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January 06, 2012

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-2010-0018: Interrogatories

Please find enclosed the submissions of VECC in the above-noted proceeding.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

EB-2011-0123

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

AND IN THE MATTER OF an application by Guelph Hydro Electric Systems Inc. for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1,2012.

FINAL SUBMISSIONS OF THE VULNERABLE ENERGY CONSUMERS COALITION

(VECC)

1. These are the final submissions of VECC with respect to the unsettled issues.

2. The issues addressed in this submission are:

    a. the Smart Meter Cost Recovery;

    b. the GEA Plan.

Smart Meter Cost Prudence

3. VECC submits that the capital and operating expenses for smart meters were prudently incurred.

4. VECC makes submission below with respect to the treatment of the ZIGBEE chip incremental investment and the allocation of cost for the

purpose of recovering smart meter investments.

Incremental Smart Meter Costs

5. VECC agrees in general with the submissions of Board staff in respect to the ZIGBEE incremental smart meter investment. The environment under which smart meter investments were required to be made by utilities was not ideal. Electricity Distribution Utilities (or LDCs) were required by law to make investments that were not of their own planning or of their own timing. The legislation contemplated incremental investment, but neither the legislator nor the regulatory provided guidance as to what form of investment might be considered prudent[1].

6. As noted by both SEC and Board Staff, the incremental investment for the chip is relatively small and the overall smart meter investment of Guelph with the ZIGBEE investment was within the band of smart meter investment costs made by utilities that had not made incremental meter investments.

7. As noted in the submissions of Board Staff, in this environment most utilities chose a cautious approach which would protect their investors from later regulatory disallowance of costs. Guelph chose to enhance its investment at a minimal upfront cost rather than risk future, potentially more costly solutions for meter-to-in-home communications.

8. Guelph did not produce a business plan supporting the investment. It would have been difficult for Guelph to produce a reasonable business plan

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[1] Ontario Regulation 426/06 clearly contemplates that LDCs may make incremental investments and recover those costs subject to the Board's review, see:

(2) *In relation to the acquisition of smart meters, a distributor may not recover its costs relating to functionality that exceeds the minimum functionality adopted in Ontario Regulation 425/06 (Criteria and Requirements for Meters and Metering Equipment, Systems and Technology) made under the Electricity Act, 1998 unless the costs are approved by the Board. O. Reg. 426/06, s. 1 (2); O. Reg. 234/08, s. 1 (3).*

(3) In reaching a decision under subsection (2), the Board may consider the matters that it considers appropriate, including evidence that the functionality that exceeds the minimum functionality adopted in Ontario Regulation 425/06 (Criteria and Requirements for Meters and Metering Equipment, Systems and Technology) made under the Electricity Act, 1998 benefits the distributor's consumers. O. Reg. 426/06, s. 1 (3).

prior to the purchase of the technology. First adopters of new technologies are in the position of anticipating new markets rather than exploiting existing opportunities. However, the inherent riskiness of such projects argues for more rather than less investment planning.

9. VECC submits while understandable in the circumstances of the hurried and forced adoption of smart meters, generally investments made in the absence of a cost/benefit or business plan are indicative of reckless behaviour. VECC is concerned that a decision of the Board to accept as prudent Guelph Hydro's investment should not be seen by other utilities as an opportunity to not make substantive investments without sufficient planning.

Cost Allocation Methodology

10. VECC has consistently argued that where data is available the principle of cost causality is best represented by the allocation of smart meter costs based on class specific revenue requirements.

11. VECC submits that smart meter cost recovery in this case should be done by a class specific rate rider to reflect the cost for each customer class.

12. The issue is which methodology is most appropriate in this case:
    a. the "proxy method" used by Powerstream and accepted by Board in the Board's Decision and Order in respect of PowerStream (EB-2010-0209) A similar proxy allocation was accepted in the recent Ottawa Decision EB-2011-0054; or
    b. full cost causality as accepted by the Board in PowerStream EB-2011-0128.

13. VECC agrees with Board Staff that although TCR#19 shows the proxy method allocation, Guelph should allocate the revised SMDRR to the rate classes receiving meters using full cost causality.

14. There appears to be adequate cost information for Guelph to perform this cost allocation and under the new Smart Meter Guideline G-2011-0001 this is the preferred approach:

> "The Board views that, where practical and where the data is available, class-specific SMDRs should be calculated based on full cost causality. The methodology approved by the Board in EB-2011-0128 should serve

as a suitable guide."[2]

Green Energy Plan Programs

15. VECC supports approval of Guelph's Green Energy Plan with the following adjustments:

    a. the removal of the Electric Vehicle project;

    b. the addition of IHD Initiatives targeted to low-income customers and seniors; and

    c. the reduction of one FTE from the plan.

16. VECC makes no submissions with respect to the renewable generation connection upgrades aspect of the Plan.

17. With respect to the EV project VECC submits that electrical vehicle technologies and consumers of these technologies are sufficiently motivated and funded by government and private sector initiatives. The monitoring of this project is likely to require significant investment of time and resources of both the utility and the regulatory.

18. Guelph Hydro has not provided any compelling evidence as to how its project would add significant incremental value to that which is already taking place, or will in any event take place, in the evolving electric/hybrid car market.

19. Similar Natural Gas Vehicle projects undertaken by Ontario's gas utilities have shown that local distribution utilities are not particularly well suited to foster new vehicles technologies and that such investments provide little in any benefit to ratepayers.

20. VECC also submits that the EV Pilot is ill defined. When queried as to who its community partners were, Guelph responded only that it has "potential partners" naming only the specifically the City of Guelph and the University of Guelph[3]. It does not appear that negotiations had been entered into with either potential partner. A viable EV pilot would include a partnership with

[2] G-2011-0001 Guideline Smart Meter Funding and Cost Recovery – Final Disposition December 15, page 19

[3] VECC Interrogatory #45

both a vehicle manufacturer (or related agent) and one or more businesseswhich use a fleet of vehicles.

21. With respect to In-Home Display (IHD) project VECC submits this is the only project in the Plan with the potential to provide ratepayers a return on the ZIGBEE investment in the form of lower energy bills.

22. VECC disagrees with the concerns raised by Board Staff and Energy Probe with the IHD project because it might fall into the category of either smart grid or CDM. The concern raised is, in our submission, one of semantics rather than substance. No evidence was presented which suggests that the IHD proposal is at odds with any OPA pilot programs using similar technology. Nor does the OPA have a monopoly on the exploration of this technology.

23. The IHD project provides opportunities for Guelph to work with the OPA to offer new or modified existing OPA CDM programs. Guelph's investment in the ZIGBEE chip and subsequently in IHD which utilizes the features of the chip may indeed have CDM benefits unique to the ratepayers of Guelph. This is not a bad thing and certainly not a reason to disallow the IHD investment.

24. VECC does not oppose the Smart Grid High School Education or Smart Grid Home demonstration projects. However neither requires the installation of the chip in all Guelph's meters. The link between the ZIGBEE chip's capabilities and the EV pilot is also at best tenuous. Guelph is in the unique position of being able to pilot IHD through its ZIGBEE technology. If the ZIGBEE investment is found to be prudent (i.e. recoverable in rates) then it would seem perverse to disallow the single project, IHD, that is a clear application of its capabilities.

25. Board Staff also raise concerns as to whether the distributor has a role in "behind-the-meter" services. VECC agrees that this can be a concern. However, the display devices are unlikely to remain an investment of the utility once installed. In any event, the project is a pilot program, as stated in the testimony of Mr. Miles and as noted in Board Staff's submission.

26. VECC also submits that Board Staff's argument in respect to possible violation of the Affiliate Relationships Code is overly cautious.

27. Guelph stated that it had not targeted low-income consumer specifically in its Green Energy Plan, but that they would be eligible to participate in the Home

Messaging Project.[4] In VECC's submission this is a shortcoming of the IHD project. The Board has already recognized that low-income consumers are particularly vulnerable to rising energy costs. The In Home Messaging project offers a unique opportunity to educate these consumers and to provide them with the tools to reduce electricity bills.

28. VECC submits that Guelph should be directed to adjust its plan creating a specific marketing approach to such vulnerable consumers.

29. VECC agrees with the submissions of SEC that a cap of 5% on the installation of IHD devices to residential customers sufficiently addresses any concerns that the Utility is not "running amok" with this project.

30. With respect to the Smart Grid High School Education Program VECC supports the submissions of SEC. VECC disagrees with Board Staff that a plain reading of the Distribution System Filing Requirements prohibits this project. This project no more fails the provisions of the Filing Requirements than does the EV or the Smart Grid Demonstration Home project. In any event the Filing Requirements are requirements of the utility and not binding decisions of a Board panel. VECC agrees with the submissions of SEC that it is the panel's responsibility to adapt to the changing environment and approach the utility's proposals with an open mind. The amounts proposed to be spent on this project are modest. We would argue there may be no better way "to aid in smart grid development" than to educate and stimulate the minds of today's students who are tomorrow's home builders, engineers and energy consumers.

31. VECC supports the submissions of Board Staff and Energy Probe in respect to the reduction of one FTE. However, we disagree that it is necessary to eliminate the IHD project in order to make this cut. In VECC's submission the elimination of the EV Pilot and internal efficiencies are sufficient to justify the reduction of one FTE.

Cost Recovery of Green Energy Plan

32. VECC notes that the Green Energy Plan has two distinct parts. Smart Grid projects and Renewable Generation connection projects. The latter projects attempt to forecast investment required due to OPA driven FIT or MicroFit programs. The Filing Requirements contemplate the use of either a rate rider or a funding adder. The two parts of the plan might be treated

[4] VECC Interrogatory # 43

differently for the purpose of funding or variance recovery[5].

33. In VECC's view a funding adder should be used where prudence of the investment is being deferred. A rate rider is generally used when costs are not going to be revisited (or have already been spent). Use of a variance account is generally accompanies rate riders when the reasonableness of the investment is not to be revisited, but where it is deemed that the utility should not be put at risk (or benefit) from the over or under collection of monies from ratepayers.

34. Board Staff supports the use of the funding adder noting that, "*a funding mechanism through a funding adder does not require a prudence review. Board staff is of the view that due to the uncertainty and premature nature of some demonstration projects included in the GEA Plan, advance funding with subsequent prudence review at a later point is appropriate*[6]*".*

35. In VECC's submission it is difficult to understand the point of making submissions on Guelph's Green Energy Plan if, as suggested by Board Staff (and others) that prudence will be determined at a later date. Such an approach leaves both the utility and ratepayer at risk.

36. With respect to the Smart Grid projects VECC submits the Board should make a clear determination on the prudence of the plan for the next three years (or until next rebasing). In VECC's submission the proposed budget for the Smart Grid aspect of the Plan, with the exception of the EV pilot, should be accepted.

37. In VECC's view the preferred approach for cost recovery would be a rate rider. For practical purposes the rider should be calculated to collect an equal amount in each year. A variance account might be utilized to ensure that any over collection of funds vis-à-vis the proposed budget is returned to ratepayers. The utility should be required to return any under spending of its budget, but in VECC's submission should not be able to seek relief for any overspending.

38. Finally, VECC submits that Guelph should be directed to report each year on the implementation of its Plan in the manner contemplated by the Board in its Filing Requirements. Such reports should be made available to the general

[5] See page 19 "if the distributor is seeking a rate rider or funding adder"… and at page 21 "As described below, if recovery of approved expenditures is to occur through a rate rider, an account to track variances from budgeted costs *may be established*. (emphasis added)

[6] See page 12 of Board Staff's submission EB-2011-0123

public by posting on its Web site.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 6th DAY OF JANUARY 2012