

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

**AND IN THE MATTER OF** an application for disposition/recovery of amounts related to Smart Meters.

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TORONTO HYDRO-ELECTRIC SYSTEM LIMITED

APPLICATION FOR APPROVAL AND  
DISPOSITION/RECOVERY OF AMOUNTS RELATED TO  
2006 AND 2007 SMART METERS

**MANAGER'S SUMMARY**

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**OEB File No. EB-2009-xxxx**

Filed: March 2, 2009

# MANAGER'S SUMMARY

## 1. Introduction

Toronto Hydro-Electric System Limited ("THESL") filed a Notice of Motion with the Ontario Energy Board ("OEB" or "Board") on June 9, 2008 for an Order to review and vary the Board's May 15, 2008 Decision in EB-2007-0680, in part with respect to the treatment of 2007 Smart Meter operating expenses. On December 11, 2008, the OEB issued its Decision on the Motion and ordered that THESL "is to apply through the combined Smart Meter process, EB-2007-0063, for the clearing of the 2007 Smart Meter revenue requirement related expenses". THESL herewith submits an application ("Application") for:

1. Disposition of the 2007 year-end balance in the Smart Meter deferral account together with the residual balance in the 2006 Smart Meter deferral account, by way of a rate rider effective for 12-months from May 1, 2009; and
2. Approval of Smart Meter rate rider values for 2009.

On a combined basis, the proposals set out in this Application would result in a 0.08% total bill decrease (\$0.09 per month) for residential customers consuming 1,000 kilowatt-hours per month.

THESL proposes that the rate riders consequent upon this proposal take effect May 1, 2009.

### 1.1. 2007 Smart Meter Deferral Account Methodology

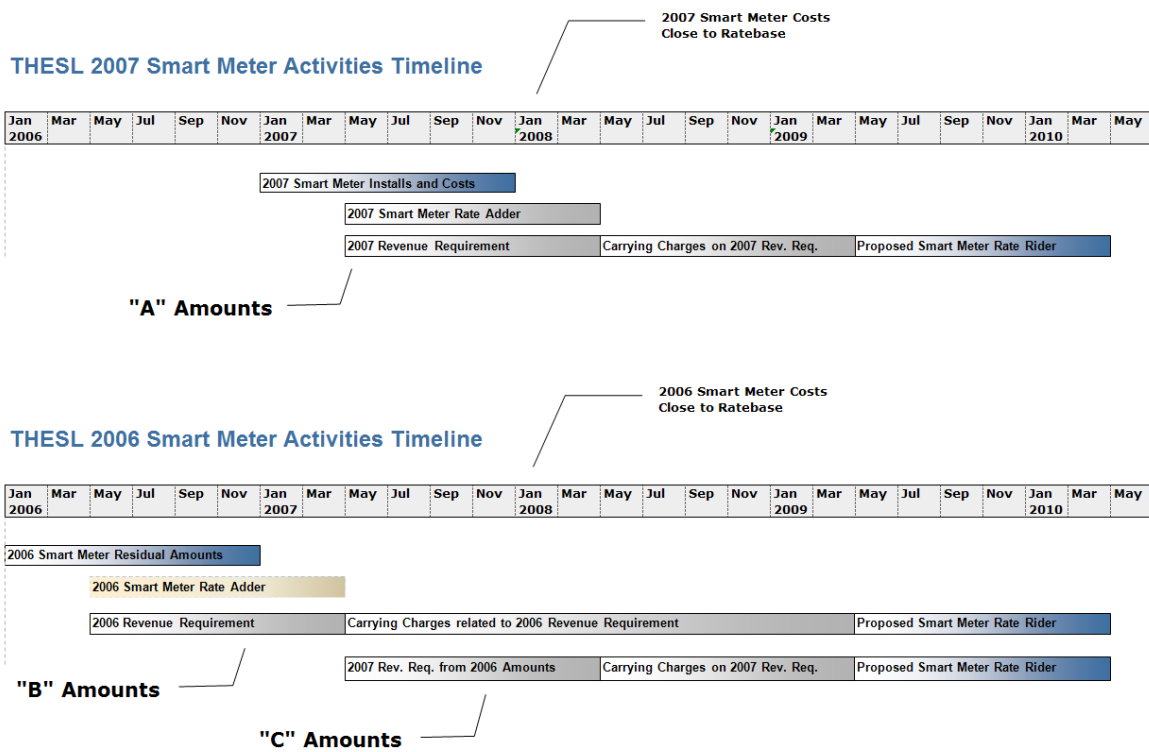
For purposes of disposing the Smart Meter deferral account from 2007, and the residual amounts from the 2006 Smart Meter deferral account, THESL records the revenues received from customers through the Smart Meter rate adders, offset by the revenue requirement that would have flowed from the actual Smart Meter activity, were that to have been perfectly forecasted when setting rates for that year. This is the methodology approved by the Board in the Combined Smart Meter Proceedings (EB-2007-0063), and confirmed in the Board's Rate Order dated October 23, 2007.

## 1.2. Timeline of Smart Meter Activities, Costs and Revenues

For purposes of clarity, the Smart Meter deferral account amounts can be divided into three separately calculated components:

1. The 2007 Balance Amount for 2007 Smart Meters ("A" Amounts)
2. The 2006 Balance Amount for 2006 Residual Amounts ("B" Amounts)
3. The 2007 Balance Amount due to the 2006 Residual Amounts ("C" Amounts)

The time periods for the Smart Meter costs, revenues from Smart Meter rate adders, and the associated Smart Meter revenue requirements, are shown in the following timelines (see Exhibit 1 for a full page reproduction of the chart):



### **1.3. Summary of Deferral Account Amounts**

On the basis of the Smart Meter deferral account methodology, the 2007 year-end credit balance in the 2007 Smart Meter deferral account is \$1,461,100. This balance is the sum of THESL's computed revenue requirement arising from 2007 Smart Meter activities and expenditures, prior to the assets being closed and included in the 2008 rate base, less revenues received in 2007 through the Smart Meter rate adder, plus carrying charges. Refer to "A" Amounts in the Timeline in Section 1.2.

In addition, the debit balance of the residual amounts from the 2006 Smart Meter deferral account is \$213,000. This balance is the sum of THESL's computed revenue requirement, plus carrying charges, arising from \$3,462,000 in 2006 Smart Meter activities and expenditures that was not recovered in THESL's 2006 Smart Meter deferral account disposition application (EB-2007-0582). Refer to "B" Amounts in the Timeline in Section 1.2. In the September 21, 2007 Decision, the Board approved 2006 Smart Meter total costs of \$26.139 million with the balance of 2006 Smart Meter actual costs to be recovered later.

And finally, the debit balance from the 2007 incremental revenue requirement due to 2006 Smart Meters is \$504,600. This balance is the sum of THESL's 2007 revenue requirement, plus carrying charges, arising from the \$3,462,000 in residual costs from 2006 Smart Meter activities and expenditures, prior to the assets being closed and included in the 2008 rate base. Refer to "C" Amounts in the Timeline in Section 1.2.

THESL proposes that the net credit amount of \$743,500 from the above Smart Meter deferral account balances be returned to customers through a distinct Smart Meter disposition rate rider, effective for 12 months beginning May 1, 2009 and expiring April 30, 2010.

## 2. Application Details

### 2.1. THESL Smart Meter Expenditures

The actual 2007 Smart Meter expenditures and 2006 residual capital amounts, along with the revenues recovered, are summarized in Table 7. THESL confirms that all cost information contained in this Application has been audited as part of THESL's 2008 annual financial audit.

**Table 7**  
**2006/2007 Smart Meter Expenditures and Recoveries**

	Col. 1	Col. 2
1	<b>Category</b>	<b>Amount (\$'000's)</b>
2	<b>Expenditures</b>	
3	Meter Capital (2007)	29,188.4
4	Residual Meter Capital (2006)	3,462.0
5	Depreciation & Amortization (2007)	1,183.3
6	Depreciation & Amortization (2006)	310.7
7	OM&A	1,761.8
8	<b>Total</b>	<b>35,906.2</b>
9		
10	<b>Recoveries</b>	
11	<b>Total</b>	<b>5,617.1</b>

In the amounts stated in Table 7, \$29,188,400 is the total capital cost to install 214,652 Smart Meters and Collectors during 2007. Of the 214,652 Smart Meters, 202,882 meters were for residential customers, 7,564 meters were for General Service < 50kW customers, and 4,206 meters were for General Service >50 kW customers.

The 2007 Smart Meter capital of \$29,188,400 includes cost of the meters, warehousing, parts and supplies, and capitalized labour (including training and planning costs).

The 2006 residual Smart Meter capital claimed in this Application totals \$3,462,000. This amount originates from the difference in the OEB-approved meter cost and the actual contract price for Smart Meters paid during that period.

In the September 21, 2007 Decision (EB-2007-0747/EB-2007-0748), the Board approved \$26.139 million in 2006 Smart Meter costs, with the balance of 2006 Smart Meter costs (\$4,590,100) to be recouped later. The amount of \$3,462,000 claimed in this Application for 2006 residual Smart Meter capital is calculated from the difference of the actual 2007 Smart Meter cost versus the OEB-approved Smart Meter cost, plus PST and inventory overhead, for the 201,878 standard single-phase Smart Meters installed during 2007. The remaining \$1,128,100 in unrecovered 2006 Smart Meter costs will be claimed in a final Application after 100% of the Smart Meters have been installed.

The 2006 Smart Meter residual capital amount of \$3,462,000 has been added to THESL's 2008 rate base in accordance with the Board's May 15, 2008 Decision in EB-2007-0680.

For purposes of calculating the 2007 Smart Meter-related incremental ratebase, IT expenditures have been excluded from this Application as not all Smart Meter IT-related assets were fully functional by the end of 2007. Smart Meter IT expenditures in 2007 included costs related to communications, data servers and infrastructure, interfaces, hardware and software.

The accumulated depreciation and amortization associated with the 2007 and 2006 installed Smart Meters is \$1,494,000, consisting of \$1,183,300 for the 2007 Smart Meter expenditures, and \$310,700 for the residual 2006 Smart Meter expenditures (\$79,900 for 2006, and \$230,800 for 2007) and has been calculated assuming a 15-year lifetime with straight-line depreciation.

OM&A costs include costs for communications and non-capitalized labour associated with the Smart Meter implementation.

## **2.2. Disposition of Smart Meter Deferral Account Balance Amounts**

THESL requests disposition of the 2007 year-end balance of the Smart Meter deferral account and the 2006 Smart Meter residual amounts, by way of rate riders in effect during the 2009 rate year.

In accordance with the Board-approved methodology, carrying costs were applied to the difference between the amounts recovered through the Smart Meter rate adders, and the corresponding revenue requirement amount.

### **2.3. 2007 Balance Amount for 2007 Smart Meters (“A” Amounts)**

Table 8a details the 2007 expenditures on Smart Meters, and the resulting revenue requirement, as well as the amounts recovered under the rate adders in effect from May 1, 2007 to April 30, 2008. Revenues from the rate adder exceeded the revenue requirement associated with the installed Smart Meters by *\$1,416,200* at the end of 2007. Accordingly, this credit amount together with related carrying charges of \$44,900 (for a total amount of \$1,461,100) is proposed for disposition through a rate rider to 2009 rates. The monthly interest rate for calculating the carrying charges is the Board prescribed rate during the period.

The Carrying Charge amount of \$44,900 for the 2007 Smart Meter deferral account relates to the period May 1, 2008 to April 30, 2009, and is the result of the over-recovery in rate adders in the period ending April 30, 2008.

For more information, refer to “A” Amounts shown in the Timeline in Section 1.2.

**Table 8a**  
**2007 Balance Amount for 2007 Smart Meters ("A" Amounts)**

	Col. 1	Col. 2	Col. 3	Col. 4
		(\$000's)	(\$000's)	Calculation
1				
2	<b>Smart Meter 2007 Expenses</b>			
3	Incremental Operating Expense		1,761.8	A
4	Depreciation & Amortization		1,183.3	B
5	Total Expenses		2,945.1	C = A + B
6				
7	Calculated Return on Rate Base			
8	Smart Meter Fixed Assets Net Book Value - Dec. 31, 2007	28,005.3		D
9	Net Fixed Assets (Average of Smart Meter Fixed Assets			
10	Opening and Closing 2007 Net Book Value)	14,002.6		E = D / 2
11	Working Capital Allowance	264.3		F = A * 15%
12	Total Rate Base	14,266.9		G = E + F
13				
14	Debt Cost - Weighted Debt Rate	5.18%	480.4	H = G * 65% * 5.18%
15	Return on Equity	9.00%	449.4	I = G * 35% * 9%
16	Return on Rate Base		929.8	J = H + I
17				
18	Revenue Requirement before PILs		<b>3,874.9</b>	K = C + J
19				
20	<b>Calculation of Income for PILs Purposes</b>			
21	Incremental Operating Expenses		1,761.8	A
22	Depreciation & Amortization		1,183.3	B
23	Interest Expense		480.4	H
24	<b>Income for PILs purposes</b>		449.4	L = K - A - B - H
25				
26	<b>Grossed Up PILs</b>		326.0	M (see table 8b)
27				
28	Revenue Requirement before PILs		3,874.9	K
29	Grossed up PILs		326.0	M
30	<b>2007 Revenue Requirement for 2007 Smart Meters</b>		4,200.9	N = K + M
31				
32	<b>Revenue Earned - Smart Meter Funding</b>			
33	Residential		4,984.4	O
	General Service <50		551.6	P
34	General Service 50 to 1000 kW - Non Interval		81.1	Q
35	Total Revenue		5,617.1	R = O + P + Q
36				
37	<b>Difference Over Recovered</b>		-1,416.2	S = N - R
38				
39	<b>Carrying Charge on Over Recovery (May 08-Apr 09)</b>		-44.9	T
40				
41	<b>Difference Over Recovered plus Carrying Charge</b>		<b>-1,461.1</b>	U = S + T
42				



Table 8b provides the derivation of the 2007 PILs amount included in the calculation of the 2007 balance amount for 2007 Smart Meters.

**Table 8b**  
**PILs Calculation for 2007 Balance Amount for 2007 Smart Meters**

	Col. 1	Col. 2	Col. 3	Col. 4
		<b>(\$000's)</b>		<b>(\$000's)</b>
1	<b>Income Tax</b>			
2	Net Income	449.4		
3	Depreciation & Amortization	1,183.3		
4	CCA - Class 47 (8%) Smart Meters	-1,167.5		
5	CCA - Class 45 (45%) Computers	0.0		
6	Change in Taxable Income	465.1		
7	Tax Rate	36.12%		
8	<b>Income Taxes Payable</b>	<b>168.0</b>		
9				
10	<b>Ontario Capital Tax</b>			
11	Smart Meters	28,005.3		
12	Computer Hardware	0.0		
13	Computer Software	0.0		
14	Rate Base	28,005.3		
15	Less: Exemption	0.0		
16	Deemed Taxable Capital	28,005.3		
17	Ontario Capital Tax Rate	0.225%		
18	<b>Net OCT Amount</b>	<b>63.0</b>		
19				
20				
21		<b>PILs Payable</b>	<b>Gross Up</b>	<b>Grossed Up PILs</b>
22	Change in Income Taxes Payable	168.0	36.12%	<b>263.0</b>
23	Change in OCT	63.0		<b>63.0</b>
24	PILs	231.0		<b>326.0</b>

#### **2.4. 2006 Balance Amount for 2006 Residual Amounts (“B” Amounts)**

Table 9a details the 2006 Smart Meter residual amounts, and the resulting 2006 revenue requirement. In the September 21, 2007 Decision (EB-2007-0747/EB-2007-0748), the Board approved \$26.139 million in 2006 Smart Meter costs, with the balance of 2006 Smart Meter costs (\$4,590,100) to be recouped later. The amount of \$3,462,000 claimed in this Application for 2006 residual Smart Meter capital is calculated from the difference of the actual 2007 Smart Meter cost versus the OEB-approved Smart Meter cost, plus PST and inventory overhead, for the 201,878 standard single-phase Smart Meters installed during 2007. The remaining \$1,128,100 in unrecovered 2006 Smart Meter costs will be claimed in a final Application after 100% of the Smart Meters have been installed.

The 2006 revenue requirement associated with the 2006 Smart Meter residual amounts of \$3,462,000 claimed in this Application was \$197,200. Accordingly, this recovery amount together with related carrying charges of \$15,800, for a total amount of \$213,000, is proposed for disposition through a rate rider to 2009 rates.

Carrying charges of \$15,800 are calculated at the Board prescribed rate, and relate to the period of May 1, 2007 to April 30, 2009.

For more information, refer to “B” Amounts in the Timeline in Section 1.2.

**Table 9a**  
**2006 Balance Amount for 2006 Residual Amounts ("B" Amounts)**

	Col. 1	Col. 2	Col. 3	Col. 4
		(\$000's)	(\$000's)	Calculation
1				
2	<b>Smart Meter 2006 Expenses</b>			
3	Incremental Operating Expense		0.0	A
4	Depreciation & Amortization		79.9	B
5	Total Expenses		<u>79.9</u>	C = A + B
6				
7	Calculated Return on Rate Base			
8	Residual Smart Meter Fixed Assets Net Book Value - Dec. 31, 2006	3,382.1		D
9	Net Fixed Assets (Average of Smart Meter Fixed Assets			
10	Opening and Closing 2006 Net Book Value)	1,691.1		E = D / 2
11	Working Capital Allowance	0.0		F = A * 15%
12	Total Rate Base	1,691.1		G = E + F
13				
14	Debt Cost - weighted debt rate	5.18%	56.9	H = G * 65% * 5.18%
15	Return on Equity	9.00%	53.3	I = G * 35% * 9%
16	Return on Rate Base		<u>110.2</u>	J = H + I
17				
18	Revenue Requirement before PILs		<b>190.1</b>	K = C + J
19				
20	<b>Calculation of Income for PILs Purposes</b>			
21	Incremental Operating Expenses		0.0	A
22	Depreciation & Amortization		79.9	B
23	Interest Expense		56.9	H
24	<b>Income for PILs purposes</b>		<u>53.3</u>	L = K - A - B - H
25				
26	<b>Grossed Up PILs</b>		<u>7.1</u>	M (see table 9b)
27				
28	Revenue Requirement before PILs		190.1	K
29	Grossed up PILs		<u>7.1</u>	M
30	<b>2006 Revenue Requirement for 2006 Smart Meters</b>		<u>197.2</u>	N = K + M
31				
32	<b>Revenue Earned - Smart Meter Funding</b>			
33	Residential		0.0	O
	General Service <50		0.0	P
34	General Service 50 to 1000 kW - Non Interval		0.0	Q
35	Total Revenue		<u>0.0</u>	R = O + P + Q
36				
37	<b>Difference Under Recovered</b>		<u>197.2</u>	S = N - R
38				
39	<b>Carrying Charge on Under Recovery (May 07-Apr 09)</b>		<u>15.8</u>	T
40				
41	<b>Difference Under Recovered plus Carrying Charge</b>		<b><u>213.0</u></b>	U = S + T
42				

Table 9b provides the derivation of the PILs amounts included in the calculation of the 2006 balance amount for 2006 Smart Meter residual amounts.

**Table 9b**  
**PILs Calculation for 2006 Balance Amount for 2006 Residual Amounts**

	Col. 1	Col. 2	Col. 3	Col. 4
		(\$000's)		(\$000's)
1	<b>Income Tax</b>			
2	Net Income	53.3		
3	Depreciation & Amortization	79.9		
4	CCA - Class 47 (8%) Smart Meters	-138.5		
5	CCA - Class 45 (45%) Computers	0.0		
6	Change in Taxable Income	-5.3		
7	Tax Rate	36.12%		
8	<b>Income Taxes Payable</b>	<b>-1.9</b>		
9				
10	<b>Ontario Capital Tax</b>			
11	Smart Meters	3,382.1		
12	Computer Hardware	0.0		
13	Computer Software	0.0		
14	Rate Base	3,382.1		
15	Less: Exemption	0.0		
16	Deemed Taxable Capital	3,382.1		
17	Ontario Capital Tax Rate	0.300%		
18	<b>Net OCT Amount</b>	<b>10.1</b>		
19				
20				
21		<b>PILs Payable</b>	<b>Gross Up</b>	<b>Grossed Up PILs</b>
22	Change in Income Taxes Payable	-1.9	36.12%	-3.0
23	Change in OCT	10.1		<b>10.1</b>
24	PILs	8.2		<b>7.1</b>

It should be noted that the 2006 depreciation amount of \$79,900 is related to the difference of the depreciation of the actual 2006 Smart Meter capital amount and the depreciation of the Board-allowed 2006 Smart Meter capital amount arising from the Board's September 21, 2007 Decision.

## **2.5. 2007 Balance Amount Due to 2006 Smart Meter Residual Capital Amounts ("C" Amounts)**

As described earlier, in the September 21, 2007 Decision (EB-2007-0747/EB-2007-0748), the Board approved \$26.139 million in 2006 Smart Meter costs, with the balance of 2006 Smart Meter costs (\$4,590,100) to be recouped later. The 2006 Smart Meter residual capital amounts did not enter rate base in 2007, therefore, there is a revenue requirement in 2007 that relates to that residual amount. In accordance with the Board's Decision in the THESL 2008 EDR Application (EB-2007-0680), the 2007 (and prior) Smart Meter related capital accounts have been included in THESL's rate base as of January 1, 2008.

The 2007 revenue requirement resulting from the 2006 Smart Meter residual capital amount of \$3,462,000 claimed in this Application, prior to the residual capital amounts being closed and included in the 2008 rate base, is shown in Table 10. Return on rate base at THESL's 2007 allowed rates and capital structure is \$212,900. No operating expense or working capital is associated in 2007 with the 2006 Smart Meter capital residual amount. The revenue requirement before PILS, consisting only of return on rate base and net amortization expense, is \$443,700.

After deduction of amortization adjusted for CCA and interest expense related to return, incremental taxable income is \$67,800. The income-related PILS amount is \$24,500, which is grossed up to \$38,300. Together with additional Ontario capital tax of \$7,100, this results in an increase in PILS expense of \$45,400. The derivation of the 2007 PILS amount is shown in Table 11.

It should be noted that the 2006 General Service Smart Meter depreciation and amortization amounts in Table 10 are zero as all General Service Smart Meter costs have been included in the costs closed to rate base in 2007 following the Board's approval of those costs in EB-2007-0063.

The carrying charge amount of \$15,500 for the 2007 balance amount due to the 2006 Smart Meter residual amounts relates to the period May 1, 2008 to April 30, 2009.

The final 2007 balance amount resulting from the 2006 Smart Meter residual capital amounts is therefore \$504,600.

**Table 10**  
**2007 Balance Amount due to 2006 Residual Amounts ("C" Amounts)**

	Col. 1	Col. 2	Col. 3	Col. 4
		(\$000's)	(\$000's)	Calculation
1				
2	<b>Rate Base</b>			
3	Residual 2006 Smart Meter Fixed Assets Cost	<b>Start of 2007</b>	<b>End of 2007</b>	
4	Residential	3,462.0	3,462.0	A
5	General Service	0.0	0.0	B
6	Total	3,462.0	3,462.0	C = A + B
7				
8	Less: Smart Meter Accumulated Deprec. & Amort.			
9	Residential	79.9	310.7	D
10	General Service	0.0	0.0	E
11	Total	79.9	310.7	F = D + E
12				
13	Residual Smart Meter Fixed Assets Net Book Value			
14	Residential	3,382.1	3,151.3	G = A - D
15	General Service	0.0	0.0	H = B - E
16	Total	3,382.1	3,151.3	I = G + H
17				
18	Residual Average Smart Meter Fixed Assets		3,266.7	J = avg(I <sub>start of 2007</sub> , I <sub>end of 2007</sub> )
19				
20	<b>Residual Smart Meters Fixed Assets in Rate Base</b>		3,266.7	K = J
21	(added January 1, 2008)			
22	<b>Return on Rate Base</b>			
23	Deemed Debt	65%	2,123.4	L = K * 65%
24	Deemed Equity	35%	1,143.4	M = K * 35%
25			3,266.7	N = L + M
26				
27	Weighted Debt Rate	5.18%	110.0	O = L * 5.18%
28	Equity Rate	9.00%	102.9	P = M * 9.00%
29	<b>Return on Rate Base</b>		212.9	Q = O + P
30				
31	<b>Depreciation &amp; Amortization Expenses</b>			
32	2006 Smart Meters:			
33	Residential		230.8	R = D <sub>end of 2007</sub> - D <sub>start of 2007</sub>
34	General Service		0.0	S = E <sub>end of 2007</sub> - E <sub>start of 2007</sub>
35			230.8	T = R + S
36				
37	<b>Revenue Requirement Before PILs</b>		443.7	U = T + Q
38				
39	<b>Calculation of Income for PILs Purposes</b>			
40	Depreciation & Amortization Expense		230.8	T
41	Interest Expense		110.0	O
42	<b>Income for PILs purposes</b>		102.9	V = U - T - O
43				
44	<b>Grossed Up PILs</b>		45.4	W (see table 11)
45				
46	Revenue Requirement Before PILs		443.7	U
47	Grossed Up PILs		45.4	W
48	<b>2007 Revenue Req't for 2006 Smart Meters</b>		489.1	X = U + W
49				
50	<b>Carrying Charge on Under Recovery (May 08-Apr 09)</b>		15.5	Y
51				
52	<b>Revenue Requirement Plus Carrying Charge</b>		504.6	Z = X + Y

**Table 11**  
**PILs Calculation for 2007 Balance Amount for 2006 Residual Amounts**

	Col. 1	Col. 2	Col. 3	Col. 4
		(\$000's)		(\$000's)
1	<b>Income Tax</b>			
2	Net Income	102.9		
3	Depreciation & Amortization	230.8		
4	CCA - Class 47 (8%) Smart Meters	-265.9		
5	CCA - Class 45 (45%) Computers	0.0		
6	Change in Taxable Income	67.8		
7	Tax Rate	36.12%		
8	Income Taxes Payable	<b>24.5</b>		
9				
10	<b>Ontario Capital Tax</b>			
11	Smart Meters	3,151.3		
12	Computer Hardware	0.0		
13	Computer Software	0.0		
14	Rate Base	3,151.3		
15	Less: Exemption	0.0		
16	Deemed Taxable Capital	3,151.3		
17	Ontario Capital Tax Rate	0.225%		
18	Net Amount (Taxable Capital x Rate)	<b>7.1</b>		
19				
20				
21		<b>PILs Payable</b>	<b>Gross Up</b>	<b>Grossed Up PILs</b>
22	Change in Income Taxes Payable	24.5	36.12%	<b>38.3</b>
23	Change in OCT	7.1		<b>7.1</b>
24	PILs	31.6		<b>45.4</b>

### 2.6. Allocation and Disposition of Amounts Related to 2007 and 2006 Smart Meter Activities

THESL proposes that the 2007 Smart Meter deferral account credit balance of \$1,461,100, less the clearance of the 2006 Smart Meter residual capital deferral account debit balance \$213,000, less the clearance of the 2007 incremental revenue requirement due to 2006 Smart Meters \$504,600, for a total net credit amount of \$743,500 be disposed to those rate classes that had Smart Meters installed in 2007. Those classes are Residential, GS < 50 kW, and GS 50 – 1000 kW.

THESL proposes that these amounts be disposed on the fixed monthly customer charge, which is consistent with how the rate rider for Smart Meters has been collected over 2007. THESL proposes that the December 2008 customer numbers be used for the calculation of the class rate riders. Calculation of the allocation and disposition of these amounts by rate class is shown in Table 12.

**Table 12**  
**Allocation and Recovery of Smart Meter Amounts**

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
1	<b>Allocators</b>	<b>Residential</b>	<b>GS &lt; 50 kW</b>	<b>GS - 50 to 1000 kW - Non Interval</b>	<b>Total</b>
2					
3	Operational Data				
6	Number of Customers (End of 2008 Actuals)	605,509	65,917	10,026	<b>681,452</b>
7	2006 Smart Meters Installed	191,370	2,070	560	<b>194,000</b>
8	2007 Smart Meters Installed	202,882	7,564	4,206	<b>214,652</b>
9	Allocator Percentages				
12	2006 Smart Meters Installed	98.64%	1.07%	0.29%	<b>100.0%</b>
13	2007 Smart Meters Installed	94.52%	3.52%	1.96%	<b>100.0%</b>
14	<b>Allocated Amounts</b>	<b>Residential \$</b>	<b>GS &lt; 50 kW \$</b>	<b>GS - 50 to 1000 kW - Non Interval \$</b>	<b>Total \$</b>
15	2007 Balance Amount for 2007 Smart Meters ("A" Amounts)	(1,380,994)	(51,487)	(28,630)	<b>(1,461,111)</b>
16	2006 Balance Amount for 2006 Residual Amounts ("B" Amounts)	210,129	2,273	615	<b>213,017</b>
17	2007 Balance Amount due to 2006 Residual Amounts ("C" Amounts)	497,807	5,385	1,457	<b>504,648</b>
18	<b>Total</b>	<b>(673,059)</b>	<b>(43,830)</b>	<b>(26,558)</b>	<b>(743,446)</b>
19	<b>Charge/Disposition Calculations</b>	<b>Recovery Basis</b>	<b>Residential</b>	<b>GS &lt; 50 kW</b>	<b>GS - 50 to 1000 kW - Non Interval</b>
20			\$ per Customer /30 days	\$ per Customer /30 days	\$ per Customer /30 days
21	2007 Balance Amount for 2007 Smart Meters ("A" Amounts)	Customer	(0.19)	(0.06)	(0.23)
22	2006 Balance Amount for 2006 Residual Amounts ("B" Amounts)		0.03	0.00	0.01
23	2007 Balance Amount due to 2006 Residual Amounts ("C" Amounts)		0.07	0.01	0.01
24	<b>Total</b>		<b>(0.09)</b>	<b>(0.05)</b>	<b>(0.21)</b>



### **3. Bill Impacts**

Bill impacts arising from the proposals set out in this Application, separately and in combination, are shown at Exhibit 2.

THESL does not propose any measures to mitigate the rate impacts that are consequential to this Application. THESL views the impacts as minimal and reasonable given the policy context for, and necessity of, the Smart Meter activities and corresponding amounts.

## **Exhibit 1**

### **Smart Meter Activity Timelines**

## THESL 2007 Smart Meter Activities Timeline

2007 Smart Meter Costs  
 Close to Ratebase

Jan 2006	Mar	May	Jul	Sep	Nov	Jan 2007	Mar	May	Jul	Sep	Nov	Jan 2008	Mar	May	Jul	Sep	Nov	Jan 2009	Mar	May	Jul	Sep	Nov	Jan 2010	Mar	May
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2007 Smart Meter Installs and Costs

2007 Smart Meter Rate Adder

2007 Revenue Requirement      Carrying Charges on 2007 Rev. Req.      Proposed Smart Meter Rate Rider

"A" Amounts

## THESL 2006 Smart Meter Activities Timeline

2006 Smart Meter Costs  
 Close to Ratebase

Jan 2006	Mar	May	Jul	Sep	Nov	Jan 2007	Mar	May	Jul	Sep	Nov	Jan 2008	Mar	May	Jul	Sep	Nov	Jan 2009	Mar	May	Jul	Sep	Nov	Jan 2010	Mar	May
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2006 Smart Meter Residual Amounts

2006 Smart Meter Rate Adder

2006 Revenue Requirement      Carrying Charges related to 2006 Revenue Requirement      Proposed Smart Meter Rate Rider

"B" Amounts

2007 Rev. Req. from 2006 Amounts      Carrying Charges on 2007 Rev. Req.      Proposed Smart Meter Rate Rider

"C" Amounts

## **Exhibit 2**

### **Consolidated Bill Impacts**



