PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC
ONE Nicholas Street, Suite 1204, Ottawa, Ontario, Canada K1N 7B7
Tel: (613) 562-4002. Fax: (613) 562-0007. e-mail: piac@piac.ca. http://www.piac.ca

Michael Buonaguro
(416) 767-1666

June 19, 2009

VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: Vulnerable Energy Consumers Coalition (VECC)
EB-2008-0244
PowerStream Inc. – 2009 Electricity Distribution Rate Application

Please find enclosed the submissions of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Thank you.

Yours truly,

Michael Buonaguro
Encl.

EB-2008-0244

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Sch.B, as amended;

AND IN THE MATTER OF an Application by PowerStream Inc. pursuant to section 78 of the *Ontario Energy Board Act* for an Order or Orders approving just and reasonable rates for the delivery and distribution of electricity.

SUBMISSIONS

OF THE

VULNERABLE ENERGY CONSUMERS COALITION (VECC)

1. These are the final submissions of VECC with respect to the sole issue of the appropriateness of PowerStream's Smart Metering Services as they are applied to the metering of condominium units.

2. In summary, VECC submits that there are no changes required to the revenue requirement as set out as part of the Settlement Proposal in this proceeding as a result of any issues related to PowerStream's Smart Metering Services.

3. VECC acknowledges that a generic proceeding dealing with the issues that arise out of the requirement on utilities to provide Smart Metering Services to condominium units, including any concern that the allocation of costs to condominium units may be unique enough to warrant a new rate class, may be

prudent, particularly as the number of sub-metered units (both condominiums under the current regime and tenanted buildings in the future) increases.

4. However, VECC submits, it would be inappropriate under the circumstances to require PowerStream, in isolation, to deal with these issues, particularly given the relatively small size of its current base of suite metered customers.

Should PowerStream be providing Smart Metering Services to Condominiums?

5. This issue is presented by VECC in order to highlight the fact that this Panel is not in a position to make any decisions one way or another with respect to the appropriateness of a utility such as PowerStream providing Smart Metering Services.

6. The simple fact is that the current regulatory scheme requires Powerstream to provide Smart Metering Services to Condominiums, culminating in the Distribution System Code (the “DSC”) which states:

   5.1.9 When requested by either: (a) the board of directors of a condominium corporation; or

   (b) the developer of a building, in any stage of construction, on land for which a declaration and description is proposed or intended to be registered pursuant to section 2 of the Condominium Act, 1998,

   a distributor shall install smart metering that meets the functional specification of Ontario Regulation 425/06–Criteria and Requirements for Meters and Metering Equipment, Systems and Technology (made under the Electricity Act).

Are the costs incurred by Powerstream in providing Smart Metering Services to condominiums appropriate?

7. Once it is acknowledged that PowerStream is required to provide Smart Metering Services, the first issue of substance is the cost effectiveness of their spending to provide the services.

8. In VECC's view, on the evidence in this case, the only apparent complaint with respect to the prudency of PowerStream's spending is the cost differential between a "normal" smart meter, as would be found on the side of a detached house, and the 12 unit Quadlogic meter that PowerStream installs with respect to condominium units.[1] It was suggested in oral cross examination that PowerStream could install the less expensive "normal" smart meter into Condominiums.

9. PowerStream addressed this specific issue, providing evidence that, as a practical matter relating to both available space and the need to communicate with the meters, installing "normal" smart meters into condominiums was not a viable solution.[2]

10. It appears to VECC, based on the evidence available in this proceeding, that the manner in which Powerstream is incurring costs to provide Smart Metering Services to Condominiums is reasonable. PowerStream, in fulfilling its obligation under the legislation and the DSC, should be entitled to create a program of spending that addresses the physical realities of their customers; in this case, space and communication requirements dictate the particular solution employed by PowerStream.

[1] VECC explored the additional costs that PowerStream may be incurring in relation to the marketing of Smart Metering Services; PowerStream testified that those costs were a small portion of approximately $10,000 in annual spending (Tr. Vol. 1 page 103).
[2] Tr. Vol. 1, pages 82-83, pages 86-87.

Should any part of the costs of Smart Metering Services provided to condominiums be specifically allocated to the condominium corporations through the requirement of a Customer Contribution?

11. Although the technical solution provided by PowerStream may be appropriate, the increased costs of that solution relative to the costs incurred on behalf of the other ratepayers in the residential class could conceivably justify the requirement of a customer contribution by condominium corporations as a measure to protect the rest of the residential class from an unfair subsidy.

12. On the assumption that <u>all else was equal</u> in terms of the costs incurred to serve both "regular" ratepayers and condominium unit owners, the differential between the capital cost of providing a smart meter to a "regular" customer ($250.00) and the capital cost to provide a smart meter to a condominium unit ($680.00) could justify some level of customer contribution from the condominium corporation to offset the difference.

13. However it appears to VECC that, because PowerStream is required to provide Smart Meter Services to condominium corporations, and because the connected customer becomes a residential ratepayer pursuant to the Board's apparent intention as stated in the Notice of Proposal to Amend a Code dated January 8, 2008,[3] it is appropriate to evaluate the connection of new condominium unit ratepayers on a basis analogous to a system expansion, pursuant to the DSC.

14. Section 3.2.4 of the DSC states, with respect to a system expansion, that

The capital contribution that a distributor may charge a customer other than a generator or distributor to construct an expansion shall not exceed that customer's share of the difference between the present value of the projected capital costs and on-going maintenance costs for the facilities and the present value of the projected revenue for distribution services provided by those

[3] As noted in Powerstream's AIC, page 6, paragraph 17.

facilities. The methodology and inputs that a distributor shall use to calculate this amount are described in Appendix B.

15. While VECC does not submit that s. 3.2.4 necessarily applies strictly to the provision of Smart Meter Services to condominium corporations, VECC does submit that, under the current circumstances, the Board should consider the parameters around system expansion as analogous to the addition of condominium units to the distribution system, unless and until the Board reviews in a generic proceeding the issues arising out the requirement that utilities provide Smart Meter Services to condominium corporations in the context of an (apparently) competitive market for such services.

16. In this way existing ratepayers are held whole by virtue of the application of a principle that protects them against the incremental costs of adding condominium customers to the customer base of the distributor, while potential new customers are not unduly impeded from becoming distribution customers.

17. With respect to the present case it appears from Exhibit K1.4 that condominium unit rate payers are covering the incremental OM&A and Capital costs associated with their having been added to the system.

18. Exhibit K1.6 was introduced by the SSMWG to suggest that the PowerStream analysis that appears at K1.4 was inappropriate. Exhibit K1.6 showed a revenue deficiency once one includes, for example, the fully allocated OM&A costs to the suite metered customers.[4]

19. VECC does not agree that Exhibit K1.6 represents a proper framework for the analysis of the costs and revenues related to suite meters.[5]. However, VECC notes that the SSMWG agreed that updating the fully allocated OM&A costs (along with other adjustments) changed their analysis to a revenue sufficiency.[6] Accordingly, even if one were to agree with the SSMWG framework, there

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[4] Tr. Vol. 1, page 206 lines 3-8.
[5] It appears to VECC that Exhibit K1.6 is neither an incremental nor a fully allocated cost analysis, but some kind of hybrid.
[6] Tr. Vol. 1, page 208, lines 9-12.

appears to be a sufficiency such that suite meter customers are paying in excess of their incremental (plus fully allocated OM&A) costs.

20. VECC further agrees with the propositions that flow from the cross-examination of PowerStream by Mr. Warren on behalf of the Consumers' Council of Canada,[7] to the effect that in terms of a possible issue of intra-class subsidy within the residential class, there is an inevitability that some ratepayers within the class will be subsidizing the increased costs of connection relative to others as a result of a variety of factors, and that such subsidies are to be tolerated under current rate design principles.[8]

Should PowerStream be required to undertake a Cost Allocation Review with respect to the allocation of costs to Suite Metered Customers?

21. VECC recognizes that a cost allocation review aimed at determining and properly allocating costs of the entire system to individually metered condominium units as a separate rate class may be useful; VECC is interested, as presumably all parties are, in ensuring that over time condominium suite owners are charged their fair share of the utility's fully allocated costs.

22. In VECC's view, absent a cost allocation analysis, it is impossible to state with any certainty whether there is a significant subsidy as between suite metered condominiums and "regular" residential customers in either direction that would warrant reclassification; while suite metered units may attract higher capital costs associated with metering, for example, they may conversely attract lower OM&A costs. Additionally, there may be issues related to the unique relationship between a condominium's bulk meter, having already attracted an allocation of

[7] Tr. Vol. 1, pages 173-176.

[8] It is not VECC's position that intraclass subsidies should be blindly allowed, however. For example, the establishment of appropriate fixed/variable charge ratios is appropriate to ensure that, in aggregate, lower volume customers are not unduly subsidizing higher volume customers with respect to volumetrically based costs.

the costs of connection, and the sub-metered units within the condominium, which should not have to pay those costs again.[9]

23. To be clear, it appears to VECC that, on the current evidence, based on all the circumstances, leaving condominium units within the residential rate class appears to be reasonable. VECC is not advocating for a separate rate class for such units, it is only recognizing that a proper cost allocation review could legitimately lead to the consideration of a new rate class.

24. However, having recognized the usefuleness of reviewing the cost allocation issue, VECC cautions against requiring or undertaking such a review on a utility by utility basis.

25. VECC notes that based on Exhibit J1.4, PowerStream's 2009 forecast non-suite metered customer count is 219,876, compared to a forecast suite metered customer count of 1,810. Accordingly, on a forecast basis, suite meters in the test year comprise less than 1% of PowerStream's residential customers; on an actual YTD basis, suite meters comprise approximately 1.3% of the PowerStream's total residential customers.

26. Recognizing that suite meters consist of such a small number of PowerStream's actual residential customers, coupled with the fact that the suite metered customers that PowerStream does have are generally assumed to be, it appears, low volume users within the residential class (i.e. Exhibit K1.6 assumes a monthly throughput of only 500KWh per month), VECC submits that it would more appropriate to review the matter in a generic proceeding, rather than burden each utility facing the issue with undergoing its own analysis.

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[9] The issue of the fully allocated costs having already been borne by the condominium's bulk metered account is what, in VECC's view, Mr. Shepherd was raising during his cross-examination of the applicant at Tr. Vol. 1, page 94, lines 17-28, page 95, lines 1-10.

27. VECC submits that this is particularly so when one accepts that the subject 1.3% of customers are, as previously set out, covering the incremental costs they are causing the utility to incur. Accordingly the concern that a cost allocation review would be addressing, namely that 99.7% of customers may be subsidizing the fully allocated costs attributable to the remaining 1.3% of customers, is likely *de minimus*.

COSTS

28. VECC submits that it acted responsibly and efficiently during the course of its intervention, that its cost claim is reasonable under the circumstances, and that it should recover 100% of its' applied for cost claim.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 19th DAY OF JUNE 2009