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May 25, 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)
Burlington Hydro Inc. EB-2012-0081
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 Janigan
Counsel for VECC
Encl.

cc: Burlington Hydro Inc.
Mr. Stephen Shields
Mr. Michael Kysley

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 Burlington Hydro Inc. (Burlington Hydro) 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

Burlington Hydro seeks the recovery of smart meter costs ($9,848,657 capital and $2,101,832 OM&A) related to minimum functionality. As of the end of 2011, Burlington Hydro had installed 64,470 smart meters which represents 100% of its residential, GS<50 kW and GS>50 kW meters. In 2012, Burlington Hydro plans to install another 1,200 smart meters based on assumed growth of residential and GS<50 kW customers. Neither the capital nor operating cost of these meters is included for recovery in this application. Burlington Hydro proposes that costs for 2012 be included in its 2014 cost of service application. The only capital expenditure planned for 2012 and beyond that is included for recovery in this application is for a LAN security enhancement in 2012.[1]

In this application, Burlington Hydro seeks:

- Approval to recover the deferred revenue requirement related to smart meters costs from 2006 to December 31, 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 a 24 month period (May 1, 2012 to April 30, 2014). Burlington Hydro proposes that the SMDR be collected from Residential, GS< 50 kW 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 two years (May 1, 2012 to April 30, 2014) until these costs can be incorporated into distribution rates in Burlington Hydro's next Cost of Service (COS) rate application currently scheduled for 2014. The SMIRR will be collected from residential, GS< 50 kW

[1] Application, 3. Capital and Operating Costs, Pages 16

and GS>50 kW customers.

Prudence Review of Smart Meter Costs

Burlington Hydro participated in a consortium of 21 LDCS led by London Hydro ("London RFP") to implement smart meters. The collaborative initiative assisted LDCs in the development of project plans, RFPs and contracts. VECC submits that it is reasonable to presume that Burlington Hydro realized some benefits and efficiencies by working in collaboration with other utilities early in the process.

Burlington Hydro's mandated Time of Use (TOU) billing was July 1, 2011. Due to telecommunication problems caused by extensive foliage, Burlington Hydro received a six month extension to its TOU mandated date from the Board. Burlington Hydro overcame its technical challenges and was able to implement Time of Use rates January 2012.[2] Full implementation of TOU rates was expected by May 15, 2012.[3]

In response to Board Staff interrogatory # 8, Burlington Hydro indicates it saved $216,000 per year through its reduction in meter reading which has already been reflected in the application.

In response to VECC interrogatory #1 (Appendix A), Burlington Hydro calculates the unit cost per smart meter on a total cost basis (capital & OM&A) as $138 based on 64,470 installed smart meters, and the average capital cost per meter is $122.

Appendix A of the Combined Proceeding Decision (EB-2007-0063, September 21, 2007) compares data for 9 out of 13 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 cost per meter is $226.92 (based on 4,382,194 meters (94% complete) with the total

[2] Application, 2. Status of Smart Meter and Time of Use Implementation, Pages 13-14
[3] Response to Board Staff Interrogatory #6

provincial investment in smart meter installation of $994,426,187).[4] VECC observes that Burlington Hydro's costs are within the range established in EB-2007-0063 and significantly less than the more recent sector averages.

VECC takes no issue with the nature or quantum of Burlington Hydro's smart meter costs.

Recovery of Smart Meter Costs

The Board's Guideline G-2008-0002 states on page 11 that "An application for smart meter recovery must be based on costs already expensed (i.e. not forecast)…"

Further on page 22, the Guideline states "When applying for recovery of smart meter costs, a distributor should ensure that all cost information has been audited, including the smart meter related deferral account."

The Notes tab of version 2.17 of the Board's Smart Meter Model states: The Board expects that the majority (i.e. 90% or more) of costs for which the distributor is seeking recovery will be audited. In all cases, the Board expects that the distributor will document and explain any differences between unaudited or forecasted amounts and audited costs.

Burlington Hydro's application included 89% of total program costs audited to December 31, 2010.[5] In response to Board Staff interrogatory # 2, Burlington Hydro included a copy of its 2011audited financial statements and confirmed that the values in the financial statements are in agreement with those in Burlington's OEB submissions and there is no need to update the application.

VECC submits that Burlington Hydro's application conforms to the Board's Guideline regarding audited costs.

<u>Cost Allocation</u>

The Board's Guideline G-2011-0001 states "The Board views that, where practical and where data is available, class-specific SMDRs should be calculated based on full cost causality."[6]

In this application, Burlington Hydro opted to determine a uniform SMDR (-$0.05) and SMIRR ($3.10) per metered customer per month for all three of its metered classes. Burlington Hydro indicates that it had detailed records for the smart meters acquired for each of the three metered classes, however, an accurate allocation of the balance of the capital costs and operating expenses was not possible with any degree of accuracy. Specifically, Burlington Hydro has detailed records regarding the capital cost of the Rex2 and A3RL smart meters and it has the associated PILs. Burlington Hydro also has the total cost for the installation of its smart meters but it does not have this information accurately allocated to individual

[4] Monitoring Report Smart Meter Investment – September 2010, March 3, 2011
[5] Application, Audited Costs, Page 15
[6] G-2011-0001, Page 19

customer classes. Similarly, Burlington Hydro has the total capital cost for computer hardware and software, LAN collectors and repeaters, WAN activation, customer communications system audit and support, together with miscellaneous costs but the fair and equitable apportionment to individual classes is not known.[7]

Burlington Hydro installed 58,789 Rex 2 meters at an average cost of $96.31 per meter and 5,681 A3RL meters at an average cost of $390.44 per meter. With the exception of two residential customers that received A3RL meters, Rex 2 meters were installed for residential customers. A3RL meters were installed for GS<50 kW and GS>50 kW customers. Burlington Hydro indicates that Rex2 meters were installed on Single Phase Commercial accounts instead of A3RL meters, however the quantity was not provided. As noted above, the cost per meter for meters purchased for commercial customers is significantly greater than those meters purchased for residential customers. Accordingly, VECC does not support uniform rate riders.

In response to Board Staff interrogatory #10(d) & (e), Burlington Hydro calculated class specific rate riders based on the proposed PowerStream cost allocation methodology in EB-2011-0128, using capital costs as the allocation driver. PowerStream's cost allocation methodology is as follows:

- Allocation of the return (deemed interest plus return on equity) and amortization based on the capital cost of the meters for each class;
- Allocation of OM&A based on number of meters installed for each class; and
- Allocation of PILs based on the revenue requirement allocated to each class before PILs.

Burlington Hydro provided individual smart meter recovery models for each customer class that resulted in the following revised rate riders. The models included the corrections identified in Board Staff interrogatories #4, 10, 11, 12 & 14. The revisions to the model include a one-year payback for the SMDR.

Table 1: SMDR & SMIRR Rate Riders: As Filed Compared to IR Response

	SMDR ($/month)		**SMIRR** ($/month)	
Class	**As Filed (Corrected)**	**Board Staff IR #10d**	**As Filed (Corrected)**	**Board Staff IR #10d**
Residential	($0.01)	($0.57)	$3.21	$2.90
GS<50 kW	($0.01)	$6.19	$3.21	$6.63
GS>50 kW	($0.01)	$1.49	$3.21	$4.18

Burlington Hydro notes the significant difference in the rate riders between the customer classes and indicates that it is to be expected for the residential class since the Rex2 meters cost less than the A3RL meters. The difference in the rate riders between the GS<50 kW and

[7] Response to Interrogatory #

GS>50 kW rate classes is unexpected given the costs elements are the same per meter. Burlington Hydro explains that the difference lies in the number of customers receiving smart meters vs. paying for them. The number of smart meters in the GS<50 customer class is 5,110[8] and there are 15 additional customers who have interval meters but pay for smart meters for a total of 5,125 metered customers. For the GS>50 kW customer class, there are 571 smart meters and an additional 338 customers are with interval meters for a total of 909 metered customers to pay for smart meters. Burlington Hydro proposes that if the rate riders are to reflect cost causality, then the GS<50 kW and GS>50 kW classes should be combined to calculate SMDR and SMIRR rate riders based on a combined customer count of 6034[9] (5,125 + 909). Burlington Hydro provided combined "commercial" rate riders in Appendix D to Board Staff Interrogatory #10d. The model calculated a SMDR of $5.48 and a SMIRR of $6.26.

In its submission (page 6), Board Staff agrees with combining the GS<50 kW and GS>50 kW rate classes for the purposes of calculating the SMDR and SMIRR as it produces a more logical result if the cost per meter is the same or similar for both classes.

VECC has reservations about combining the GS<50 kW and GS>50 kW rate classes for the purposes of calculating the SMDR and SMIRR. The cost allocation methodology underpinning current rates reflects the capital costs and types of meters for each rate class and takes into consideration the higher proportion of interval meters in the GS>50 kW rate class. In Burlington Hydro's next Cost of Service application in 2014, rates will be designed on the same or similar cost allocation methodology that considers meter types and costs by rate class. VECC submits that to combine the rate classes for the purposes of calculating the SMDR and SMIRR is contrary to the current methodology underpinning existing rates and should be avoided. VECC supports the individual rate riders calculated for each rate class in response to Board Staff Interrogatory #10(e) based on the PowerStream cost allocation methodology.

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 25th day of May 2012.

[8] Response to VECC Interrogatory#2 (b)
[9] Appendix C, Revised Smart Meter Model, Sheet 9, Number of Metered Customers