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)

VIA MAIL and E-MAIL

October 5, 2012

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)
Hydro Hawkesbury Inc. EB-2012-0198
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: Hydro Hawkesbury Inc.
Mr. Michel Poulin

EB-2012-0198

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 Hydro Hawkesbury Inc. ("HHI") for an order or orders approving or fixing just and reasonable distribution rates to reflect the recovery of costs for deployed smart meters, effective September 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

HHI filed an application July 16, 2012 for smart meter recovery based on actual costs incurred from 2009 to December 31, 2011 and forecasted costs (operating) to December 31, 2012. Table 1 provides a summary of HHI' smart meter costs.[1]

Table 1: Summary of Smart Meter Costs

	Actual Costs to December 31, 2011	2012 Forecasted Costs	Total
Capital	$645,539		$645,539
OM&A	$8,943	$5,958	$14,900
Total	**$654,482**	**$5,598**	**$660,439**

HHI installed 5,381 (100%) of its smart meters by August 2011: 4,803 residential and 578 GS<50 kW[2].

HHI'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]

In this application, HHI seeks the following smart meter rate rider approvals:

- Approval to recover the deferred revenue requirement related to smart meters deployed as at December 31, 2011 (and associated interest costs) less the Smart Meter Funding

[1] Exhibit 1, Tab 1, Schedule 1, Page 2
[2] Exhibit 1, Tab 1, Schedule 1, Page 2
[3] Board Guideline G-2011-0001, Smart Meter Funding and Cost Recovery – Final Disposition, dated December 15, 2011

Adder (SMFA) revenues and associated interest collected from May 1, 2006 to April 30, 2012 (updated to October 31, 2012[4]) via a Smart Meter Disposition Rider (SMDR). The SMDRs would be in effect for 18 months from September 1, 2012 to August 31, 2014.

- Approval of a Smart Meter Incremental Revenue Requirement Rate Rider (SMIRR) to recover the annual revenue requirements associated with smart meters installed for each rate class from the inception of the smart meter program, to be in effect until HHI's next cost of service application when smart meter capital and operating costs will be incorporated into the rate base and revenue requirement. The SMIRR is proposed to be in effect from September 1, 2012 to August 31, 2014.

- HHI proposes that SMDRs and SMIRRs apply to the residential and GS<50 kW customer classes.

Prudence Review of Smart Meter Costs

HHI participated and collaborated with other LDCs within the London RFP which assisted LDCs in the development of project plans, RFPs and contracts.

The Board expects that a distributor will provide evidence on any operational efficiencies and cost savings that result from smart meter implementation. In response to Board Staff interrogatory #1(b) regarding HHI's efficiencies and savings, HHI advised that it has to pay for monthly reads and smart meter reading costs are $2,160 per month, up from previous metering reading costs of $1,752 per month. In response to Board Staff interrogatory #6(c), HHI indicates that mainly due to smart meter implementation it changed its billing from bimonthly to monthly billing. VECC agrees with Board Staff that the switch to monthly billing should enable better management of bad debt and reduce the cash working capital requirement.[5] VECC takes no issue with HHI's documentation on this issue.

As shown in Table 2 below, HHI calculates its average capital cost per smart meter as $119.96 based on 5,381 installed smart meters. On a total cost basis (capital & OM&A costs), including costs beyond minimum functionality, the average cost per meter is $122.73. HHI indicates it was able to install all smart meters with its internal workforce, therefore avoiding outsourcing costs and reducing the total cost impact on customer.

[4] Board Staff IR#9
[5] Board Staff Submission Page 7

Table 2: **Average Total Cost per Meter**[6]

	2011 Audited Costs	2012 Forecast	Total	Cost per Meter
Capital Costs	$645,539		$645,539	**$119.96**
OM&A	$8,943	$958	$9,900	$1.84
OM&A Costs Beyond Minimum Functionality		$5,000	$5,000	$0.93
TOTAL	**$654,482**	**$5,958**	**$660,439**	**$122.73**
Total Meters Installed	5,381			

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).[7]

VECC observes HHI's average total cost per smart meter of $122.73 is significantly below the recent sector average of $226.92.

VECC takes no issue with the smart meter costs proposed for recovery in this application.

Costs Beyond Minimum Functionality

HHI's application includes $5,000 in OM&A for costs beyond minimum functionality.[8] The total costs beyond minimum functionality represent less than 1% of HHI's total smart meter program spending.

[6] Exhibit 1, Tab 1, Schedule 8, Page 1
[7] Monitoring Report Smart Meter Investment – September 2010, March 3, 2011
[8] Exhibit 1, Tab 1, Schedule 8, Page 1, Table A

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.

HHI indicates its costs beyond minimum functionality relate to web presentment. VECC submits HHI's proposed costs beyond minimum functionality are appropriate.

Recovery of Smart Meter Costs

The Board's Guideline G-2011-0001[9] states the following:

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

VECC notes HHI's total audited costs for its smart meter program represents 99% of its total forecasted cost ($654,482/$660,439).

VECC submits HHI'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

[9] Board Guideline G-2011-0001, Smart Meter Funding and Cost Recovery – Final Disposition, dated December 15, 2011, Section 3.5, Page 18

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.

The Smart Meter Recovery Model calculates SMDR and SMIRR rate riders based on all metered customers and does not deal with allocations between customer rate classes.

In this application, HHI proposes class specific rate riders based on a methodology similar to the methodology accepted by the Board in PowerStream's 2010 smart meter application (EB-2010-0209) and Guelph Hydro's 2012 cost of service application EB-2011-0123. The PowerStream methodology is as follows:

- Allocation of the return (deemed interest plus return on equity) and amortization based on the capital costs of the meters installed for each rate class
- Allocation of OM&A based on number of meters installed for each class
- Allocation of PILs based on the revenue requirement allocated to each class before PILs
- Allocation of Smart Meter Funding Adder collected (including carrying costs) based on revenue collected from each class. Revenues collected from the GS<50 kW customer class are allocated equally between the residential and GS<50 kW class.

HHI tracked the installed cost of smart meters specifically by type of meter for each customer. The average capital cost per meter data for each customer class is shown below. [10]

Customer Class	Average Capital Cost Per Meter
Residential	$99.30
GS<50 kW	$180.09

Given the average installed meter cost for a GS<50 kW customer is almost double the average installed meter cost for a residential customer, VECC submits class specific rate riders that reflect the costs for each customer class is appropriate. 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."[11]

In response to VECC interrogatory #5 (a) & (b) for HHI to complete a separate smart meter revenue requirement model by rate class and re-calculate the SMDR & SMIRR rate riders based on full cost causality by rate class, HHI stated it has appended and used the Guelph Hydro model for determining cost per rate class which has been the accepted methodology of the Board. In VECC #5 (c), VECC asked HHI to provide a detailed explanation if it is unable

[10] Response to VECC interrogatory #2(b)
[11] G-2011-0001, Page 19

to provide separate smart revenue requirement models by rate class. HHI referred to its cost allocation as per the Guelph model. Table 3 below shows HHI's as filed rate riders compared to the revised rate riders that reflect adjustments resulting from interrogatory responses.[12] HHI calculated the deferred SMIRR for 6 months starting May 1, 2012 to October 31, 2012 and proposes the amount be recovered through an increase to the SMDRs which VECC submits is appropriate.

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

Class	SMDR As Filed	**SMDR Revised** Board Staff	SMIRR As Filed	**SMIRR Revised** Board Staff
Residential	($1.28)	**($1.35)**	$1.38	**$1.39**
GS<50 kW	($1.25)	**($0.09)**	$2.56	**$2.46**

It is unclear to VECC from HHI's responses if it has the data to complete the smart meter recovery model by rate class to calculate revenue requirements and rate riders by customer class based on full cost causality. VECC submits HHI should clarify whether or not the data is available in its reply submissions.

If the data is available, VECC submits that HHI should recalculate the rate riders on the basis of full cost causality. This would include allocating the SMFA based on class revenue and allocating the interest on the SMFA revenues to the class assigned revenues. VECC submits it follows that any funds collected from the GS>50 kW customers should be returned, with carrying charges, to those customers. If HHI provides the rate riders based on VECC's proposed cost allocation methodology, VECC submits the Board should approve these rate riders, as the only way to avoid undue cross subsidy is to approve class specific rate riders that best reflect the costs for each customer class.

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 5th day of October 2012.

[12] Board Staff IR#3, 7,8,9a,9b & VECC 5