

**VERIDIAN CONNECTIONS INC. RESPONSES TO
ONTARIO ENERGY BOARD STAFF INTERROGATORIES –
GENERIC ISSUES HEARING**

RP-2005-0020/EB-2005-0529

Board Staff Question 1:

Reference: Smart Meters

“On November 3, 2005 the “Energy Conservation Responsibility Act, 2005” received first reading in the Ontario Legislature. The act, if passed, will implement the introduction of smart metering technology in Ontario. This legislation sets the framework for an entity that will oversee Ontario’s smart metering communications systems and technologies. The responsibilities of this organization could include facilitating the procurement of smart meter systems and the collection and management of data. Local distribution companies will own, install, operate and maintain the new meters, and they will retain their important role in working for their customers.” Based on the above please provide discussion on how this announcement will influence or impact on your smart meter plans as described in your 2006 rates application.

Veridian Connections Inc. Answer to Question 1:

The framework established for smart meter implementation under the *Energy Conservation Responsibility Act, 2005* does not necessarily impact the smart meter costs contained in Veridian’s 2006 rate application. It does not alter the timetable for the installation of smart meters, does not establish smart meter specifications, nor does it significantly alter the expected role of distributors in the execution of the province’s smart meter strategy.

In its 2006 rate application Veridian acknowledges that there is a certain amount of uncertainty regarding smart meter costs for 2006. While the application includes rate base and distribution expense adjustments to reflect smart meter costs based on the OEB’s Smart Meter Implementation Plan dated January 26, 2005, it also requests approval of variance accounts to record the differences, if any, between these rate base adjustments and actual smart meter costs.

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Board Staff Question 2:

Reference: Smart Meters

Please prepare a description overview of the smart meter implementation plan outlining Veridian Connections ability to complete installations.

Veridian Connections Inc.'s Answer to Question 2:

The Ministry of Energy is in the process of developing a smart meter implementation plan for the province. This plan is being prepared in consultation with industry stakeholders. Veridian is participating and will continue to participate in the stakeholder consultation process, to ensure that the final installation timetables are achievable.

It is anticipated that Veridian will, in part, rely on qualified contractors to meet its smart meter installation targets.

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Board Staff Question 3:

Reference: Smart Meters

Summary of Application Page 12 of 45 Paragraph 3.31: Veridian Connections has requested a variance account be established for smart meters. Please provide a description on how the applicant would propose this account would work.

Veridian Connections Inc. Answer to Question 3:

For clarity, we note that Veridian has requested two smart meter variance accounts: one to record deviations in operating expenses (Summary of Application, page 9, paragraph 3.15) and another to record deviations in capital costs (Summary of Application, page 12, paragraph 3.31).

Veridian has not developed a precise accounting model for the application of these variance accounts. It is the company's expectation that should the Board approve the concept of smart meter variance accounts, detailed accounting standards would be developed by the Board through a stakeholder consultation process, for consistent application by all distributors in the province.

It is Veridian's view that the disposition of smart meter variance accounts should be based on a performance based regulatory mechanism that encourages the efficient execution of smart meter programs. For example, a distributor's smart meter costs could be benchmarked against those of other distributors in the province, and financial incentives could be made available to those achieving the government's smart meter deployment goals at costs lower than the industry average.

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Board Staff Question 4:

Reference: 2. Deferral Accounts: 2.1 Regulatory Costs

Veridian Connections has requested the establishment of variance account for unexpected regulatory costs. Using 2004 as the base year and 2005 as a test year, please provide an itemized example of the actual costs incurred that would be included in the variance account.

Veridian Connections Inc. Answer to Question 4:

Veridian's request for the modification of the scope of Account 1508, or the establishment of a new variance account in relation to regulatory costs, outlines two specific categories of costs:

- 1) To allow for the recording, for reconciliation at a later date, of the differences, if any, between the amounts recoverable in the Applicant's OEB-approved revenue requirement on account of Electrical Safety Authority fees (subject to any recovery of those fees that may be permitted by the OEB as part of its Tier 1 adjustment for OEB assessment and other fees paid to energy regulators) and the actual costs incurred by the Applicant.
- 2) To allow for the recording, for reconciliation at a later date, of the differences, if any, between the amounts recoverable in the Applicant's OEB-approved revenue requirement on account of regulatory costs associated with regulatory proceedings, (including, without limitation, intervenor, consultant, and legal costs) and the actual costs incurred by the Applicant.

The following table provides actual costs within these two categories for 2004, and estimated costs for 2005:

<u>Category of Cost</u>	<u>2004 Actual Cost</u>	<u>2005 Estimate as Test Year</u>
1) Difference between: expense levels in revenue requirement and actuals RE: <u>ESA Fees</u>	nil	\$21,627 (subject to any recovery of these amounts that may be permitted by the OEB as part of is Tier 1 adjustment for OEB assessment and other fees paid to energy regulators)
2) Difference between: expense levels in revenue requirement and actuals: RE: <u>Regulatory</u> <u>proceedings costs:</u> - Intervenor Costs - Consultant Costs - Legal Costs - Print & Notification	nil	\$58,500 (Consultant costs - \$1,000, Legal Costs - \$47,500, Print and Notification Costs - \$10,000)