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February 6, 2013

VIA COURIER, EMAIL AND RESS

Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Attention: Ms Kirsten Walli, Board Secretary

Dear Ms Walli:

**Re: EB-2012-0405: EnWin Reply Submissions re.  
Application for Extension of TOU Pricing Implementation Date**

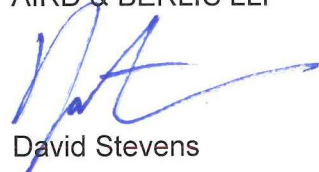
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We represent EnWin Utilities Ltd. ("EnWin").

Attached are EnWin's Reply Submissions in this matter, filed in accordance with the Board's direction in the Notice of Application.

Yours truly,

AIRD & BERLIS LLP



David Stevens

cc. Andrew Sasso, EnWin Utilities  
George Dimitropoulos, Project Advisor, Licence Applications, OEB Staff

14043613.1

**IN THE MATTER OF** the *Ontario Energy Board Act 1998*, S.O. 1998, c.15 (Schedule B);

**AND IN THE MATTER OF** an Application pursuant to section 74 of the *Ontario Energy Board, 1998* by EnWin Utilities Ltd. seeking a temporary exemption from Mandatory Time-of-Use Pricing.

**ENWIN UTILITIES LTD.  
REPLY SUBMISSIONS**

**A. INTRODUCTION**

1. On October 16, 2012, EnWin Utilities Ltd. (“EnWin”) filed an Application seeking an amendment to its licence to extend the mandated date for the implementation of time-of-use (“TOU”) pricing for its Regulated Price Plan (“RPP”) customers. EnWin seeks an extension to April 30, 2014, to allow time for the implementation of TOU pricing using EnWin’s new Customer Information System (“CIS”). This extension would be effected by an amendment to Schedule 3 of EnWin’s licence, which currently provides for EnWin to implement TOU pricing by December 1, 2012.
2. On November 28, 2012, the Ontario Energy Board (the “Board”, or the “OEB”) issued a Notice of Application and Interim Order, setting out a procedure for this case and providing an extension to EnWin’s TOU implementation date until the Board issues a final decision in this proceeding. The Notice of Application was published in Windsor’s English and French newspapers on December 5, 2012. In the Notice of Application, the Board invited interested parties to submit interrogatories in response to EnWin’s Application. The only party to submit interrogatories was Board Staff. EnWin provided its responses to the Board Staff interrogatories on January 9, 2013.
3. The Board’s Notice of Application did not provide for Argument in Chief, and invited parties to file submissions in response to EnWin’s Application by January 24, 2013. The only party to file submissions was Board Staff.

4. These are EnWin's Reply Submissions responding to the Board Staff Submissions. For the purposes of these Reply Submissions, EnWin repeats and relies upon the evidence that it has filed in this case.

## **B. OVERVIEW**

5. EnWin's Application is necessitated by the fact that its current CIS is unable to accommodate TOU pricing, and the procurement of its new CIS has taken longer than anticipated. That procurement process has been comprehensive and responsible, and has resulted in the choice of a cost-effective and properly functional CIS that will support TOU billing. EnWin and its ratepayers will benefit from the cost savings associated with its new CIS (which is around \$18 million less expensive than the previously identified option) for years to come. Throughout the procurement process, EnWin has kept the OEB informed of its progress, and brought this Application as soon as the updated timing for TOU pricing implementation was known.
6. The implementation of EnWin's new CIS is underway. An expedited schedule has been created which will see TOU pricing being implemented by April 30, 2014. That is the date to which EnWin seeks an extension of its mandated date to implement TOU pricing. While this is a lengthy extension, EnWin believes that the proposed timing represents an aggressive and achievable timeline to permit the implementation of a new CIS and the co-ordination with the Smart Metering Entity ("SME") to offer TOU pricing.
7. EnWin is committed to meeting its regulatory obligations, and regrets having to request the current TOU pricing extension. EnWin will do everything within its power to ensure that it is able to provide TOU pricing to all RPP customers by April 30, 2014. As explained in the final section of these submissions, EnWin accepts the Board Staff recommendation that EnWin provide enhanced reporting and updates as to the progress of its TOU implantation over the next 16 months.

### **C. ENWIN'S APPLICATION**

8. Given the fact that EnWin has not filed Argument in Chief, and given that the Board Staff Submissions do not include great detail about the contents of EnWin's Application<sup>1</sup>, we believe that it would be helpful to begin by setting out a brief overview of the basis for EnWin's Application.
9. Through this Application, EnWin requests that it be permitted until April 30, 2014 to implement TOU pricing. This would be accomplished through an amendment to EnWin's licence. As set out in detail in EnWin's written evidence, the reason for the request is that EnWin has not yet replaced its current CIS, and the new CIS is necessary for the conversion to TOU pricing.
10. EnWin acknowledges that this is an extraordinary request, given the status of TOU implementation by other distributors, and the existing extension of the mandatory date already granted to EnWin. As explained throughout its evidence, though, EnWin has been faced with challenging circumstances in the procurement of its new CIS, and this has led to the current extension request.
11. As part of its 2009 cost of service rate proceeding, EnWin entered into a (OEB-approved) Settlement Agreement with stakeholders which endorsed EnWin's plan to acquire a Comprehensive Enterprise Resource Planning ("ERP") software suite to replace EnWin's major IT systems, including the legacy CIS, and added the forecasted first phase (non-CIS) ERP costs into EnWin's rate base. The first phase of the ERP project was completed by August 2010, and EnWin then proceeded to negotiations for the new CIS with its vendors from the first phase: Deloitte and SAP.<sup>2</sup>

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<sup>1</sup> On page 2 of their submission, Board Staff briefly describe EnWin's Application, before proceeding to set out factors Board Staff believes the Board should take into consideration when evaluating the Application.

<sup>2</sup> Exhibit B, Tab 1, Schedule 1, Para. 7. Further details about the Comprehensive ERP system procurement are set out at Exhibit B, Tab 2, Schedule 1, Para. 3.

12. By late 2010, it was clear to EnWin that the negotiations and subsequent implementation of the new CIS component of the ERP, and TOU pricing, would not be complete before the OEB's newly established mandatory TOU implementation date. Around that time, EnWin made an Application for an extension of the TOU deadline. In April 2011, the OEB granted an extension to December 1, 2012.<sup>3</sup>
13. In its earlier Application for an extension of the TOU deadline, EnWin explained its determination that it was not appropriate to undertake an interim conversion to TOU pricing using its current CIS. Proceeding in that manner would be unduly risky and expensive. EnWin's current CIS is quite unstable, and would be at great risk of failure if the data and processing demands of TOU pricing were introduced. Failure of the legacy CIS could leave EnWin in a position where all billing activities are disabled, essentially cutting off cash flow to the utility. In addition, failure of the CIS would severely hamper EnWin's ability to addressing customer service issues, because information would not be readily available. Beyond the risks of failure, conversion to TOU pricing using the legacy CIS would lead to very large wasted costs and time delays because many of the conversion activities would have to be repeated when the new CIS is implemented.<sup>4</sup>
14. Around the same time as the Board granted an extension to EnWin's TOU deadline (April 2011), it became clear from negotiations with the parties who had supplied and implemented the first phase of the ERP system that the cost of a complementary Deloitte SAP CIS was much higher than forecasted. EnWin estimated that the costs of continuing with the Deloitte SAP Comprehensive ERP philosophy and procuring a Deloitte SAP CIS would have been in the order of \$25 million to \$30 million, as compared to a forecasted cost of less than \$10 million. It was decided, therefore, that continuing with the "Comprehensive ERP" philosophy was not in the interests of ratepayers or the utility.<sup>5</sup>

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<sup>3</sup> Exhibit B, Tab 1, Schedule 1, Para. 8. Further details about EnWin's EB-2010-0367 Application for an extension of the TOU implementation date are set out at Exhibit B, Tab 2, Schedule 1, Para. 4.

<sup>4</sup> Exhibit B, Tab 1, Schedule 1, Para. 3. The decision not to convert to TOU pricing using the legacy CIS is further described at Exhibit B, Tab 3, Schedule 1, Paras. 20 to 22.

<sup>5</sup> Exhibit B, Tab 1, Schedule 1, Para. 9. The efforts to procure the SAP CIS that would complement the ERP system, and the decision not to pursue that option, are described in more detail at Exhibit B, Tab 3, Schedule 1, Paras. 12 to 17.

15. In response, EnWin proceeded with a thorough process, beginning in May 2011, to identify all feasible alternatives for a new CIS. Among other things, this process involved: (i) re-assessing EnWin's requirements (including confirming that continued use of the legacy CIS was not feasible); (ii) seeking cost reductions for the Deloitte SAP CIS; (iii) entering into discussions and negotiations with other distributors to see whether their CIS systems could be leveraged by EnWin; (iv) conducting an RFI process to identify other options; (iv) evaluating all options from a "fit/gap" perspective; and (vi) undertaking discussions with several vendors.<sup>6</sup>
16. The process described above took many months to complete, which is understandable considering the fact that EnWin was simultaneously evaluating its own CIS, negotiating with three other utilities and conducting and evaluating an RFI process which received nine responses. Of key importance, though, is that the process undertaken by EnWin resulted in a prudent and appropriate choice of CIS, taking into account key determinants such as cost, timing and required functionality.<sup>7</sup>
17. EnWin has now contracted with NorthStar Utilities Solutions ("NorthStar") for a new CIS that will cost around \$18 million less than the initially identified Deloitte SAP CIS. While the NorthStar CIS does not provide all the benefits of a Deloitte SAP CIS or all the benefits that the Comprehensive ERP philosophy were forecasted to provide, it has all required functionality and can be implemented more quickly and at less cost than other options.<sup>8</sup>
18. EnWin is confident that it will be able to implement TOU pricing in parallel with the implementation of the new NorthStar CIS. All efforts will be made to implement TOU pricing as soon as possible. The current plan is to follow an aggressive schedule and have TOU

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<sup>6</sup> Exhibit B, Tab 1, Schedule 1, Paras. 10 and 11. Additional details about EnWin's process to identify CIS alternatives are set out at Exhibit B, Tab 3, Schedule 1, Paras. 18 to 40.

<sup>7</sup> Exhibit B, Tab 3, Schedule 1, Paras. 28 to 40. Details of the options and recommendation presented to the EnWin Board of Directors are set out in the presentation at Exhibit B, Schedule 3, Tab 5.

<sup>8</sup> Exhibit B, Tab 3, Schedule 5, at page 4. See also Response to Board Staff Interrogatory 6.

pricing implemented for all RPP customers by April 30, 2014.<sup>9</sup> EnWin's proposed detailed implementation schedule has been filed in response to Board Staff interrogatories.<sup>10</sup>

19. EnWin has appreciated throughout the CIS selection process that the additional time taken in choosing a new CIS would delay the implementation of TOU pricing. However, given the capital commitment and customer-facing nature of the CIS, the utility believes that the interests of its ratepayers are best served by ensuring that the new CIS costs and functionality are appropriate and reasonable. Otherwise, ratepayers would be burdened with higher than necessary CIS costs and/or a new CIS with less than optimal functionality, simply in order to support faster implementation. EnWin does not believe that those outcomes would be in the public interest.<sup>11</sup>
20. As the evidence illustrates, it would be incorrect to conclude that EnWin's CIS procurement process has been anything but a difficult task. The significant cost and the customer-facing nature of a CIS make for high stakes, which warrant substantial time and attention. In this case, in order to deliver a functional CIS at a reasonable cost, EnWin needed to shift the CIS paradigm that it had adopted as part of the Comprehensive ERP philosophy. It is only with the benefit of hindsight that this might have been avoided. Had EnWin made a decision against pursuing the Comprehensive ERP strategy in 2008 or 2009, then TOU pricing could have been implemented earlier. That said, the decisions made by EnWin were reasonable at the time they were made, and only became subject to review and change as new information revealed itself starting in around April 2011 and continuing through the RFI process.
21. EnWin has provided updates to the OEB as to the status of its CIS and TOU pricing implementation when new information has become available. These updates have come in the form of changes to monthly reporting, meetings with Board Staff and written communications with Board Staff. In May 2012, when it became certain that EnWin could

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<sup>9</sup> Exhibit B, Tab 1, Schedule 1, Para. 5. See also Response to Board Staff Interrogatory 1.

<sup>10</sup> Response to Board Staff Interrogatory 4, including Attachments 4b and 4c. Additional detail about the schedule is set out in the Response to Board Staff Interrogatory 5.

<sup>11</sup> Exhibit B, Tab 1, Schedule 1, Para. 12.

not meet the December 1, 2012 TOU implementation date, notice of that fact was provided to Board Staff.<sup>12</sup>

22. EnWin waited until it had begun the CIS implementation process with NorthStar and determined an implementation timetable in consultation with NorthStar's experts and project managers assigned to the EnWin project, along with a timeline for TOU pricing implementation, before making this Application. To have done otherwise would have meant requesting an indefinite extension of the TOU deadline, which did not seem appropriate. By waiting until all decisions were made, EnWin has been able to provide the Board with all relevant information in support of its request.<sup>13</sup>

23. EnWin believes that the planned timeline for CIS and TOU pricing implementation is aggressive, but achievable.<sup>14</sup> As explained in response to a Board Staff Interrogatory, the SME has confirmed that EnWin's timetable is compressed as compared to other utilities.<sup>15</sup> Thus, while EnWin is mindful of the fact that it is requesting a relatively lengthy extension of its mandated TOU implementation date, EnWin does not believe that it can successfully transition to TOU pricing more quickly.

#### **D. RESPONSE TO BOARD STAFF SUBMISSIONS**

24. Board Staff is the only party to have asked interrogatories and provided submissions in response to EnWin's Application. The Board Staff Submissions do not take any position on the decision that the Board should make in this Application, but they do raise a number of "factors" that Board Staff submit the Board should consider in evaluating the Application.

25. In the sub-sections that follow, EnWin sets out its response to each of the "factors" noted by Board Staff.

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<sup>12</sup> Exhibit B, Tab 3, Schedule 1, Paras. 47 to 50. Further details of EnWin's ongoing reporting are discussed below, and set out in the Response to Board Staff Interrogatory 2d.

<sup>13</sup> Exhibit B, Tab 1, Schedule 1, Para. 13.

<sup>14</sup> Exhibit B, Tab 3, Schedule 1, Paras. 43 to 46.

<sup>15</sup> Response to Board Staff Interrogatory 5.



(i) Timeliness of EnWin's Application

26. In their submissions, Board Staff set out several of the key events that led to EnWin's Application and question the timeliness of EnWin's ongoing reporting and Application.
27. As already noted, EnWin regrets having to request a further extension of its TOU implementation date. That said, the evidence in this case makes clear that EnWin has acted responsibly throughout, and has kept Board Staff apprised regularly and appropriately.
28. Board Staff identifies the fact that EnWin notified the Board in April 2011 that EnWin's CIS procurement process was evolving, and that there might be changes from the then-anticipated December 1, 2012 implementation date.<sup>16</sup> EnWin stated then, and always kept in mind, that if circumstances changed then EnWin would file an Application for a revised TOU implementation date as soon as possible. As explained below, however, it was not possible for EnWin to file such an Application until such time an updated TOU implementation date was determined. That was not known until shortly before the October 12, 2012 Application.
29. In the months that followed EnWin's April 2011 letter to the OEB, there were indeed developments and evolution in EnWin's CIS procurement process. As explained, around that time the EnWin Board of Directors resolved to examine other CIS options other than the Deloitte SAP CIS. EnWin reflected the fact that its CIS procurement process was in a state of flux in its updated Smart Meter Deployment and Application of Time-of-use Pricing Monthly Report for May 2011, where EnWin included the following comment: "*Enwin continues to review its CIS. The ongoing review continues to point to the need to replace the CIS. One of the drivers for the change is increased IT requirements due to TOU pricing. If the review results in a plan that changes the timelines set out herein, the changes will be reflected in the report. If the changes prompt the need for a further extension prior to moving to mandatory TOU pricing, Enwin will bring forward an application for that purpose.*"<sup>17</sup>

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<sup>16</sup> Letter from EnWin to OEB, dated April 11, 2011: Exhibit B, Tab 2, Schedule 4.

<sup>17</sup> Response to Board Staff Interrogatory 2d.

30. As described earlier (and in EnWin's pre-filed evidence), the CIS procurement process involved a number of simultaneous activities through the second half of 2011, culminating in the issuance of the RFI in late November 2011. EnWin believes that it was reasonable not to have updated its public reporting at that time in order to protect the integrity of the procurement process and thus the benefits of the process for all interested parties, including ratepayers.<sup>18</sup> Moreover, given the incomplete nature of the procurement process at that time, EnWin did not have any concrete updated information to provide in relation to anticipated milestone dates. At that time, there continued to be options under consideration that might have allowed EnWin to meet the December 1, 2012 TOU pricing deadline.
31. In early 2012, after EnWin had received responses to its RFI, it became clear that EnWin would not meet some of the milestone dates set out in its Smart Meter Deployment and Application of Time-of-use Pricing Monthly Report. At that time, EnWin updated its reporting to indicate that it was "behind schedule" in relation to Expected Completion Dates. Further updates to the Expected Completion Dates were provided in the March 2012 filing.<sup>19</sup>
32. As the procurement process continued, EnWin concluded that it would no longer be able to meet the December 1, 2012 TOU pricing deadline due to both the passage of time resulting from its intensive procurement process and its refined understanding of the CIS options. In a letter sent in May 2012, EnWin informed Board Staff that the CIS replacement process was ongoing, and EnWin would not be in a position to implement TOU pricing by December 1, 2012. EnWin indicated that it would file an Application for an extension of the TOU pricing mandatory date once the implementation timeline became known (and in any event, in advance of December 1, 2012).<sup>20</sup>
33. EnWin disagrees with Board Staff's suggestion that this notification should have been provided in late 2011 or early 2012. On those earlier dates, based on the options that had yet to be ruled out, the potential still existed for EnWin to implement TOU pricing by December 2012; for example, by partnering with another utility that had a SAP CIS in place.

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<sup>18</sup> Response to Board Staff Interrogatory 2d.

<sup>19</sup> Response to Board Staff Interrogatory 2d.

<sup>20</sup> Exhibit B, Tab 3, Schedule 6.

34. In July 2012, EnWin provided further updates to its Smart Meter Deployment and Application of Time-of-use Pricing Monthly Report, stating that: *“EnWin is completing a procurement process that is expected to result in a CIS implementation project which would commence in 2012. The timeline for that CIS implementation project and an associated initiative to go-live with TOU rates is being determined as part of the procurement process. Within the next 60 days, EnWin expects to file an application with the OEB in respect of the TOU go-live date.”*<sup>21</sup> Without providing commercially sensitive information (such as the fact that EnWin was negotiating a contract with NorthStar), this update appropriately informed the Board that EnWin’s CIS procurement was reaching completion.<sup>22</sup>
35. In addition to the formal reporting described above, EnWin also communicated informally with Board Staff on a number of occasions about the progress of the CIS procurement and TOU implementation. These communications included email, phone conversations and at least three in-person discussions between senior EnWin personnel and senior Board Staff in Toronto.<sup>23</sup>
36. While EnWin believes that its reporting has been appropriate, EnWin does not object to Board Staff’s proposal that the Board establish strict and expansive reporting requirements for EnWin as the utility proceeds with the implementation of its new CIS and TOU pricing. EnWin’s suggestions as to effective and appropriate reporting requirements are set out at the end of these submissions.
37. As a final note on this topic, it is important to appreciate that even if EnWin had provided more detailed interim reporting about the status of its CIS procurement and TOU implementation, the timing of this Application would not have changed.

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<sup>21</sup> Response to Board Staff Interrogatory 2d.

<sup>22</sup> In this regard, EnWin disagrees with Board Staff’s suggestion that EnWin ought to have specifically informed the OEB of the EnWin Board of Directors resolution to proceed with contract negotiations with NorthStar.

<sup>23</sup> Response to Board Staff Interrogatory 2d.

38. The fact is that EnWin did not have all of the required information to proceed with this Application until October 2012. Although EnWin was able to inform the Board by May 2012 that it would not meet its December 1, 2012 TOU implementation date, EnWin was not able to request a specific extension of that date until such time as it had completed negotiations with its new CIS provider (NorthStar) and prepared an informed implementation timeline.<sup>24</sup> EnWin's Application was filed shortly after those steps were completed.

(ii) EnWin's Implementation of its New CIS

39. Board Staff questions why EnWin spent time in 2011 re-assessing whether the current (legacy) CIS could support TOU pricing, given that EnWin had already represented to the OEB that its current CIS needed to be replaced. While EnWin appreciates that this may appear to be an inconsistency, a close review of the surrounding circumstances shows that EnWin was simply following a responsible approach to the procurement of a new CIS.

40. Up until April 2011, EnWin was proceeding with a plan to replace its CIS with a Deloitte SAP CIS. As discussed in EnWin's 2009 Cost of Service proceeding, that decision was premised on a determination that EnWin's current CIS needed to be replaced, and EnWin would implement a Comprehensive ERP system. In April 2011, though, EnWin's Board of Directors determined that they could no longer endorse this approach because the updated cost estimates for the Deloitte SAP CIS were much higher than originally forecasted. In the result, a decision was made to investigate other options. Before doing that, though, EnWin's Board of Directors wished to reaffirm that the utility could not go forward with what was intuitively thought of as the quickest, cheapest and best understood option: the "legacy" CIS.<sup>25</sup> This decision was taken in full knowledge of the fact that EnWin's management had already set out what it viewed to be the unacceptable risks of continuing with the legacy CIS.<sup>26</sup>

41. EnWin's management responded quickly to this direction, and engaged a third party expert (SkyEnergy) to prepare a report about the state of the legacy CIS. The SkyEnergy Report,

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<sup>24</sup> Exhibit B, Tab 1, Schedule 1, Para 13 and Response to Board Staff Interrogatory 2d.

<sup>25</sup> See Attachment 2c to Responses to Board Staff Interrogatories (Minutes of EnWin Special Audit and Finance Committee Meeting).

<sup>26</sup> See Attachment 2b to Responses to Board Staff Interrogatories (Presentation to EnWin Board Special Audit and Finance Committee, at slides 14 to 20).

which was completed by May 2011, supported the conclusions of EnWin's management and recommended that EnWin must procure a new CIS solution to mitigate the risks associated with continuing to use the aging legacy CIS. At a meeting in May 2011, the SkyEnergy Report was presented to the EnWin Audit and Finance Committee, and it was resolved that EnWin's management should proceed to investigate CIS replacement options.<sup>27</sup>

42. The sequence of events set out above shows that EnWin acted responsibly, and quickly, in reacting to unexpected circumstances when the estimated cost of a new CIS multiplied well beyond what had been expected. The re-examination of EnWin's legacy CIS was a prudent step when the utility found itself facing potential costs far higher than those that had been forecasted and presented to the OEB and stakeholders through EnWin's 2009 Cost of Service application. That this step was undertaken as quickly as it was (in the space of approximately one month) is further support for a conclusion that EnWin's actions were appropriate and responsible.

(iii) Cost of EnWin's CIS Initiative

43. Board Staff's Submission properly identifies that EnWin has made its decision about a new CIS based primarily on the cost differences between the chosen NorthStar option and the previously identified Deloitte SAP CIS. Board Staff questions whether EnWin has provided sufficient cost information to the Board in this regard. EnWin disagrees, and submits that it has provided ample information to the Board to illustrate and justify EnWin's decision to proceed with the NorthStar CIS on the basis of cost.
44. Information about the relative costs of the various CIS options available to EnWin is set out in EnWin's narrative pre-filed evidence, and detailed in the documents that have been filed along with EnWin's evidence. For example:
- a. The evidence describes the process that led up to a \$26 million cost estimate for the Deloitte SAP CIS that would complete the Comprehensive ERP system (April 2011).<sup>28</sup>

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<sup>27</sup> Exhibit B, Tab 3, Schedule 1, at Paras. 16 to 22. The SkyEnergy Report is filed as Exhibit B, Tab 3, Schedule 3.

<sup>28</sup> Exhibit B, Tab 3, Schedule 1, Paras. 13 to 15.

- b. The April 2011 presentation to the EnWin Audit and Finance Committee, which is filed in its entirety, includes a detailed breakdown of this \$26 million cost estimate.<sup>29</sup>
- c. The evidence describes the unsuccessful process that sought to obtain a reduced cost estimate for the Deloitte SAP CIS based on a reduced scope of work.<sup>30</sup>
- d. The evidence describes the process that led to a cost estimate from Hydro One of approximately \$18 million for EnWin to implement a new CIS using the Hydro One SAP CIS template.<sup>31</sup>
- e. The evidence describes EnWin's RFI process, which was intended to identify and examine a broad range of SAP and non-SAP CIS alternatives. Nine diverse submissions from various vendors with a range of CIS solutions were received through the RFI process. Through the RFI process and subsequent negotiations, NorthStar was identified as a CIS vendor who could meet EnWin's base functionality requirements at a cost substantially lower than the cost estimates associated with the Deloitte SAP and Hydro One SAP options.<sup>32</sup>
- f. The July 2012 presentation to the EnWin Board of Directors that set out the results of the CIS procurement process includes details of the costs of each of the CIS options considered.<sup>33</sup> It is clear from that presentation that the NorthStar CIS was by far the least expensive option, both in terms of up-front capital cost ("Total Implementation Cost") and in terms of total cost of ownership ("TCO") over ten years. For convenience, the key slide<sup>34</sup> from the presentation is reproduced on the next page:

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<sup>29</sup> Attachment 2b to Responses to Board Staff Interrogatories, at slide 8.

<sup>30</sup> Exhibit B, Tab 3, Schedule 1, Paras. 25 and 30.

<sup>31</sup> Exhibit B, Tab 3, Schedule 1, Paras. 24 and 29.

<sup>32</sup> Exhibit B, Tab 3, Schedule 1, Paras. 26 and 31 to 35.

<sup>33</sup> Exhibit B, Tab 3, Schedule 5.

<sup>34</sup> Exhibit B, Tab 3, Schedule 5, Slide 6.

	Deloitte/SAP	HONI/SAP	NorthStar/ERTH
<b>Total Implementation Cost</b>	\$26.1M	\$18.0M	\$6.7M
<b>CIS/TOU Launch Supplement</b>	\$1.1M	\$1.1M	\$1.1M
<b>On-going Incremental Staffing</b>	\$2.3M	\$0M	\$0M
<b>Hardware/Software Maintenance</b>	\$0.7M	(\$1.4M)	\$2.5M
<b>Technical Support (CIS &amp; ODS)</b>	\$0.3M	\$0M	\$0.6M
<b>Software Upgrade(s)</b>	\$0M	\$0M	\$1.4M
<b>Total TCO Impact (10Yrs)</b>	\$30.5M	\$17.8M	\$12.2M

45. In response to Board Staff Interrogatory 10(a), EnWin declined to provide information about “sunk costs” associated with the Deloitte SAP CIS option that was not pursued. As stated in EnWin’s response, the amount of any such expenses is not relevant to the request for an extension of the TOU pricing deadline. With or without any sunk costs, it is clear that the NorthStar CIS option (which is about \$18 million less than the Deloitte SAP CIS option) will be more cost effective. To the extent that there are any “sunk costs”, and EnWin seeks recovery of such costs from ratepayers, then all relevant information (including justification of why such costs should be recoverable) will be provided and subject to review and testing in a rates proceeding. It should also be noted that no determination of what, if any, of the costs associated with pursuing the Deloitte SAP CIS option are “sunk costs” can be made until the NorthStar CIS implementation is substantially complete. Only at that time can EnWin evaluate whether and how EnWin and NorthStar were able to leverage and use the work previously done related to the Deloitte SAP CIS option.

(iv) Impact on EnWin’s Customers

46. Board Staff’s submissions suggest that a “final factor” for the Board to consider is the impact on EnWin’s RPP customers from a delay in the implementation of TOU pricing.

47. EnWin acknowledges that its RPP customers will not have access to TOU pricing as soon as anticipated, and will be among the last RPP customers in Ontario to be on TOU pricing. While this has never been EnWin's goal and is a regrettable situation, EnWin does not agree with any suggestion that its RPP customers as a whole are worse off as they await the transition to TOU pricing.
48. Although some EnWin RPP customers will be able to save money using TOU pricing, others will pay more. There will be cost savings for RPP customers whose inherent off-peak usage is greater than the average customer, or who can re-direct the bulk of their electricity consumption to off-peak times. On the other hand, RPP customers who do not have an inherently favourable usage pattern or who lack the flexibility to alter the times of their electricity consumption will pay more.<sup>35</sup> One cannot identify which particular EnWin RPP customers would be on either side of this balance.
49. Of course, the utility itself will not be better or worse off from any delay in TOU pricing implementation. TOU pricing only affects the electricity commodity, which is a pass-through from customers to EnWin to the province's Independent Electricity System Operator (IESO).
50. Despite EnWin's strong desire to move forward with its fellow electricity distributors in achieving the Government's TOU pricing policy and to comply with the Board's generous December 1, 2012 deadline, this would have come at too steep a cost. Had EnWin not made the paradigm shift away from the Deloitte SAP CIS in favour of the NorthStar option, then EnWin might have had TOU pricing available to customers by December 1, 2012. This would have benefitted some TOU-eligible customers, but the associated capital costs would have been very high. The additional time taken by EnWin to conduct an intensive multi-pronged CIS procurement process has led to a CIS solution that is around \$18 million less expensive than the previously identified option. All of EnWin's customers will benefit from the lower CIS costs associated with the NorthStar option that has been chosen.

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<sup>35</sup> Response to Board Staff Interrogatory 10c.



51. As a final note on this customer impact topic, EnWin repeats that it is fully committed to implementing TOU pricing as soon as possible. As described in these submissions, EnWin is making all efforts to ensure that all of its customers will be transitioned to TOU pricing by April 30, 2014.

## **E. CONCLUSION**

52. For the reasons set out in EnWin's prefiled evidence, interrogatories and these submissions, EnWin submits that it is appropriate for the Board to approve an amendment to EnWin's licence allowing for an extension of the mandatory TOU pricing date for RPP customers to April 30, 2014. Board Staff does not propose any alternate disposition.

53. EnWin acknowledges Board Staff's submission that any extension of EnWin's TOU pricing implementation date should require EnWin to meet regular and stringent reporting requirements on the progress of its TOU pricing implementation. Given the circumstances of this second TOU pricing extension request, EnWin accepts that it should be subject to strict and expansive reporting requirements as it proceeds with the implementation of its new CIS and TOU pricing. To that end, EnWin proposes the following:

- a. EnWin will regularly update the monthly Smart Meter Deployment and Application of Time-of-use Pricing Monthly Report, to reflect any changes;
- b. On a monthly basis, EnWin will provide Board Staff with an updated version of the NorthStar Implementation Project Plan (included in EnWin's filing as Attachment 4b to the Responses to Board Staff Interrogatories); and
- c. In the event that EnWin determines that its CIS and TOU pricing implementation is at risk of being delayed beyond April 30, 2014, then EnWin shall advise Board Staff of this determination without delay.

54. EnWin notes that this Application has followed a relatively streamlined process, with only one other party asking interrogatories and filing submissions. In the result, the Board may have additional questions or information requests which have not been addressed. EnWin would be pleased to address any such matters to assist the Board in its review of this Application.

All of which is respectfully submitted, February 6<sup>th</sup>, 2013.



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