



EB-2008-0138

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

AND IN THE MATTER OF an application by Toronto Hydro-
Electric System Limited for an order approving just and
reasonable rates and other charges for electricity distribution
to be effective May 1, 2008, May 1, 2009, and May 1, 2010

AND IN THE MATTER OF a motion to review the Board's
Decision dated June 4, 2008.

BEFORE: Gordon Kaiser
Vice Chair and Presiding Member

Paul Sommerville
Member

Cathy Spoel
Member

DECISION AND ORDER

Background

Toronto Hydro Electric System Limited ("Toronto Hydro") filed an application with the Ontario Energy Board (the "Board"), received on August 3, 2007 under section 78 of the Ontario Energy Board Act, 1998, seeking approval for changes to the distribution rates that Toronto Hydro charges for electricity distribution. The Board has assigned the application file number EB-2007-0680. The Board issued its Decision on the application on May 15, 2008.

Toronto Hydro filed a Notice of Motion with the Ontario Energy Board on June 9, 2008 for an Order reviewing or varying the Board's May 15, 2008 Decision in EB-2007-0680.

On June 27, the Board issued a Decision and Order stating that it would proceed on one of the grounds of the motion: the regulatory treatment of smart meters. VECC and Board staff filed submissions on July 11, 2008. Toronto Hydro filed a reply submission on July 18, 2008.

The Issue

The issue involved in this case is a very narrow one, and it concerns only the treatment of the regulatory treatment of 2007 smart meter operating expenses. The May 15, 2008 Decision found that Toronto Hydro's 2007 capital expenditures in account 1555 were to be included in rate base, and that the balances recorded in smart meter operating expenses account 1556 were to be included in the 2008 revenue requirement.¹

Toronto Hydro argues that the 2007 smart meter expenses should not be cleared to the 2008 base revenue requirement, but rather that these expenses should be accounted for outside of a cost of service rate setting process in a manner consistent with the Board's finding in the combined smart meter proceeding (EB-2007-0063 "the Combined Proceeding"). Toronto Hydro described the procedure established in the Combined Proceeding as follows:

"Under that methodology applied to the 2007 expenditures, a revenue requirement corresponding to the actual 2007 smart meter activity was to be calculated, after the fact, consisting of operating expenses together with the capital-related costs of depreciation, return on the annual average 2007 smart meter incremental ratebase, and PILs on that return. That revenue requirement was then to be offset by the total revenue obtained through the 2007 Smart Meter Rate Rider, effective from May 1, 2007 to April 30, 2008. The net balance, debit or credit, was then to be cleared to ratepayers through the implementation of a limited-period rate rider."²

Toronto Hydro further stated that the capital related smart meter costs were not specifically addressed, and that the 2007 revenues from the rate riders would not be known until after April 30, 2008. In addition the residual balances from the 2006 clearings are outstanding. These components of smart meter deferral accounts are

¹ Toronto Hydro-Electric System Limited, EB-2007-0680, May 15, 2008, pages 23-24.

² Submission of Toronto Hydro-Electric System Limited, July 4, 2008, para. 9

used to determine the rate rider for ensuring complete dispositioning of the 2007 balances.

For these reasons, Toronto Hydro requested that the Board review and reconsider that aspect of the findings pertaining to the clearing of the 2007 smart meter deferral accounts. Toronto Hydro asked that it be allowed to proceed with an application through the process established in the Combined Proceeding.

Board staff pointed out that the Combined Proceeding established that smart meter costs could also be collected in cost of service applications.

VECC did not oppose the Toronto Hydro request.

Board Finding

The Board finds that there is merit in adopting the procedure established in the Combined Proceeding, and accordingly alters the May 15, 2008 Decision to the extent necessary to do so.

In order to ensure complete and proper clearing of the 2007 smart meter costs, the Board directs Toronto Hydro to apply through a new application to clear these balances. The Board wishes to make it clear that only the costs that were to be cleared to the 2008 base revenue requirement are the subject of this order, and the finding with respect to the 2007 capital expenditures for smart meters stands as stated in the May 15, 2008 Decision.

THE BOARD ORDERS THAT:

1. The EB-2007-0680 Decision be varied to rescind the last sentence in the last paragraph on page 23 beginning with "The Board further finds that the balances recorded..." and be replaced with Appendix "A" to this Decision and Order.
2. Toronto Hydro-Electric System Inc. is to apply through the combined smart meter process, EB-2007-0063, for the clearing of the 2007 smart meter revenue requirement related expenses.

DATED at Toronto, December 11, 2008
ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Appendix “A”

To The Motion to Review and Vary

EB-2008-0138

Toronto Hydro-Electric System Limited

The following replaces the last sentence in the last paragraph on page 23 of the EB-2007-0680 Decision, May 15, 2008:

“The Board further finds that the balance for the 2007 capital expenditures recorded in smart meter capital expenditures account 1555 be included in rate base. However, the balances recorded for the 2007 capital related expenses, any remaining balances associated with clearing previous balances, and the balances in smart meter operating expenses account 1556 shall be brought to the Board in a separate application as established through the combined smart meter process, EB-2007-0063 for the clearing of the 2007 smart meter revenue requirement related expenses.”