***PUBLIC INTEREST ADVOCACY CENTRE***

***LE CENTRE POUR LA DEFENSE DE L’INTERET PUBLIC***

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October 3, 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)**

**Brant County Power Inc. EB-2012-0265
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: Brant County Power Inc.
Mr. I. McKenzie

**EB-2012-0265**

**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 Brant County Power Inc. (“BCPI”) for an order or orders approving or fixing just and reasonable distribution rates to reflect the recovery of costs for deployed smart meters, effective November 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

BCPI filed an application June 19, 2012 for smart meter recovery based on actual costs incurred from 2006 to December 31, 2011 and forecasted capital and OM&A costs to December 31, 2012. BCPI forecasted the installation of 52 residential and 11 GS<50kW smart meters in 2012.

Table 1 provides a summary of BCPI’s smart meter costs.

**Table 1: Summary of Smart Meter Costs**[[1]](#footnote-1)

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Actual Costs to December 31, 2011** | **2012 Forecasted Costs** | **Total** |
| Capital | $1,610,093 | $58,785 | $1,668,878 |
| OM&A | $274,661 | $20,946 | $295,607 |
| **Total** | **$1,888,754** | **$79,731** | **$1,964,485** |

BCPI confirmed 100% of its smart meters are now installed for a total of 9,612: 7,986 residential and 1,626 GS<50 kW.[[2]](#footnote-2)

BCPI’s smart meter costs include costs related to minimum functionality and smart meter costs beyond minimum functionality as defined in the Board’s Guideline G-2011-0001.[[3]](#footnote-3)

In this application, BCPI seeks:

* Approval to recover the deferred revenue requirement related to smart meters costs from 2006 to December 31, 2011 (and associated interest costs) less the Smart Meter Funding Adder (SMFA) revenues and associated interest to be collected via a Smart Meter Disposition Rider (SMDR). The SMDRs would be in effect for one year from November 1, 2012 to October 31, 2013. BCPI adjusted the interest on the SMFA revenue to include interest from January 2012 to October 2012.[[4]](#footnote-4)
* A Smart Meter Incremental Revenue Requirement Rate Rider (SMIRR) for the revenue requirement for the incremental annual revenue requirement until smart meters are incorporated into BCPI’s rate base. The SMIRR is proposed to be in effect from November 1, 2012 until BCPI’s next cost of service application planned for 2015 rates (adjusted from original proposal of a one year period).[[5]](#footnote-5)
* BCPI proposes that SMDRs and SMIRRs apply to the residential and GS<50 kW customer classes.

**Prudence Review of Smart Meter Costs**

BCPI indicates it worked with the NEPA group to streamline the process and minimize costs. BCPI believes its costs are lower than what they would have been if BCPI worked independently. However, at this point, BCPI is unable to quantify any benefits as a result of this collaboration.[[6]](#footnote-6)

BCPI identifies meter reading savings of $50,751 as a result of smart meter implementation.[[7]](#footnote-7) VECC is unclear if or how the savings are reflected in the current application. VECC asks that BCPI please clarify this in its reply submission.

In response to Board Staff IR#3 to provide a comparison of budget vs. actual costs for the smart meter program based on the components of Tab 2 of the smart meter model, BCPI provided total budget costs. Total budget capital costs are shown below compared to actuals.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Budget Cost** | **Actual Cost**  | **Difference** | **Variance** |
| **Capital** | $1,211,627 | $1,668,878 | $457,251 | 37.7% |
| **Average Capital Cost/meter** | $125.16 | $173.62 | $48.46 | 38.7% |
| **Total # of meters** | 9,681 | 9,612 | -69 | -0.7% |

VECC supports Board staff’s analysis of the variance[[8]](#footnote-8) and Board Staff’s request for BCPI to provide in its reply submission, the causes, nature and amount each component over-run contributes to the variance.

Costs Beyond Minimum Functionality

BCPI’s as filed application states that BCPI has not recorded any assets or OM&A expenses that use functionality above the minimum requirements.[[9]](#footnote-9) In response to Board Staff IR# 9 confirmed BCPI has $31,000 for costs beyond minimum functionality. VECC observes that the total costs beyond minimum functionality represent approximately 1.58% of BCPI’s total smart meter program spending ($31,000/$1,964,485).

The Board’s Guideline (G-2011-0001) indicates that a distributor may incur costs that are beyond the minimum functionality as defined in O. Reg. 425/06.

Specifically the Guideline states,

3.4 Costs Beyond Minimum Functionality

While authorized smart meter deployment must meet the requirements for

minimum functionality, a distributor may incur costs that are beyond the minimum

functionality as defined in O.Reg. 425/06. To date, the Board has reviewed three

types of costs that are beyond minimum functionality:

* Costs for technical capabilities in the smart meters or related communications infrastructure that exceed those specified in O.Reg 425/06;
* Costs for deployment of smart meters to customers other than residential and small general service (i.e. Residential and GS < 50 kW customers); and
* Costs for TOU rate implementation, CIS system upgrades, web presentation, integration with the MDM/R, etc.

The Board’s Guideline indicates these costs may be recoverable provided a distributor shows how these costs are required for its smart meter program and how these costs are incremental.[[10]](#footnote-10)

BCPI proposes costs beyond minimum functionality as follows: $14,000 in capital for TOU and web presentment and $17,000 of O&M costs relating to CIS implementation.[[11]](#footnote-11) BCPI indicates these costs were incremental to BCPI’s normal business functions and would not have been incurred if not for the smart meter program.

The Board’s Guideline G-2011-0001 at Page 17 states “All costs beyond minimum functionality should be clearly identified and supported…..Costs for other matters such as CIS changes or TOU bill presentment may be recoverable, but the distributor will have to support these costs and will have to demonstrate how they are required for the smart meter deployment program and that they are incremental to the distributor’s normal operating costs.”

VECC submits BCPI has not provided adequate justification as per the Board’s Guideline to explain how the costs that exceed minimum functionality are required for its smart meter program. VECC submits BCPI should provide further support for these costs in its reply submission.

Table 2 below shows BCPI’s total average costs per installed smart meter. BCPI’s average total cost per meter for minimum functionality is $201.15. When costs beyond minimum functionality are included, the total average cost per meter is $204.38.

**Table 2**: **Average Cost per Meter[[12]](#footnote-12)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Description** | **Costs to December 31, 2011** | **2011****Unit Cost** | **2012 Costs** | **2012****Unit** **Cost**  | **TOTAL****Unit Cost** |
| Capital  | $1,596,093 | $166.05 | $58,785 | $6.11 | **$172.16** |
| OM&A | $257,661 | $26.81 | $20,946 | $2.18 | **$28.99** |
| ***Total – Minimum Functionality*** |  | ***$192.86*** |  | ***$8.29*** | ***$201.15*** |
| Capital - Costs Beyond Minimum Functionality | $14,000 | $1.46 |  |  | **$1.46** |
| OM&A - Costs Beyond Minimum Functionality | $17,000 | $1.77 |  |  | **$1.77** |
| ***Total – with Costs Beyond Minimum Functionality*** | *$1,888,754* | ***$196.09***  | ***$79,731*** | ***$8.29*** | ***$204.38*** |
| Total Installed Meters | 9,612 |  |  |  |  |

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 provincial investment in smart meter installation of $994,426,187).[[13]](#footnote-13)

VECC observes that BCPI’s total average costs per meter are below the provincial average of $226.92. However, VECC notes that BCPI’s documentation to support its application was not as comprehensive or at the level of detail that VECC has seen with other distributors’ applications. The Board’s Guideline at Page 19 states “The onus is on the distributor to support its case, and the distributor should provide any additional information necessary to understand the distributor’s costs in light of its circumstances. Again on Page 24, the Guideline states “The use of any models and spreadsheets does not automatically imply Board approval. The onus is on the distributor to prepare, document and support its application.” In response to interrogatories, additional documentation was provided to support BCPI’s costs. However, VECC notes, some interrogatories such as VECC IR#1(d), VECC #1(f) and VECC IR#4 were not adequately answered. VECC submits the Board should take this into consideration when deciding if BCPI’s costs are appropriate.

Customer Repairs

BCPI indicates it incurred approximately $5,000 in repairs to customer meters and that these costs were not contained in a separate sub-account of 1556 as per the Board’s Guideline G-2011-0001.[[14]](#footnote-14)

VECC submits in principle the costs of repairing or replacing customer owned equipment should be tracked separately in a different sub-account of the Smart Meter OM&A Variance Account 1556 until disposition. However, given that the amount is immaterial, VECC agrees with Board Staff that the effort to include these costs in a different sub-account of Account 1556 outweighs any benefits.

**Recovery of Smart Meter Costs**

The Board’s Guideline G-2011-0001[[15]](#footnote-15) states the following:

“The Board expects that the majority (90% or more) of costs for which the distributor is seeking recovery will be audited.”

BCPI confirmed the 2011 balances used in the smart meter model are the approved December 31, 2011 audited balances.[[16]](#footnote-16)

VECC notes that BCPI’s total audited costs for its smart meter program represents 96% of its total forecasted cost ($1,884,754/$1,964,485).[[17]](#footnote-17)

VECC submits BCPI’s percentage of audited costs conforms to the Board’s Guideline.

**Cost Allocation & Calculation of Smart Meter Rate Riders**

Section 3.5 of the Board’s Guideline G-2011-0001 states:

In the Board’s decision with respect to PowerStream’s 2011 Smart Meter Disposition Application (EB-2011-0128), the Board approved an allocation methodology based on a class-specific revenue requirement, offset by class-specific revenues. The Board noted that this approach may not be appropriate or feasible for all distributors as the necessary data may not be readily available.

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. A uniform SMDR would be suitable only where adequate data is not available.

BCPI proposed generic rate riders, as opposed to class specific rate riders. BCPI indicates it does not have customer class specific data available to calculate a SMDR or SMIRR based on class specific revenue requirements.[[18]](#footnote-18)

In response to interrogatories[[19]](#footnote-19) to calculate class specific rate riders, BCPI filed a SMDR and SMIRR allocation model based on the methodology approved by the Board in PowerStream’s EB-2011-0128 application. Table 3 below shows the updated rate riders based on this methodology.

**Table 3: SMDR & SMIRR Rate Riders: As Filed Compared to Revised**

|  |  |  |
| --- | --- | --- |
|  | **SMDR ($/month)** | **SMIRR ($/month)** |
| **Class** | As Filed  | Revised Board Staff #14  | As Filed  | Revised Board Staff #14  |
| **Residential** | $2.19 | **$1.22** | $2.60 | **$1.76** |
| **GS<50 kW** | $2.19 | **$2.15** | $2.60 | **$4.35** |

BCPI indicates that this submission covers off the outstanding Board Staff IR#14 and VECC IR #’s 4 and 6. VECC submits BCPI did not provide a written response to VECC IR#4 requesting that BCPI describe the data it has regarding the installation of its smart meters. As such, VECC is unclear of the data that BCPI has and whether or not separate smart meter revenue requirement models by customer class could be calculated on full cost causality.

VECC submits that BCPI should address this in its reply submissions. VECC submits that if the data is available, the SMDR and SMIRR should be recalculated on the basis of full cost causality.

**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 3rd day of October 2012.

1. Smart Meter Model 20120619, Sheet 2 [↑](#footnote-ref-1)
2. Board Staff IR#5 [↑](#footnote-ref-2)
3. Board Guideline G-2011-0001, Smart Meter Funding and Cost Recovery – Final Disposition, dated December 15, 2011 [↑](#footnote-ref-3)
4. Board Staff IR#14 [↑](#footnote-ref-4)
5. Board Staff IR#14(b) [↑](#footnote-ref-5)
6. VECC IR#2 [↑](#footnote-ref-6)
7. VECC IR#5 [↑](#footnote-ref-7)
8. Board Staff Submission, Page 4 [↑](#footnote-ref-8)
9. Application, Page 2 [↑](#footnote-ref-9)
10. Board Guideline G-2011-0001, Smart Meter Funding and Cost Recovery – Final Disposition, dated December 15, 2011, Pages 15-17 [↑](#footnote-ref-10)
11. Board Staff IR#9 [↑](#footnote-ref-11)
12. Smart Meter Model 20120718, Sheet 2; Board Staff IR#9 [↑](#footnote-ref-12)
13. Monitoring Report Smart Meter Investment – September 2010, March 3, 2011 [↑](#footnote-ref-13)
14. Board Staff IR#10 [↑](#footnote-ref-14)
15. Board Guideline G-2011-0001, Smart Meter Funding and Cost Recovery – Final Disposition, dated December 15, 2011, Section 3.5, Page 18 [↑](#footnote-ref-15)
16. Board Staff IR#2 [↑](#footnote-ref-16)
17. Smart Meter Model, Sheet 2 [↑](#footnote-ref-17)
18. Application, Page 3 [↑](#footnote-ref-18)
19. Board Staff IR#14, VECC IR#4 & #6 [↑](#footnote-ref-19)