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July 7, 2010

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)
Notice of Intervention: EB-2009-0185
Atikokan Hydro Inc.
APPLICATION AND WRITTEN HEARING
FOR APPROVAL OF A UTILITY SPECIFIC SMART METER FUNDING ADDER

Please find enclosed the Submissions of VECC in the above matter. We have also directed a copy of the same to the Applicant.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC

cc: Atikokan Hydro
Attention: Wilf Thorburn E-Mail: wilf.thorburn@athydro.com

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 Atikokan Hydro Inc. (Atikokan)
FOR APPROVAL OF A UTILITY-SPECIFIC SMART METER FUNDING ADDER**

Submissions of the Vulnerable Energy Consumers Coalition (VECC)

Summary

VECC has three submissions:

- 1. That Atikokan provide more information in its next case on its actual capital (including installation) and operating costs for 2009 residential and commercial meter costs in order to support its claim of identical costs for residential and commercial meters. For 2010/11 costs similar support should be provided.**
- 2. That the Board Direct Atikokan to track and record Smart Meter Capital and Operating costs in smart meter variance accounts 1555 and 1556 separately for each of the Residential GS<50kw and GS>50kw rate classes, and that an appropriate allocation of Common Costs also be recorded by class.**
- 3. That the proposed Residential Smart Meter Funding adder is on the high side, especially given the addition of HST to customer's utility bills. It should be reduced by collection over a longer period, in the range of 34-46 months.**

Background

Proposed Smart Meter Funding Adder

Atikokan Hydro provided two scenarios in calculating the smart meter funding Adder:

1. The smart meter revenue requirement was determined for 2009 to 2011 and reduced by the amounts previously collected. The net revenue requirement is then allocated to all metered customers over a recovery period of 22 months, which reflects the period from the requested implementation date starting July 1, 2010 until May, 1, 2012. The smart meter funding adder resulting from this analysis is \$6.54 per month per metered customer.
2. The smart meter revenue requirement for a typical year is used to calculate a smart meter funding adder over a 12 month period. The resulting smart meter funding adder is \$4.88.

Atikokan proposes a smart meter funding adder of \$4.88 as it will reduce the bill impacts compared to scenario 1.

In response to IRs¹ Atikokan indicates that the SM funding adder will increase to \$5.51/customer/month due to addition of 13% HST.

Deployment status and Costs

Atikokan Hydro submitted its status report for Smart Meter deployment on October 13, 2009. The report indicates that as of September 30, 2009, 96% of Smart Meters have been installed, and 100% will be installed by Q3 of 2010.

It is estimated that 1,679 meters (residential plus small general service with no demand customers) will be installed. IR responses indicate :

Atikokan Hydro has installed 1,452 Residential smart meters and 159 Commercial smart meters in 2009. For 2010, Atikokan Hydro expects to install a further 68 Commercial meters for a total of 1,679 meters.

Total installed costs are estimated to be \$394,000, or \$235 per installed meter.

Atikokan claims that the costs for all meters installed to date is identical.

Bill Impacts

In Table 1 - Summary of Smart Meter Revenue Requirement and Smart Meter Funding Adder Calculation, Atikokan provided two scenarios for calculating the Smart Meter Funding Adder. In calculating scenario 1 Atikokan used a timeframe of 22 months. The resulting SM adder before HST was \$6.54. Board Staff IR Response² indicates alternative scenarios:

- The smart meter funding adder per metered customer per month over a 34 month timeframe is \$4.23

¹ Response to VECC IR# 2b

² Response to BS IR# 5

- The smart meter funding adder per metered customer per month over a 46 month timeframe is \$3.13

VECC Submissions

Capital and Operating Costs

With respect, VECC does not accept Atikokan's evidence that the procurement and installation costs for the Residential meters and Commercial meters (GS<50 kw) are identical. No support has been provided for this claim, which is at odds with evidence from other utilities.

In addition, Atikokan claims that it has no cost estimates for the 2010 commercial meter costs.³ VECC submits that the Board should direct Atikokan to provide more complete support for the capital and operating costs for residential and commercial meter installations in 2009-2011.

Tracking and Recording costs by Rate Class

Not separately tracking and recording of costs for residential and commercial meters is of concern to VECC because it can lead to cross subsidization, particularly at the final disposition of accounts 1555 and 1556. Atikokan recognizes this issue in response to IRs:⁴

Based on the response to part b) it appears the GS < 50 kW class would be subsidizing the Residential class in 2010 once the proposed smart meter funding adder was approved. However, it is Atikokan Hydro's view this cross subsidization will be addressed when the remaining 68 Commercial meters are installed and Atikokan Hydro seeks full smart meter cost recover for all deployed smart meters in its 2012 cost of service rate application.

VECC acknowledges that Atikokan is relying on Guideline G-2008-0002 which was recently updated. VECC has communicated with Board Staff on this matter⁵ noting, *inter alia*, that the original filing requirements⁶ contained provision for separate tracking and recording by class.

Nonetheless VECC submits that the Board should direct Atikokan to track and record smart meter costs by class in accounts 1555 and 1556.

Bill Impacts

³ Response to VECC IR#1d,e

⁴ Response to VECC IR 2d

⁵ Letter to Board Secretary dated March 15, 2010 re Smart meter accounting

⁶ Filing Requirements for Smart Meter Investment Plans October 26, 2006

With regard to bill impacts, VECC submits that the effect of the SM funding adder is significant, i.e. an increase from \$1.00 to \$5.51/ month. The significance is magnified given the coincident addition of HST to customer's utility bills.

VECC submits that the Board should adopt Scenario1 as modified in the response to Board Staff IR#5; in any event either of the two scenarios in the IR,

- \$4.23 over a 34 month timeframe or
- \$3.13 over a 46 month timeframe,

is, in VECC's view, preferable to the proposal in the Application.

Respectfully submitted this 7th Day of July 2010