

Board Staff Interrogatories on Generic Issues

Issue 1. Smart Meters

Interrogatory

Ref: Smart Meters, Sheet ADJ 1 and ADJ 3 and Tab 4, pages 5-6 of Pre-filed Evidence.

1. Other than the Applicant's smart meter pilot program, does the Applicant have a smart meter program approved by its Board of Directors? If the answer is "yes", please provide a copy of the program. If the answer is "no", please provide an explanation for the appropriateness of proposing smart meter spending in the absence of an implementation plan.

Response

Enersource's Board of Directors has not approved its Smart Meter program.

Enersource is proposing smart meter spending on the basis that the Province requires smart meters to be implemented. The proposed spending is based on full implementation by 2010, with total spending spread over five years. Please see the answers to interrogatories 2 and 6 below for further details of the implementation plan. Enersource will proceed with its Smart Meter program upon the OEB authorizing the proposed rates. In this way, Enersource has access to the revenue stream required to support this investment. Not all of the costs of implementation are known at this time, given the proposed structure in the legislation that has recently been tabled in the Legislature. For that reason, Enersource has proposed a variance account to ensure that Enersource and its ratepayers are kept whole. Some components of implementation will be under government control, but that does not mean that it is inappropriate to include a smart meter budget in rates, along with a variance account. Enersource wants to be in a position to proceed with implementation as soon as possible, given the Province's implementation targets.

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2. Please state the percentage of the Applicant's total customer base that is targeted by the proposed 2006 program. Please include a breakdown by customer type for the targeted group.

Response

Customer Groups	2006 – Smart Meter Recipients	2006 – Total Number of Customers*	Proportion
GS > 50kW	4472	4490	99.6%
New Installs / Service Upgrades	4300	0	
Meter Changeouts	3250	0	
GS < 50kW and residential	17240	174169	9.9%
Total	29262	178659	16.4%

* Street Lighting is treated as one customer and included in the GS > 50 kW Customer Group.

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3. Please provide an update on the progress of the Applicant's smart meter pilot program approved by the Board on February 3, 2005. Please include a breakdown of the timeline and the milestones of the project, the progress to date in meeting those milestones and the reasons why any key deadlines or milestones were not met (if any).

Response

Enersource has two pilot projects. One project is underway; equipment has been installed. The other project, is a retrofit of 3 existing residential condominiums, and is pending customer approval. All project milestones have been met to date.

Pilot Project #1: Elster Energy Axis System, 550 single residential homes (Huron Park area). This is a 12 month pilot running from Q3'05 to Q3'06.

Project timeline:

Customer Open House	July 2005
Meter Installation	November 2005
Remotely read meters	December 2005
Provide customer presentment tool to residents	January 2006
Validate remote meter reads to manual reads	January 2006
Bill customer using remote meter reads	February 2006
Pilot project report & recommendation	October 2006

Pilot Project #2: Quadlogic System, retrofit 3 multi-residential buildings from bulk meter to individual suite metering.

Project timeline:

Customer meetings	November 2005
Execution of Individual Metering Agreement	December 2005
Meter Installation	April 2006
Validate remote meter reads to manual reads	June 2006
Bill customer using remote meter reads	July 2006
Pilot report & recommendation	December 2006

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4. Please provide an updated breakdown of the actual costs to be incurred by the Applicant to complete the smart meter pilot program as of November 2005 and compare these costs to the operating and capital costs proposed for the 2006 program.

Response

Pilot Program

Incurred costs to date

Operating costs:	\$ 8,000 ⁽¹⁾
Capital costs:	\$123,475
Participants:	550
Operating Cost per participant:	\$ 2.43/customer/month
Capital Cost per participant:	\$ 224.50

Proposed costs for the 2006 program:

Operating Costs per participant:	\$ 1.03/residential customer/month
Capital Costs per participant:	\$ 250/residential customer
	\$ 1,500/non-residential customer

- (1) The \$8,000 of operating costs reflects set-up costs incurred for residential and commercial customers (eg., one-time research costs required for the Pilot Program); these costs are not considered representative of on-going operating costs. These costs were incurred over a 6 month period.

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5. For the 2006 program, the Applicant has proposed to recover operating costs in the amount of \$351,000 based on an incremental operating cost of a smart meter at \$1.03. This amount appears to be fairly consistent with the proposed number of meters to be installed and commissioned (29,250). Please provide a detailed calculation showing a breakdown of the proposed capital portion of the Applicant's smart meter program, in the amount of \$16,968,000.

Response

Customer Groups	2006 – Smart Meter Recipients	Cost/Customer	Total Costs (in \$ millions)
GS > 50kW	4472	\$1500	6.708
New Installs / Service Upgrades	4300	\$250	1.075
Meter Changeouts	3250	\$1500	4.875
GS < 50kW and residential	17240	\$250	4.310
Total	29262		16.968

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6. Please provide an update on when and how the Applicant feels it will deliver a smart meter program for its remaining customers and include a descriptive overview of the ongoing smart meter operational process outlining the Applicant's ability to complete installations.

Response

Several components of the Smart Meter Plan are unknown at this time (eg., the duties of the Smart Meter Entity proposed in Bill 21).

Enersource assumes that:

- the Ministry of Energy will approve a Smart Metering System specification before an LDC undertakes the mass deployment of smart meters
- The Smart Metering System specification will address three classes of customers:
 - Residential and <50kW
 - 50kW-200kW and
 - > 200kW customers.

Enersource has not developed detailed project plans at this time. The following 'high-level' deployment strategy has been considered:

Deployment Targets:

Enersource plans to deploy smart meters to customers as follows:

Year	Number of Smart Meters Deployed
2006	29262
2007	45478
2008	45478
2009	47202
2010	47202

This deployment plan makes provision for an increase in the number of customers Enersource serves.

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Priority:

Commencing in 2006 and after all approvals are received (eg., the Ministry of Energy finalizes its Specification, Enersource's Board of Directors approves smart meter funding), Enersource plans to deploy smart meters based on the following priority:

First priority

General Service > 50 kW customers

New Installations

Service upgrades

Meter changeouts

Second priority

Existing Residential customers and < 50kW customers as follows:

Year	Number of Smart Meters Deployed to Existing Residential customers and < 50kW customers
2006	10%
2007	22%
2008	22%
2009	23%
2010	23%

Installation:

Enersource plans to contract with third parties for the installation of Smart Meters for most Residential customers and <50kW customers; remaining Smart Meters will be installed by Enersource metering staff.

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Issue 4.1.3 Material Bad Debt

Interrogatory

1. Ref: Tab 4, page 27 of Prefiled Evidence. In the reference, the Applicant states, "If this account is not provided, then Enersource's shareholder is obliged to assume the risk of a large customer failing and the write-of of a material amount when management has fewer tools than it did previously to manage such situations." Please explain what the Applicant means by having "fewer tools than it did previously".

Response

Enersource is faced with an increase in bad debt risk as credit protections are diminished, specifically due to the elimination of the tax roll protection in 2000 and restrictions regarding deposits imposed by amendments to the Distribution System Code in 2004. As a result of these changes, LDCs are now required to refund deposits to General Service customers after five or seven year of good payment history. Enersource previously only refunded deposits for General Service customers when the account was closed. In our experience, large companies in business for many decades have declared bankruptcy with little warning, despite good payment practices.

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