



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 Janigan
Counsel for VECC
(613) 562-4002 (x 26)

June 13, 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)
Cambridge and North Dumfries Hydro Inc. EB-2012-0086
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: Canadian and North Dumfries Hydro Inc.
Mr. John Grotheer

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 Canadian and North Dumfries Hydro Inc. (CND) for an order or orders approving or fixing just and reasonable distribution rates to reflect the recovery of costs for deployed smart meters, effective July 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

As of December 31, 2011, CND installed 46,067 residential and 4,642 GS<50 kW smart meters and has completed 100% of the installations for customers in these classes.¹

CND seeks the Board's approval of \$8,177,996 in capital expenditures and total OM&A costs of \$1,283,726 related its smart meter deployment.² These costs include \$856,010 in OM&A costs in 2012.³ Capital costs are not included in 2012 as CND does not anticipate any capital costs after December 31, 2011.

In this application, CND has not included capital or OM&A costs considered to be beyond minimum functionality such as Time-of-Use (TOU) rate implementation, CIS system upgrades, web presentation, integration with the MDM/R etc. In response to Board Staff interrogatory #4, CND explains that it purchased a CIS/Billing system that included the above functionality and these costs were not charged to the smart meter variance account as they could have been. The costs continue to be part of the purchase price of the CIS/Billing System and the costs of the system were approved in CND's 2010 cost of service application (EB-2009-0260) for recovery in distribution rates.

In this application, CND 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 22 month period (July 1, 2012 to April 30, 2014) until rebasing occurs in 2014. CND proposes that

¹ Application, Page 4

² Application, Page 6

³ Smart Meter Model, Sheet 2, 3.2.1

the SMDR be collected from Residential and GS< 50 kW. CND's SMFA terminated on April 30, 2012 as approved by the Board in its decision on CND's 2012 IRM rate application (EB-2011-0068).⁴

- Approval of a Smart Meter Incremental Revenue Requirement Rate Rider (SMIRR), over a 22 month period, which is calculated as a proxy for the incremental change in the distribution rates that the actual expenditures would have generated had they been incorporated into the revenue requirement calculation of a Cost of service application. The SMIRR will be collected from residential and GS< 50 kW customers.
- CND requests that the two riders be implemented July 1, 2012 and if that is not possible, CND requests retroactivity to July 1, 2012.

Prudence Review of Smart Meter Costs

CND provides several examples of how it collaborated with other Local Distribution Companies (LDCs) in the deployment of smart meters. CND indicates it worked collaboratively with 44 Ontario LDCs during the pilot phase; participated in the London Phase Two AMI RFP process (final RFP and technology selection undertaken by 21 LDCs) to maximize cost efficiencies; collaborated with its neighbours in the Waterloo Region with the same AMI technology to share costs associated with vendor contract negotiations and AMI network infrastructure planning; and enjoyed preferred pricing from its smart meter provider by leveraging the total number of meters purchased provincially across all of the LDCs utilizing the same vendor. In addition, CND shares the cost with multiple LDCs for PowerStream's Test Environment related to Sensus smart meter technology to test new software releases, new meter types and new functionality before they go into the live production system. By sharing costs, CND indicates it has realized significant savings over having to install their own test environment.⁵

In considering the above, VECC submits that it is reasonable to conclude that CND realized some benefits and efficiencies by sharing knowledge and information early in the process and through the joint purchase of goods and services with other LDCs.

Time of Use (TOU) billing was required to be in place for all residential and GS<50 kW customers by February 1, 2012.⁶ CND began the enrolment of its smart meters with the Provincial MDM/R in June 2011 and successfully cutover to Production Operations on February 24, 2012 in preparation for TOU billing. Due to delays, CND is currently unable to bill customers at TOU rates, but will be able to do so once the IESO is ready.⁷ An update provided in response to Board Staff interrogatory #5 indicates consumption readings beginning April 18, 2012 are being taken using the smart meters and customers will be billed for this consumption using TOU rates by July 6, 2012.

⁴ Board Staff Submission dated June 11, 2012, Page 3

⁵ Response to Board Staff interrogatory #8

⁶ Application, Page 3

⁷ Application, Page 4

CND identified \$155,000 per year in savings for no longer requiring residential and GS<50 kW customer meters to be read.⁸ In response to VECC interrogatory #3 regarding how these savings are accounted for in this application, CDN indicates it has not accounted for the savings in this application. As a matter of principle, VECC submits these savings should be incorporated during the IRM period. Otherwise consumers pay the added costs associated with smart meters via the rate adder and rate rider (after full implementation) but don't benefit from any of the cost savings.

As shown in Table 1 below, CND calculates the average capital cost per meter as \$161.27 and the average total cost per meter (capital + OM&A) as \$186.59, based on 50,709 installed meters.

Table 1: Average Costs per Meter

	2006 to December 31, 2011 Capital	Avg Capital Cost/Meter to December 31, 2011	2012	Total	Avg Cost/Meter
Capital	\$8,177,997	\$161.27	\$0	\$8,177,997	\$161.27
OM&A	\$427,716	\$8.43	\$856,010	\$1,283,726	\$25.32
Total	\$8,605,713	\$169.70		\$9,461,723	\$186.59
Total # Meters	50,709				

In response to VECC interrogatory #4 b, CND calculated the average capital costs by customer class based on meter type. For the residential class, the average capital cost was \$131.60 and for the GS<50 kW class, the average capital cost was \$455.55.

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

⁸ Application, Page 7

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).⁹

VECC notes that the above cost analysis includes CND's proposal to include the IESO's Smart Metering Charge (SMC) under MDM/R Fees (line 2.5.6 Other AMI Expenses) payable by LDCs to the IESO to cover the costs of storing and processing all electricity consumption data based on the number of customers (meters) connected. CND calculates this fee as \$495,720 based on 51,000 customers x \$0.81¹⁰ x 12 months.¹¹

VECC also notes that the IESO has applied to the Board in an application (EB-2012-0100) filed March 23, 2012 for approval of a SMC of \$0.806 per Residential and GS<50kW customer per month.

VECC agrees with Board Staff that it is premature and not appropriate to allow recovery of the IESO-SME charge as originally proposed by CND in its application as it is being considered in a separate proceeding. Accordingly, CND's calculated IESO-SME fee of \$495,720 should be removed from the application. With the removal of this fee, VECC calculates the average total cost per meter as \$176.81.

Table 2: Average Costs per Meter (IESO-SME Fee Removed)

	2006 to December 31, 2011 Capital	Avg Capital Cost/Meter to December 31, 2011	Revised 2012 Costs (IESO-Fee removed)	Total	Avg Cost/Meter
Capital	\$8,177,997	\$161.27	\$0	\$8,177,997	\$161.27
OM&A	\$427,716	\$8.43	\$360,290*	\$788,006	\$15.54
Total	\$8,605,713	\$169.70		\$8,966,003	\$176.81
Total # Meters	50,709				

*(line 2.5.6 Other AMI expenses, \$581,280-\$495,720=\$360,290)

VECC observes that CND's average costs are within the range established in EB-2007-0063, and less than the more recent sector averages. VECC takes no issue with the quantum or nature of CND'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."

⁹ Monitoring Report Smart Meter Investment – September 2010, March 3, 2011

¹⁰ EB-2012-0100, Proposed SMC = \$0.806/MWh

¹¹ Response to Board Staff interrogatory #6a

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.

CND indicates that 100% of the costs submitted for disposition are included in the audited financial statements to December 31, 2011. CND anticipates that the audited financial statements will be approved by CND's Board of Directors at their April Board meeting.¹² In response to Board Staff interrogatory #2, CND confirmed the audited financial statements for the year ending December 31, 2011 were approved by CND's Board of Directors and that there are no changes to the smart meter costs.

Table 1: Percentage of Audited Costs vs. Unaudited Costs

Audited Costs to December 31, 2011	Unaudited Costs 2012 Projected	Total Costs
\$8,605,712	\$856,010	\$9,461,722
91%	9%	100%

VECC submits CND's percentage of audited costs conforms to the Board's Guidelines.

Cost Allocation & Calculation of Smart Meter Rate Riders

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."¹³

In this application, CND calculated class specific rate riders for the residential and GS<50 kW rate classes based on the following cost allocation methodology:

- Allocation of the return (deemed interest plus return on equity) and amortization based on the capital costs of the meters installed for each class;
- Allocation of OM&A expenses based on number of smart meters installed for each class;
- Allocation of PILs based on the revenue requirement allocated to each class before PILs.¹⁴

In response to Board Staff interrogatories #8, 10 and 11, CND revised its proposed SMDRs and SMIRRs. In response to VECC's request in interrogatory #9 for CND to provide class specific rate riders based on full cost causality, CND provided class specific models and revised its proposed SMDRs and SMIRRs.

¹² Application, Page 6

¹³ G-2011-0001, Page 19

¹⁴ Application, Page 11

Table 2 below shows the rate riders filed in the application compared to the updated rate riders resulting from interrogatory responses.

Table 2: SMDR & SMIRR Rate Riders: As Filed Compared to Revised (IR Responses)

Class	SMDR (\$/month, for 22 months)			SMIRR (\$/month, for 22 months)		
	As Filed	Board Staff IR #11	VECC IR #9	As Filed	Board Staff IR #11	VECC IR #9
Residential	(\$0.60)	(\$0.38)	(\$0.40)	\$1.67	\$1.67	\$1.66
GS<50 kW	(\$0.16)	\$3.07	\$3.28	\$3.76	\$3.76	\$3.83

In response to Board Staff interrogatory # 12, CND refers to VECC interrogatory #9 as the updated calculation for class specific SMDRs and SMIRRs.

Given the average installed meter cost for a GS<50 kW customer is more than 3.5 times the average installed meter cost for a residential customer, VECC submits the only way to avoid undue cross subsidy is to calculate class specific rate riders based on VECC's proposed cost allocation methodology to reflect the costs for each customer class.

VECC agrees with Board Staff that the OM&A expense of \$495,720 for the recovery of the proposed IESO-SME fees as applied for by the IESO in a separate application (EB-2012-0100) should be excluded from the calculations, noting that this will only affect the class-specific SMIRRs.¹⁵

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 13th day of June 2012.

¹⁵ Board Staff Submission dated June 12, 2012, Page 5