

It is not clear to EnWin what costs would be included in this figure.

Regardless, this application only seeks recovery for minimum functionality costs. The information requested in this interrogatory is not material or relevant to this application.

Please also see EnWin's response to Board Staff interrogatory 1 c).

VECC-2

Reference: Page 4

Preamble: EnWin indicates it retained the services of an in-house Project Manager for the management of the Smart Meter Initiative.

a) Please provide details on the filling of the Project Manager position (i.e. new external hire, temporary redeployment of existing staff, new internal hire, temporary vs. permanent position, length of contract, annual cost)?

Response

The in-house position was in "junior middle management" and the cost, which was consistent with typical compensation for a position of that level, was fully allocated to the costs of the province's smart meter initiative.

The means of hiring into the position (e.g. new external hire, temporary redeployment) is not relevant or material to this application.

It would not be appropriate for EnWin to provide details about the employment arrangements with an identifiable employee.

b) Please discuss if the Project Manager position is currently in place and its role.

Response

In this application, EnWin is not seeking recovery for current costs associated with any such position.

VECC-3

Reference: 2014 Smart Meter Model, Sheet 2

a) At line 1.5.1 Customer Equipment, the amount for 2011 shows $36,486. At page 6 of the application, $36,364 is shown. Please confirm the amount in 2011 for Customer Owned Equipment.

Response

The figure of $36,364 was a transposition error. EnWin apologizes for the inconvenience. The 2014 Smart Meter Model, Sheet 2 is correct at line 1.5.1 Customer Equipment: $36,486 for 2011. Therefore no model revisions are necessary.

Year	Capital #1555	OM&A #1556	Total
2010	$39,666	$8,367	$48,033
2011	$36,486	$16,545	$53,031
2012	$21,714	$2,731	$24,445
Total	**$97,865**	**$27,643**	**$125,508**

b) Please provide an explanation of the costs at line 2.5.3 Program Management.

Response

There are no OM&A costs related to Program Management. Those costs were capitalized.

VECC-4
Reference: General
The SMIRR will be in place until EnWin's rates are next rebased. When does EnWin anticipate this will be?

Response
The Board designed the SMIRR to keep LDCs and ratepayers whole in respect of minimum functionality until the LDC next rebases. As such, the timing of EnWin's next rebasing is not relevant or material to the Board setting the SMIRR.

Please also see EnWin's response to Board Staff interrogatory 7 a).

a) Please provide any operational efficiencies and cost savings resulting from smart meter deployment and discuss how any cost savings are reflected in the current application.

Response
The application provides the information that the Board has determined through its filing requirements is necessary and sufficient to calculate cost recovery for the province's smart meter initiative. The information requested in this interrogatory goes well beyond the filing requirements and is not relevant or material to this application.

VECC-5
Reference: Application, Page 4
Preamble: EnWin indicates it installed 77,722 residential and 7,305 GS<50 kW smart meters.

a) Please provide a table that shows the average installed cost by meter type and customer class.

Response
Distributors were not required to track costs in this manner. EnWin did not track costs in this manner. EnWin attempted to retrospectively categorize costs in this manner in order to provide a response. The attempt was not successful.

VECC-6
Reference 1: Appendix H, Smart Meter Model (V4)
Preamble: EnWin completed the Smart Meter Model to calculate the proposed Smart Meter Disposition Rate Rider (SMDR) and proposed Smart Meter Incremental Rate Rider (SMIRR).

Reference 2: 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 discuss if EnWin kept records by class and if accounts 1556 and 1555 are segregated by rate class? If not, why not?

Response

EnWin does not keep records in accounts 1556 and 1555 by rate class. EnWin is not aware of a requirement to do so. The nature of the project did not lend itself to segregating costs by rate class.

b) Please provide the SMFA amounts collected by rate class

Response

EnWin was able to compile the SMFA amounts collected by the other Rate Classes from May 1, 2010 through April 30, 2013. Due to limited resources, different systems and time constraints, the breakdown for May 1, 2006 through April 30, 2010 is not available.

Other Rate Classes	SMFA May 1, 2010 through April 30, 2012
GS 50 to 4,999 kW	$29,691
GS 3,000 to 4,999 kW	$75
Large Use - Regular	$150
Large Use - 3TS	$75
Large Use - Ford Annex	$25
Total	**$30,016**

c) Please complete a separate smart meter revenue requirement model by customer class based to recalculate the SMDR and SMIRR rate riders based on full cost causality by rate class. Please provide live smart meter models.

Response

To the extent possible (limited only by the available data) and consistent with EnWin's understanding of Board policy, EnWin's proposed cost allocation methodology already reflects full cost causality.

d) Please summarize the recalculated SMDRs and SMIRRs by customer class.

Response

Not applicable.

VECC-7

Reference: Application, Pages 2-3

Preamble: The evidence states "…the Applicant was able to implement the Smart Meter Initiative much more cost effectively than the provincial average. …That is, the Applicant avoided $7.4 million in total costs to the direct benefit of its ratepayers."

a) Please discuss if there are any unique factors to EnWin that EnWin believes contributed to its smart meter deployment process resulting in costs 42% less than the provincial average.

Response

EnWin perceives that it benefited from a number of factors, including:

- Strong project management, including active executive, operational, and financial oversight and controls
- Participating in a large buying group
- Being a tough negotiator in establishing contracts with the smart meter vendor and smart meter installer
- Not being an early mover / early buyer of smart meters in the North American market
- An urban service area
- The strong value of the Canadian dollar at the time of the purchase