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March 18, 2013

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)
Whitby Hydro Electric Corporation EB-2012-0479
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: Whitby Hydro Electric Corporation
Ramona Abi-Rashed

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 Whitby Hydro Electric Corporation 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, 2013.

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

Whitby Hydro filed an application December 27, 2012 for final smart meter disposition and recovery for costs up to December 31, 2012.

Whitby Hydro's original application was based on actual audited costs incurred from 2008 to December 31, 2011 and forecast costs for 2012 and 2013 as shown in Table 1 below.¹

Table 1: Summary of Smart Meter Costs

	Audited Costs 2008 to 2011	Forecast Costs 2012	Forecast Costs 2013	Total
Capital	\$6,047,006	\$61,142		\$6,108,148
OM&A	\$371,097	\$269,097	\$311,000	\$951,194
Total	\$6,418,103	\$330,239	\$311,000	\$7,059,342

At the end of 2011, WHEC had installed all of its smart meters (39,976) except 21 General Service<50 kW and 54 Residential smart meters which are forecasted to be installed by the end of 2012 for a total of 40,051 meters: 37,974 residential & 2,077 GS<50 kW.²

In its original application, Whitby Hydro indicates it has not included any 2012 installations of smart meters based on growth of residential and GS<50 kW customers. For 2012 and beyond, the capital and operating costs for growth related smart meters will be included in the 2015 Cost of Service Rate Application.³

¹ Whitby_2013_Smart_Meter_Model_V301WH_20121227

² Application, Page 5

³ Application, Page 6

In response to Board Staff interrogatory #2, Whitby Hydro revised its submission and SMDR to include 2012 growth related capital costs for meters of \$93,223 and related depreciation expenses for 550 residential and 20 GS<50 kW customers in 2012, for an updated total of 40,621 installed smart meters. No changes were made to operating expenses as the impact was not expected to be material. VECC agrees with Board Staff that this update is appropriate as the deferred revenue requirement for 2012 growth for the period January 1, 2012 to December 31, 2012 was not reflected in the deferred revenue requirement.

In response to other interrogatories⁴, Whitby Hydro updated its smart meter model and the calculation of its SMDRs and SMIRRS. Table 1A provides the updated costs.

Table 1A: Revised Summary of Smart Meter Costs

	Audited Costs 2008 to 2011	Forecast Costs 2012	Forecast Costs 2013	Total
Capital	\$6,047,006	\$154,365		\$6,201,371
OM&A	\$371,097	\$269,097	\$311,000	\$951,194
Total	\$6,418,103	\$423,462	\$311,000	\$7,152,565

Whitby Hydro'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-2011-0001.⁵

In this application, Whitby Hydro seeks:

- Approval to recover the deferred incremental revenue requirement related to smart meters costs from 2008 to December 31, 2012 (plus interest on OM&A and depreciation expenses) less the Smart Meter Funding Adder (SMFA) revenues collected from May 1, 2006 to December 31, 2012 and associated interest to April 30, 2013 collected via a Smart Meter Disposition Rider (SMDR). The proposed recovery period is 12 months from May 1, 2013 to April 30, 2014.⁶
- Approval to add a Smart Meter Incremental Revenue Requirement Rate Rider (SMIRR) to recover the annual incremental revenue requirement associated with the smart meters that would have occurred if the assets and operating expenses were incorporated into rate base. The SMIRR is proposed to be in place for eight months from May 1, 2013 to December 31, 2014, until Whitby Hydro's next planned Cost of Service application for January 1, 2015 rates.⁷
- Whitby Hydro proposes that the SMDRs and SMIRRs apply to the residential and GS<50 kW customer classes.

Prudence Review of Smart Meter Costs

⁴ Board Staff IR#11,13; VECC IR#7(h), 7(k)

⁵ Board Guideline G-2011-0001, Smart Meter Funding and Cost Recovery – Final Disposition, dated December 15, 2011

⁶ Application, Page 12

⁷ VECC IR #1(e)

Along with a consortium of Local Distribution Companies (LDCs), WHEC participated in the London Hydro RFP process. WHEC also retained the services of Util-Assist to assist in the management of its AMI implementation. Util-Assist has worked with other Ontario LDCs which provided Whitby Hydro with the opportunity for collaborative knowledge transfer with other LDCs for educational and informational purposes which Whitby Hydro indicates it leveraged in the implementation of its smart meter program.⁸ In response to VECC IR#2(b), Whitby Hydro identified some efficiencies and savings resulting from working with Util-Assist.

In 2011, WHEC participated in a consortium sponsored by Util-Assist and Bell Wurldtech that consisted of 30 LDCs using Sensus meters, to undertake a security audit.

During contract negotiations, Whitby Hydro decided on the purchasing option to own its AMI system and to have it operated by the AMI Vendor. In response to VECC IR#4, Whitby Hydro provided its rationale for this option.

As shown in Table 2 below prepared by VECC based on updated data⁹, VECC calculates the average capital cost per smart meter as \$146.82 (excluding costs beyond minimum functionality) and total average cost per smart meter (Capital & OM&A) as \$163.24 (excluding costs beyond minimum functionality) based on 40,621 installed smart meters. When costs beyond minimum functionality are included, the total average cost per meter is \$176.07.

Table 2: Average Cost per Meter

Description	Audited Costs 2008 to 2011	Forecast Costs 2012	Forecast 2013	Total	Average Cost per Meter
Total Meters Installed	39,976	645	0	40,621	
Capital	\$5,847,789	\$116,495		\$5,964,284	\$146.82
Capital (Costs Beyond Minimum Functionality)	\$199,217	\$37,870		\$237,087	\$5.84
OM&A	\$297,928	\$180,289	\$189,000	\$667,217	\$16.42
OM&A (Costs Beyond Minimum Functionality)	\$73,169	\$88,808	\$122,000	\$283,977	\$6.99
TOTAL	\$6,418,103	\$423,462	\$311,000	\$7,152,165	\$176.07

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).

⁸ VECC IR#2(a)

⁹ Whitby_IRR_V301WH_SmartMeter_201303011, Sheet 2

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).¹⁰

VECC observes that Whitby Hydro's total average smart meter cost (CAPEX + OM&A) of \$163.24 (excluding costs beyond minimum functionality) is within the total cost per meter range in the combined proceeding and well below the recent provincial average of \$226.92.

In considering the above explanation and review of Whitby Hydro's smart meter costs, VECC finds Whitby Hydro's unit costs to be reasonable.

Costs Beyond Minimum Functionality

Whitby Hydro's application includes \$520,064 for costs beyond minimum functionality (capital costs of \$237,088 and OM&A costs of \$283,977).¹¹ VECC observes that the total of these expenditures represents approximately 7% of Whitby Hydro's total smart meter program spending (\$520,064/\$7,152,565).

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.

Whitby Hydro indicates all costs claimed in this application are incremental, and have been incurred for the purpose of implementing the Smart Meter and TOU programs (otherwise they would not have been incurred). In response to VECC IR#7, Whitby Hydro provided a

¹⁰ Monitoring Report Smart Meter Investment – September 2010, March 3, 2011

¹¹ Whitby_IRR_V301WH_SmartMeter_201303011, Sheet 2

breakdown and further explanation of the capital and OM&A costs that exceed minimum functionality. Whitby Hydro's OM&A costs include costs for a Sync Operator (Util-Assist) and a System Analyst position.

VECC takes no issue with the nature or quantum of Whitby Hydro's costs beyond minimum functionality.

Recovery of Smart Meter Costs

The Board's Guideline G-2011-0001¹² states the following:

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

Whitby Hydro has audited costs to the end of 2011 in the amount of \$6,418,103 and forecast costs for 2012 and 2013. Whitby Hydro's 2012 forecast is based on preliminary 2012 year-to-date actual costs plus a projection for December costs.¹³

VECC calculates approximately 90% of Whitby Hydro's costs are audited (\$6,418,103/\$7,152,565).¹⁴

VECC submits Whitby Hydro's audited costs conform to the Board's Guidelines.

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.

In its application, Whitby Hydro proposed class specific SMDR and SMIRR rate riders for the residential and GS<50 kW customer classes based on an allocation methodology that includes the weighted allocation of meter costs, the number of meters and the revenue

¹² Board Guideline G-2011-0001, Smart Meter Funding and Cost Recovery – Final Disposition, dated December 15, 2011, Section 3.5, Page 18

¹³ VECC IR#1(a)

¹⁴ Whitby_IRR_V301WH_SmartMeter_201303011, Sheet 2

requirement before PILs similar to the cost allocation methodology approved by the Board in the EB-2010-0209 PowerStream Inc. Decision. Based on adjustments resulting from interrogatory responses noted above, Whitby Hydro adjusted its rate riders as shown in Table 3.

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

	SMDR (\$ month)		SMIRR (\$ month)	
Class	As Filed	Revised Board Staff IR#14	As Filed	Revised Board Staff IR#14
Period	12 months	12 months	Next COS	Next COS
From	May 1, 2013 to April 30, 2014	May 1, 2013 to April 30, 2014	May 1, 2013 to December 31, 2014	May 1, 2013 to December 31, 2013
Residential	(\$0.67)	(\$0.55)	\$2.21	\$2.20
GS<50 kW	\$12.60	\$12.51	\$7.21	\$7.11

Whitby Hydro calculates the average installed cost of a three phase meter (typically installed for the GS<50 kW rate class) as being over five times that of the average installed cost of a single phase meter for residential customers.¹⁵ VECC submits the only way to avoid undue cross subsidy between customer classes is to calculate class specific rate riders that reflect the full costs for each customer class.

VECC IR#8 sought a separate revenue requirement model by customer class based on full cost causality. In its response, Whitby Hydro indicates it is unable to provide separate smart meter models by rate class as it does not have all of the costs allocated by rate class.

VECC accepts that Whitby Hydro does not have the cost data by rate class and therefore accepts Whitby Hydro's cost allocation methodology as a proxy for revenue requirement with one exception. VECC submits that as a matter of principle, the SMFA revenues collected from the GS>50 kW customer class should be returned to this customer class instead of a 50:50 allocation between the residential and GS<50 kW customer classes.

Whitby Hydro has included four months of Foregone Revenue in the calculation of the SMDR. An implementation date of May 1, 2013 results in only 8 months of collection of the SMIRR (2013 costs) in 2013. To recover the outstanding 4 months of 2013 costs (January to May), one third of the SMIRR (4/12 months) has been added to the SMDR.¹⁶ VECC takes no issue with Whitby Hydro's proposal for the recovery of foregone SMIRR revenues from January 1, 2013 to April 30, 2013.

Recovery of Reasonably Incurred Costs

VECC submits that its participation in this proceeding has been focused and responsible.

¹⁵ Board Staff IR#2(b) (\$3,924,434/39,086 single phase meters vs. \$820,630/1535 three phase meters)

¹⁶ Application, Page 23

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 15th day of March 2013.