



**PUBLIC  
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**ORIGINAL**

# **ONTARIO ENERGY BOARD**

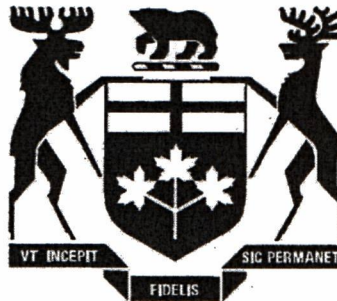
**FILE NO.: EB-2007-0747  
EB-2007-0748**

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**VOLUME: Motions Hearing**

**DATE: September 18, 2007**

<b>BEFORE:</b>	<b>Gordon Kaiser</b>	<b>Presiding Member and Vice-Chair</b>
	<b>Cathy Spoel</b>	<b>Member</b>
	<b>Ken Quesnelle</b>	<b>Member</b>



Ontario

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**VOLUME:** Motions Hearing

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<b>BEFORE:</b>	Gordon Kaiser	Presiding Member and Vice Chair
	Cathy Spoel	Member
	Ken Quesnelle	Member

IN THE MATTER OF the Ontario Energy Board  
Act, 1998, S.O. 1998, c.15 (Sched. B);

AND IN THE MATTER OF applications by  
electricity distribution companies for  
approval of a smart meter rate adder;

AND IN THE MATTER OF a combined proceeding  
initiated by the Ontario Energy Board  
pursuant to sections 19(4), 21(1), 21(5)  
and 78(3.03) of the Ontario Energy Board  
Act, 1998 to determine issues related to  
the recovery of costs incurred by  
distributors and associated with authorized  
discretionary metering activities;

AND IN THE MATTER OF motions by Toronto  
Hydro-Electric System Limited ("THESL") and  
by Hydro Ottawa Limited ("Hydro Ottawa")  
requesting the Board to review and vary  
certain aspects of Decision and Order in  
EB-2007-0063 dated August 8, 2007.

Hearing held at 2300 Yonge Street,  
25<sup>th</sup> Floor, Toronto, Ontario,  
on Tuesday, September 18, 2007,  
commencing at 9:34 a.m.

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PUBLIC VERSION Motions Hearing  
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B E F O R E:

GORDON KAISER	PRESIDING MEMBER and VICE CHAIR
CATHY SPOEL	MEMBER
KEN QUESNELLE	MEMBER

A P P E A R A N C E S

KRISTI SEBALJ	Board Counsel
BARBARA ROBERTSON	Board Staff
MARK RODGER	Toronto Hydro-Electric System Ltd.
COLIN McLORG	
PANKAJ SARDANA	
ANDREW TAYLOR	Hydro Ottawa
LYNN ANDERSON	
JAY SHEPHERD	School Energy Coalition
MICHAEL BUONAGURO	Vulnerable Energy Consumers Coalition

# I N D E X   O F   P R O C E E D I N G S

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E X H I B I T S

Description

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EXHIBITS FOR THIS PROCEEDING HAVE BEEN REDACTED  
FROM THE PUBLIC TRANSCRIPT

U N D E R T A K I N G S

Description

Page No.

NO UNDERTAKINGS WERE FILED DURING THIS PROCEEDING



1 Tuesday, September 18, 2007

2 --- On commencing at 9:34 a.m.

3 MR. KAISER: Please be seated. The Board is sitting  
4 today in connection with motions filed by Toronto Hydro and  
5 Hydro Ottawa on August 28th. Both motions relate to this  
6 Board's decision on August 8th that approved certain costs  
7 relating to smart meter activities by 13 licensed  
8 distributors in the province.

9 May we have the appearances, please?

10 **APPEARANCES**

11 MS. SEBALJ: Kristi Sebalj, Board counsel, and with me  
12 is Barbara Robertson.

13 MR. KAISER: Thank you.

14 MR. RODGER: Good morning, Mr. Chairman. Mark Rodger  
15 appearing as counsel for Toronto Hydro-Electric System  
16 Limited, and with me is Mr. Colin McLorg and Mr. Pankaj  
17 Sardana.

18 MR. KAISER: Mr. Rodger.

19 MR. TAYLOR: Good morning, Mr. Chair. My name is  
20 Andrew Taylor. I am here for Hydro Ottawa, and with me is  
21 Ms. Lynn Anderson.

22 MR. KAISER: Thank you, Mr. Taylor.

23 MR. SHEPHERD: Good morning, Mr. Chairman. Jay  
24 Shepherd, School Energy Coalition.

25 MR. KAISER: Mr. Shepherd.

26 MR. BUONAGURO: Michael Buonaguro, counsel for VECC.

27 MR. KAISER: Mr. Buonaguro.

28 Mr. Rodger, why don't we deal with you first, if we



1 can.

2 **PROCEDURAL MATTERS**

3 MS. SEBALJ: If I could just, Mr. Chair, mention at  
4 the outset that there has been an issue that all parties  
5 are aware of with respect to Mr. Harvey Houle. As you know  
6 from the previous hearing, Mr. Houle has only provided us  
7 with a PO box, which has made it difficult for him to be  
8 served with both the motions of the parties and the notice  
9 with respect to this motions day. I just want to put on  
10 the record that it is unlikely that Mr. Houle is aware of  
11 the proceedings of today.

12 I also understand from our previous conversations that  
13 he was most interested in Hydro One and Enersource's  
14 applications, but I just wanted to put on the record that  
15 to the extent that the submissions today and any decision  
16 coming out has an adverse customer impact, we may want to  
17 take into consideration anything Mr. Houle has to say after  
18 the fact, potentially in writing.

19 MR. KAISER: Yes, he wasn't in the territory of any of  
20 these two applicants.

21 MS. SEBALJ: No, I think he was concerned both for his  
22 family and himself, and those territories were Mississauga  
23 and Hydro One's territory, as I understand it.

24 MR. KAISER: All right. Well, we will see how it  
25 turns out, and if we need to allow him time to make  
26 submissions, we will.

27 Mr. Rodger.

28 MR. RODGER: Thank you, Mr. Chairman.

1 Mr. Chairman, were we going in camera again?

2 MR. KAISER: Yes, this proceeding is in camera.

3 --- In camera session commenced at 9:37 a.m.

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7 [Note: Page 3, line 4, to Page 42, line 22 have been  
8 redacted]

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22 --- On resuming public session at 11:26 a.m.

23 **DECISION (PUBLIC VERSION)**

24 MR. KAISER: The Board heard two motions this morning,  
25 one brought by Hydro Ottawa the other brought by Toronto  
26 Hydro, on August 28th. These relate to the Board's  
27 decision of August 8th with respect to the recovery of the  
28 cost of smart meter activities by 13 LDCs in Ontario.

1       We will deal first with the points raised by Toronto,  
2       which concerns Appendix A of the Board's decision.

3       At page 14 of the Board's decision, the Board said as  
4       follows:

5       "Subject to the qualifications regarding Hydro One's  
6       project management costs, the Board concludes that the  
7       costs incurred by the 13 utilities, as set out in  
8       Appendix A to this decision, are prudent. We find  
9       that the purchasing decisions were conducted with the  
10      necessary due diligence and that the best possible  
11      prices were obtained through volume buying groups".

12      I should add to that, as requested by the parties,  
13      while the costs allowed for rate recovery purposes are  
14      restricted to meters installed, this prudence decision in  
15      the case of these two utilities relates to all of the  
16      purchasing undertaken pursuant to the contracts with  
17      Elster, whenever those purchases would take place,  
18      provided, of course, that the purchases follow the terms  
19      and conditions set out in those agreements. The parties  
20      have requested that clarification.

21      Appendix A, which is a confidential Appendix, broke  
22      down certain costs in the case of each of the utilities.

23      In the case of Toronto, Toronto questioned the Board's  
24      decision, as reflected in this Appendix, where costs of  
25      certain meters were deducted because the Board found that  
26      those costs had already been charged to CDM activities and  
27      paid through CDM funds, particularly the third tranche  
28      funding.



1       There has been some discussion on that point today.  
2       Toronto takes the position that those costs were not  
3       included and the Board, therefore, should not have deducted  
4       the costs.    The Board agrees with those submissions.

5       That means that the cost of \$22,417,000 is increased  
6       to \$24,860,000, and we will provide a revised Appendix A  
7       reflecting that.

8       The same issue relates to quantities of meters.   The  
9       Board, in calculating the quantities, deducted 1,000  
10      meters.   There was some discussion this morning with  
11      respect to Exhibit K3.7 and the examination at page 96 of  
12      the June 20th transcript.   The Board accepts Toronto's  
13      position that the 1,000 meters were not included in the  
14      65,000 meters referred to in that exhibit and, accordingly,  
15      1,000 meters should be added back in in the revised  
16      Appendix A, which is attached to this decision.

17      None of the parties appear to take issue with this  
18      adjustment.   It was in one case a misapprehension of the  
19      evidence.   In the case it was just an error in arithmetic,  
20      for which the Board apologizes.

21      The third and next adjustment requested by Toronto  
22      actually goes against them, which the Board and the  
23      intervenors kindly accept.   The Board had included a cost  
24      relating to advanced metering control equipment.   This is  
25      the \$598,000 in Appendix A.   Toronto says that should be  
26      removed.   The amount has already been recovered in 2006  
27      rates.   The Board agrees and removes it as requested by  
28      Toronto.

1           That then brings us to a question that was argued by  
2 both utilities. This is the question of whether the cost  
3 per meter includes the discount for volume purchases,  
4 leaving aside the exchange rate adjustment that relates to  
5 Ottawa.

6           The argument is that the Board has not accurately  
7 applied the principles set out in its Decision. That is,  
8 that the costs allowed should be costs incurred, not  
9 forecasted.

10          The Board remains of that view and that position. The  
11 question, however, is: What are the actual costs?

12          We all agree that forecasted costs are not included.  
13 This decision allowed recovery of costs for meters  
14 installed; that is to say, actual costs.

15          The difference is whether a credit that the utilities  
16 were allowed by Elster should be taken into account in  
17 calculating the actual costs.

18          The paragraph of the decision I referred to at page 14  
19 indicated that the costs incurred by utilities as set out  
20 in Appendix A are prudent. That, of course, referred to the  
21 price after deducting the credit.

22          The credit, the evidence is clear, represents a volume  
23 buying discount. It is to be obtained by way of free  
24 meters as opposed to cash, but to the Board's mind that is  
25 irrelevant. The fact of the matter is there is a credit.  
26 There is no evidence in this record that the credit will  
27 not be received, or, put differently, that these volumes  
28 will not be purchased and that Elster will not honour the

1 terms of the contract.

2 Accordingly, we believe that the correct price is the  
3 one used by the Board. We do not agree with Mr. Taylor  
4 that this is a fictitious price. Rather, it is the actual  
5 price that will be paid in the end. Admittedly it is an  
6 average price, but it is the actual price that will be paid  
7 by the utility and, no doubt, the price that will be used  
8 when the utility prepares its own balance sheet and puts  
9 these assets on its balance sheet.

10 The next issue is an Ottawa issue. It relates to  
11 commercial meters. Ottawa requests that the cost of  
12 commercial meters be declared to be prudent as in the case  
13 of Toronto.

14 The Board did not understand Ottawa to be requesting  
15 this relief. But they now are. We may have misunderstood  
16 their application in that regard. The amount is set out in  
17 paragraph 17 of Ottawa's motion. It relates to some 328  
18 meters. The Board will amend this decision and find those  
19 purchases to be prudent.

20 There are some other adjustments that also affect the  
21 Ottawa costs. These are certain meters that were used for  
22 apartments. They have a price much higher than the Elster  
23 price. We have identified three categories in tab 3 of Mr.  
24 Taylor's compendium, which is Exhibit J-1.

25 Meter A is the Form 12s Network Meter. Meter B is the  
26 Polyphase A3TL Node Meter. Meter C is the Polyphase A3RL  
27 Node Meter. We don't have the volumes of those meters.  
28 The applicant will supply them. Those costs are approved



1 as being prudent and will be used in recalculating the  
2 appropriate costs in the revised Appendix A.

3 I should add that we will ask both applicants to  
4 prepare a draft Appendix A in consultation with Board Staff  
5 and submit it to all interested parties by way of a Consent  
6 Order. So this decision will be subject to the parties  
7 consenting to the revised Appendix A.

8 The other matter, by way of clarification, which is  
9 not apparent in the existing Appendix A but needs to be  
10 corrected, relates to an exchange issue for Ottawa. This  
11 issue does not apply to Toronto, because they hedged their  
12 funds. In the case of Ottawa, because of exchange rate  
13 differences during the relevant period, the price is  
14 increased to the amount set out at tab 3 of Exhibit J1. We  
15 accept these costs.

16 The only other issue, I believe, concerns Mr. Houle,  
17 who was not served with notice of this proceeding. We  
18 would note that neither of these utilities operate in his  
19 residential area, which, if I recall, is Gravenhurst.  
20 Moreover, we see nothing in this decision, as it turns out,  
21 that is adverse to consumer interests. So we will proceed  
22 and issue this decision subject to completion of the  
23 Appendix A on a consent basis.

24 Any questions?

25 MR. RODGER: Just two brief matters, Mr. Chairman.  
26 One area of guidance on the deferral account. This is just  
27 to guide Toronto Hydro. I take it, then, that from here on  
28 in, and particularly as Toronto Hydro is getting these

1 reduced -- these discounted meters, if I can call them  
2 that, into 2007, the actual price they are paying for them  
3 is, let's say, a penny apiece - that is the way the credit  
4 unfolds - that they would record in the deferral account  
5 the price approved by the Board, I take it? They wouldn't  
6 record the one cent, the actual cost?

7 MR. SHEPHERD: I wonder if I may comment on that.

8 MR. KAISER: I am not sure that is right.

9 MR. SHEPHERD: I think what was referred -- recorded  
10 in the deferral account was the price without the volume  
11 discount. The amount that is being cleared is not all of  
12 that, but the difference is already in there. So if you  
13 record an amount later on, then you are adding it twice, I  
14 think.

15 MR. KAISER: That is my understanding. The actual  
16 cash paid would be what is in this deferral account. You  
17 are being allowed for rate recovery purposes now (which I  
18 think is effective November 1<sup>st</sup>), the amount approved by the  
19 Board. And you will earn interest on the differential. As  
20 Mr. Shepherd said earlier, that the amount that stays in.

21 MR. RODGER: Thank you very much.

22 MR. KAISER: Any other questions? Yes, Mr. Buonaguro.

23 MR. BUONAGURO: Just with respect to the exchange rate  
24 part of the decision, and maybe this is a clarifying  
25 question, because I don't think it has been specifically  
26 raised in the motion by Hydro Ottawa. Maybe I can ask them  
27 the question.

28 In paragraph 8 of the notice of motion, the relief

1 requested points out that approximately 3.3 million less  
2 than the 18.621 million in capital costs, as incurred by  
3 Hydro Ottawa, are being recovered as a result of Appendix  
4 A.

5 My question is: The 18.621 that you were claiming,  
6 does that include the difference between the Board approved  
7 amount and the actual exchange rate paid? Is this exchange  
8 rate difference between you and others included in the  
9 18.621 that you were claiming?

10 MS. ANDERSON: Yes, the 18.6 is the total cost that we  
11 paid, which would factor in any change due to the exchange  
12 rate.

13 MR. KAISER: And the actual cost you paid per meter  
14 was Canadian?

15 MS. ANDERSON: Yes, that is my understanding.

16 MR. KAISER: The difference between the Board approved  
17 price being the exchange differential?

18 MS. ANDERSON: That is what the schedule -- the  
19 contract with Elster requires us to pay, yes.

20 MR. KAISER: Did you pay Elster in Canadian or US  
21 funds? I thought it was US.

22 MS. ANDERSON: We pay in Canadian. That is why the  
23 exchange rate changes per the contract on sort of a routine  
24 basis.

25 MR. SHEPHERD: Mr. Chairman, rather than fix the  
26 amount, which I don't think you have material before you to  
27 know whether that is the correct final number, I wonder if  
28 when my friend prepares their schedule A, they can provide



1 the backup information and we can get the right number.

2 MR. KAISER: That is a good idea. Let's just leave it  
3 on the basis that the Board accepts that Ottawa can claim,  
4 as part of its smart meter costs, any exchange costs  
5 incurred, such that the price may be greater than the Board  
6 approved amount. In any event, Appendix A is subject to  
7 consent of all parties. Ottawa can prepare a draft  
8 exchange schedule for the review of intervenors and Board  
9 staff.

10 Is that satisfactory, Mr. Buonaguro?

11 MR. BUONAGURO: Yes, Mr. Chairman. Thanks.

12 MR. KAISER: This then completes the Board's decision,  
13 subject to the agreement of parties and Board counsel, on  
14 the revised Appendix A, which will form part of this  
15 decision.

16 This part of the Decision is public. The Decision  
17 with Appendix A is confidential with access limited to the  
18 parties signing the Declaration and Undertaking, the names  
19 of which are set out in Appendix F to the Decision of  
20 August 8. The confidential version of this decision will  
21 be issued shortly.

22 Thank you, gentlemen.

23 --- On resuming public session at 11:42 a.m.

24 --- Whereupon the hearing concluded at 11:42 a.m.

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