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April 20, 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)
COLLUS Power Corporation EB-2012-0017
Final Submissions of VECC

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
Counsel for VECC
Encl.

cc: COLLUS Power Corporation
Mr. Tim Fryer

ONTARIO ENERGY BOARD

IN THE MATTER OF

the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15 (Schedule B), as amended;

AND IN THE MATTER OF an Application by COLLUS Power Corporation (COLLUS) for an order or orders approving or fixing just and reasonable distribution rates to reflect the recovery of costs for deployed smart meters, effective May 1, 2012.

Submissions of Vulnerable Energy Consumers Coalition (VECC)

VECC will address the following matters in its submissions:

- Prudence Review of Smart Meter Costs
- Recovery of Smart Meter Costs
- Cost Allocation & Calculation of Smart Meter Rate Riders

COLLUS is seeking recovery of smart meter capital and OM&A costs related to minimum functionality. The costs are related to the installation of 15,619 meters as of October 31, 2011 which represents 100% of the total meters for the Residential and GS<50 kW customer classes.¹ In 2012, COLLUS has not forecasted any additional smart meter installations.²

In this application, COLLUS seeks:

- Approval to recover the deferred revenue requirement related to smart meters costs from 2006 to the end of 2011 less the Smart Meter Funding Adder (SMFA) collected from May 1, 2006 to April 30, 2012 via a Smart Meter Disposition Rider (SMDR) for one year (May 1, 2012 to April 30, 2013). COLLUS is proposing that the SMDR be collected from the two customer classes that have installed smart meters (residential and GS< 50 kW customers).
- Approval of a Smart Meter Incremental Revenue Requirement Rate Rider (SMIRR) to recover the incremental revenue requirement associated with forecast smart meter costs to be incurred from January 1, 2012 to December 31, 2012. The SMIRR will be in place for one year (May 1, 2012 to April 30, 2013) until these costs can be incorporated into distribution rates in COLLUS' next Cost of Service (COS) rate application currently scheduled for 2013. The SMIRR will be collected from residential and GS< 50 kW customers.
- In the event the OEB is unable to issue its' Decision and Order for rates effective May 1, 2012 with respect to this smart meter prudence review of costs, COLLUS is requesting a

¹ Application, 3. Status of Implementation of Smart Meters, Page 7

² Smart Meter Recovery Model, Sheet 2, 20120330

rate adder in the sum of \$2.50 for all customers per month per customer. The rate adder amount being requested is based on the lower amount (\$2.70-\$0.32 rounded) calculated in the Smart Meter Incremental Revenue Requirement rate riders included above in items #1 and #2.

Prudence Review of Smart Meter Costs

COLLUS participated with member LDCs within the Cornerstone Hydro Electric Concepts Association (CHEC) to implement smart meters. CHEC includes 12 LDCs with a customer base of approximately 100,000 customers. CHEC strives to reduce LDC costs through sharing of knowledge and information and providing savings through joint purchasing of goods and services with its members. The collaborative initiative assisted LDCs in the development of project plans, RFPs and contract evaluations.³ VECC submits it is reasonable to conclude that COLLUS' participation in the CHEC initiative likely resulted in operational efficiencies regarding the deployment of smart meters.

Time of Use (TOU) billing was mandated to be in place for all of COLLUS's residential and GS<50 kW customers by July 1, 2011. COLLUS requested a new mandatory TOU date of December 2011 due to employee illness. COLLUS began invoicing customers with TOU rates on February 21, 2012

In its reply submission (Page 6), Board Staff calculates COLLUS' average cost per smart meter on a total cost basis (CAPEX & OPEX) as \$191.86 for costs related to minimum functionality.

Appendix A of the Combined Proceeding Decision (EB-2007-0063, September 21, 2007) compares data for 9 out of 12 utilities and shows the total cost per meter ranged from \$123.59 to \$189.96, with Hydro One Networks Inc. being the main exception at \$479.47, due in part for the need for more communications infrastructure and increased costs to install smart meters for customers over a larger and less dense service area.

The Board's report, "Sector Smart Meter Audit Review Report", dated March 31, 2010, indicates a sector average capital cost of \$186.76 per meter (based on 3,053,931 meters (64% complete) with a capital cost of \$570,339,200 as at September 30, 2009). The review period was January 1, 2006 to September 30, 2009. The average total cost per meter (capital and OM&A) is \$207.37 (based on 3,053,931 meters (64% complete) with a total cost of \$633,294,140 as at September 30, 2009).

The Board followed up on this review on October 26, 2010 and issued a letter to all distributors requiring them to provide information on their smart meter investments on a quarterly basis. The first distributors' quarterly update represented life-to-date investments in smart meter implementation as of September 30, 2010 and as of this date, the average total

³ Application, 2. Collaboration of LDCs, Page 6

cost per meter is \$226.92 (based on 4,382,194 meters (94% complete) with the total provincial investment in smart meter installation of \$994,426,187).⁴

VECC submits COLLUS' costs are slightly above the range established in EB-2007-0063 but below the sector averages. VECC does not consider COLLUS' average smart meter costs to be excessive.

Recovery of Smart Meter Costs

COLLUS' application contained costs based on actual audited costs incurred to October 2011 and estimated costs from that date through to December 31, 2012. In response to Board Staff interrogatory #2 (a), COLLUS indicates the final year-end audit is being completed and the December 31, 2011 balances are confirmed. COLLUS further indicates the final audit should be completed and confirmed by the end of March 2012 and any unexpected differences that result will be noted to the Board immediately. VECC submits that COLLUS should confirm in its reply submission that no differences exist.

A comparison of the audited final 2011 balances to the original filing resulted in the following differences:⁵

Original Filing	Original 2011	Actual 2011	Difference
Capital	\$2,574,422	\$2,606,507	\$32,085
OM&A (2.1.2)	\$80,000	\$108,201	\$28,201
OM&A (2.5.2)	\$30,000	\$0	(\$30,000)

Capital costs increased \$32,085 for metering equipment purchased in November 2011.⁶ Board Staff noted in its reply submission (Page 5) that the meters were not installed in 2011. VECC agrees with Board Staff that if COLLUS cannot link the meters to a need, the Board should disallow the \$32,085.

Actual OM&A (2.1.2) costs increased by \$28,201 and COLLUS provided a reasonable explanation for a portion (\$9,821) of this expense. VECC agrees with Board Staff that COLLUS should explain this amount in its reply submission.

Cost Allocation & Calculation of Smart Meter Rate Riders

COLLUS is seeking approval of two proposed rate riders: a "Smart Meter Disposition Rate Rider" (SMDR) and a "Smart Meter Incremental Revenue Requirement Rate Rider" (SMIRR).

⁴ Monitoring Report Smart Meter Investment – September 2010, March 3, 2011

⁵ Response to Board Staff interrogatory #2 (b)

⁶ Response to Board Staff interrogatory #2 (b)

The SMDR recovers, over a specified time period, the variance between the deferred revenue requirement for the installed meters up to the time of disposition and the SMFA revenues collected and associated interest.⁷

The SMIRR is a separate rate rider when smart meter disposition occurs in a stand-alone application (outside of cost of service application) and is calculated as the proxy for the incremental change in the distribution rates that would have occurred if the assets and operating expenses were incorporated into the rate base and the revenue requirement. The SMIRR is calculated as the annualized revenue requirement for the test years for the capital and operating costs for smart meters.⁸

The revenue requirement calculation for each rate rider related to Smart Meters includes the standard elements of operating, maintenance and administrative (OM&A) expenses, depreciation, interest, PILs and rate of return.

In response to interrogatories, COLLUS updated the Smart Meter Recovery Model to incorporate corrections in the model. Table 2 below shows the original and revised SMDRs and SMIRRs.⁹

Table 4: SMDR & SMIRR Rate Riders: As Filed Compared to Revised

	SMDR (\$/month)		SMIRR (\$/month)	
Class	As Filed	Revised	As Filed	Revised
Residential	\$(0.32)	\$(0.33)	\$2.79	\$2.97
GS<50 kW	\$(0.90)	\$(0.92)	\$5.87	\$6.00

Cost Allocation

In this application, COLLUS proposes class specific rate riders for the two customer classes that have installed meters based on the following cost allocation methodology. COLLUS indicates the approach is similar to the approach previously approved by the Board in regards to PowerStream's 2010 smart meter application (EB-2010-0209):¹⁰

- Allocation of the return (deemed interest plus return on equity) and amortization based on a CWMC (i.e. Customer Weighted Meter Cost) that reflects the average actual cost of the smart meters purchased for the Residential and GS<50 kW classes;
- Allocation of OM&A based on number of meters installed for each class; and
- Allocation of PILs based on the revenue requirement derived for each class before PILs.¹¹

⁷ G-2011-0001, Page 11

⁸ G-2011-0001, Page 11

⁹ Responses to Board Staff Interrogatories #13

¹⁰ Application, 18. Smart Meter Rate Rider Calculation & Customer Class Bill Impacts, Page 19

¹¹ Application, 18. Smart Meter Rate Rider Calculation & Customer Class Bill Impacts, Page 20

The Board's Guideline G-20111-0001 states "The Board views that, where practical and where data is available, class-specific SMDRs should be calculated based on full cost causality."¹²

In interrogatory #10, VECC requested that COLLUS re-calculate the revenue requirements and rate riders by customer class based on full cost causality. COLLUS did not provide the revised class specific rate riders on this basis as COLLUS indicated the installation process was not tracked on a rate class basis and COLLUS does not have the required data to make the cost causality determination.

VECC accepts that COLLUS does not have the required data to complete the model to determine the revenue requirement for each rate class to calculate class specific rate riders based on cost causality. COLLUS used the actual average cost of the smart meters purchased for the Residential and GS<50 kW classes as an allocator. The average cost of the smart meters purchased for the Residential class is \$75.48 and \$232.05 for the General Service <50kW class.¹³ VECC accepts COLLUS' allocation methodology but wishes to point out that it's not full cost causality.

The allocation used for revenues from the SMFA was based on the distribution of the allocated revenue requirement between the two classes. Board Staff notes that a more accurate means for determining revenues is to assign the revenues based on class revenue over the period of the SMFA. Interest on the SMFA revenues would be allocated to the class assigned revenues. In response to VECC #10 (c), COLLUS provided the SMFA revenue received from each of the rate classes as follows:

Residential	\$ 932,000
Gs<50 kW	\$ 115,000
Gs>50 kW	<u>\$ 8,000</u>
	\$1,055,000

The Board's decision in PowerStream's 2011 Smart Meter Cost Recovery application (EB-2011-0128) addressed the treatment of smart meter adder amounts collected from customer classes for which smart meter costs were not incurred. The Board directed PowerStream to allocate the smart meter adder amounts collected from the GS >50 kW and Large Use customer classes evenly to the Residential and GS < 50 kW classes when calculating the true-up for the SMDR. The Board concluded that this approach was appropriate because the amounts involved were not significant enough to warrant a more precise allocation. VECC submits COLLUS should allocate the smart meter amounts collected from the GS>50 kW class evenly to the Residential and GS<50 kW classes.

VECC agrees that using these revenues would produce a rider that better reflects causality and submits the class specific SMDRs should be recalculated on this basis.

¹² G-2011-0001, Page 19

¹³ Application,

Recovery of Reasonably Incurred Costs

VECC submits that its participation in this proceeding has been focused and responsible. Accordingly, VECC requests an order of costs in the amount of 100% of its reasonably-incurred fees and disbursements.

All of which is respectfully submitted this 20th day of April 2012.