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VIA E-MAIL AND WEB POSTING

December 15, 2011

To: All Licensed Electricity Distributors

Re: Updates to Guideline G-2008-0002: Smart Meter Funding and Cost Recovery and Smart Meter Model

Attached is an update of *Guideline G-2008-0002: Smart Meter Funding and Cost Recovery* issued on October 22, 2008. The updated version is titled *Guideline G-2011-0001: Smart Meter Funding and Cost Recovery – Final Disposition* (the “Guideline”). The Guideline outlines the information that the Board expects electricity distributors to file regarding applications for final prudence review of smart meter costs. It reflects amendments to a number of smart metering regulations that were enacted on June 25, 2008 as well as the direction provided by the Board in its combined proceeding on smart meter costs (proceeding EB-2007-0063) and in the previous *Guideline G-2008-0002: Smart Meter Funding and Cost Recovery*. It also includes a synthesis of the Board’s policy and practices that have emerged from decisions of the Board from 2007 to present pertaining to the funding and cost recovery related to smart meter deployment. Much of this guidance was formerly included in the Notes tab to the Smart Meter Model released by the Board, but the Board is now of the view that it would be helpful to future applications to release an update of the guidelines.

The Board has also posted an updated Smart Meter Model, version 2.17. The Board has eliminated the Notes tab of the previous model (version 2.0) since the Guideline now contains all relevant information that underpins the model. The Board has included carrying charges on OM&A and amortization expense for historical costs as per Accounting Procedures Handbook FAQ (Frequently Asked Question) #8 issued in August 2008.

The model does not address cost allocation. Distributors should, where practical and where the data is available, use class-specific rate riders to be calculated based on full cost causality. The methodology approved by the Board in its decision to PowerStream Inc.'s 2011 smart meter application (EB-2011-0128) should serve as a suitable guide. A uniform rate rider approach would be suitable only where adequate data is not available.

As with previous versions, the model is designed to allow distributors to calculate rate riders using the two cost recovery mechanisms that the Board has established to date (i.e. Smart Meter Disposition Rider – “SMDR” and Smart Meter Incremental Revenue Requirement Rate Rider – “SMIRR”). If applicable, the model can also be a vehicle for calculating the Smart Meter Funding Adder (“SMFA”).

The Board reminds distributors that the updated Smart Meter model is also designed to assist distributors in documenting their smart meter costs and to assist distributors in preparing applications related to smart meters and is not determinative of how the Board may decide in any case. The onus is on an applicant to make and support its application in light of its own specific circumstances. In addition to the Guideline, distributors should also reference *Chapter 2 of the Filing Requirements for Transmission and Distribution Applications*.

The Board reminds distributors that smart meter cost claims are excluded from an IRM proceeding and that the Board in many 2011 rate decisions stated its expectation that distributors file for a final prudence review at the earliest possible opportunity following the availability of audited costs.

Distributors will find the model under the “Update” section on the Board’s 2012 Electricity Distribution Rate Applications webpage at http://www.ontarioenergyboard.ca/OEB/Documents/2012EDR/2012_smart_meter_model.xls.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary