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)

November 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)
North Bay Hydro Distribution Ltd. EB-2013-0157
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: North Bay Hydro Distribution Ltd.

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 NBHDL Distribution Ltd. (NBHDL) for an order approving just and reasonable rates and other charges for electricity distribution to be effective May 1, 2014.

Submissions of Vulnerable Energy Consumers Coalition (VECC)

VECC will address the following matters in its submissions:

- Prudence Review of Smart Meter Costs
- Cost Allocation & Calculation of Smart Meter Rate Riders

NBHDL filed an application August 30, 2013 to recover the revenue requirement associated with the smart meter costs shown in Table 1 below.[1] The capital amount reflects the smart meter capital incurred from 2006 to 2013. The OM&A value represents incremental smart meter costs that were incurred from 2007 to 2011 along with $2,991 in 2012.

Table #1: Smart Meter Capital & OM&A

	Total Actual
Minimum Functionality - Capital	$3,429,679
Minimum functionality - OM&A	$412,537
Beyond Minimum functionality - OM&A	$0
TOTAL	$3,842,216

NBHDL's application was based on actual audited costs incurred from 2008 to December 31, 2012 and actual costs to June 2013 and forecasted costs for the remainder of 2013 and 2014.

[1] Appendix J, Page 3

The Board's Guideline G-2011-0001[2] states the following:

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

NBHDL has audited costs to the end of 2012 in the amount of $3,350,920 which NBHDL indicates is approximately 87% of the costs.[3]

VECC notes NBHDL's audited costs do not conform to the Board's Guidelines. However, VECC agrees with Board Staff[4] that given the amount is slightly below the 90% threshold and the Board has approved smart meter recovery in some other applications with similar percentages of costs being audited, VECC submits NBHDL's percentage of audited costs is acceptable.

As shown below, NBHDL installed a total of 23,444 smart meters as of June 30, 2013 which represents 98% of the total meters. NBHDL confirms the remaining 2% of smart meters will be installed by the end of 2013[5] and that all of the outstanding meters to be installed are the 3-phase meters.[6]

Summary of Smart Meter Installations by Customer Class

Customer Class	2009 - 2012	Actuals June 2013	Forecast June 2013	Total
Residential	21,078	174		21,252
GS<50 kW	1,843	349	477	2,669
Total	**22,921**	**523**	**477**	**23,921**

In this application, NBHDL is specifically requesting the following:

- Smart Meter Disposition Rate Rider (per metered customer per month) of $1.28 for one year (May 1, 2014 to April 30, 2015) for Residential customers and a Smart Meter Disposition Rate Rider (per metered customer per month) of $7.79 for one year (May 1, 2014 to April 30, 2015) for General Service <50kW customers. This Rate Rider reflects the Net Deferred Revenue Requirement of $574,853 being the difference between the Deferred Incremental Revenue Requirement from 2006 to 2013 of $2,207,161 including interest and the SMFA Revenues collected from 2006 to 2013 of $1,632,308 including interest to 2014;

- Smart Meter Incremental Revenue Requirement Rate Rider to commence May 1, 2014 in the amount of $1.37 (per metered customer per month) for Residential Customers

[2] Board Guideline G-2011-0001, Smart Meter Funding and Cost Recovery – Final Disposition, dated December 15, 2011, Section 3.5, Page 18
[3] VECC IR#1(a)
[4] Board Staff Submission, Page 3
[5] Board Staff IR#4(a)
[6] Board Staff IR#4(b)

and $3.20 (per metered customer per month) for General Service <50kW customers. This Rate Rider reflects the 2014 Incremental Revenue Requirement in the amount of $451,412; and

- NBHDL is not requesting recovery of the stranded meter costs but continues to include these in rate base for rate-making purposes, as recommended by the Board in its Decision with Reasons in the Smart Meter Combined Proceeding (EB-2007-0063). NBHDL will seek recovery of the stranded meter costs at the time of the next Cost of Service Application.

Prudence Review of Smart Meter Costs

NBHDL has provided documentation that it has a history of purchasing materials as a consortium and sharing best practices and operating experiences on a diverse range of daily issues. With respect to its smart meter installation, NBHDL indicates it worked collaboratively with District 9 LDCs and other LDCs and has achieved economies of scale where possible and has acted prudently in obtaining best possible pricing. The seven members of District 9 are Chapleau Public Utilities Corporation, Hearst Power Distribution Ltd., Espanola Regional Hydro Distribution Corp., NBHDL Distribution Inc., Northern Ontario Wires Inc., PUC Distribution Inc. and Great Lakes Power Limited (now Algoma Power Inc.).[7] NBHDL was also a participant in the Ontario Utilities Smart Meter (OUSM) working group in early 2005 along with several other District 9 members. VECC agrees NBHDL has provided adequate explanation that its participation with District 9 Utilities to deploy smart meters resulted in a collaborative effort and a more cost effective approach in part due to cost sharing.

NBHDL experienced reliability issues with its system and noted it had considerable trouble communicating with meters consistently throughout its service area given the challenges of the rough terrain of the Canadian Shield. NBHDL indicates it took almost three years to identify and solve performance issues. Sensus developed a customized solution for NBHDL; a more portable TGB Technology which became known as a Metro and the solution in rugged terrain. Some of the Metro locations were in remote areas and the electrical distribution grid had to be extended in some situations to provide service. In response to interrogatories NBHDL provided an explanation of the costs to extend the grid[8] and the success rate i.e. the Read Interval Success level has been above 98% since the additional Metro units were fully deployed.[9] VECC takes no issue with these costs.

As shown in Table 2 below, NBHDL calculated its average capital and OM&A costs per installed smart meter.

[7] Appendix J, Page 2
[8] Board Staff IR#5
[9] VECC#7

Table #2: Smart Meter Capital & OM&A Cost / Unit

	Total Actual	# of Meters	Cost per Unit
Capital	$3,429,679	23,921	$143.38
OM&A	$412,537	23,921	$17.25
TOTAL	$3,842,216	23,921	$160.62

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).[10]

VECC observes that NBHDL's total average smart meter cost (CAPEX + OM&A) of $160.62 is within the total cost per meter range in the combined proceeding and well below the recent provincial average of $226.92.

NBHDL also provided a budget to actual cost comparison for the years 2006 to 2014 including a detailed capital and operating & maintenance cost variance analysis which shows that NBHDL under spent its budget by $851,065. VECC submits NBHDL's variance explanations are reasonable.

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

In considering the above, VECC submits NBHDL has provided adequate documentation on its approach and the nature of its costs and on this basis VECC finds NBHDL's unit costs to be reasonable.

Costs Beyond Minimum Functionality

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.

NBHDL indicates it did not incur OM&A costs beyond minimum functionality related to the MDM/R and TOU implementation. NBHDL only included costs deemed incremental and necessary for the smart meter implementation in the deferral accounts.[11]

In response to VECC interrogatory # 14(d) regarding why NBHDL did not allocate its costs for TOU rate implementation, CIS system upgrades, web presentation and integration with the MDM/R under 1.6.3 and 2.6.3 (costs beyond minimum functionality) in the smart meter model, NBHDL stated that it believes these costs support the minimum functionality requirement. VECC notes that in other smart meter applications, these costs are allocated to costs beyond minimum functionality and for consistency between distributors VECC submits that NBHDL should classify these costs in the same way. VECC acknowledges this change to the classification of costs will not affect the calculation of the SMDRs and SMIRRs requested by NDHDL.

Cost Allocation & Calculation of Smart Meter Rate Riders

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

[11] Appendix J, Page 19

> 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, NBHDL proposes class specific SMDR and SMIRR rate riders for the residential and GS<50 kW customer classes based on a Board approved cost allocation methodology provided in the smart meter model. Based on adjustments resulting from responses to Board Staff interrogatories #13 and #15, NBHDL adjusted its rate riders as shown below.[12]

SMDR & SMIRR Rate Riders: As Filed Compared to Revised

	SMDR ($ month)		**SMIRR ($ month)**	
Class	**As Filed**	**Revised Board Staff IR#13, 15**	**As Filed**	**No Change**
Period	12 months	12 months	Next COS	Next COS
From	May 1, 2014 to April 30, 2015	May 1, 2014 to April 30, 2015	May 1, 2014	May 1, 2014
Residential	$1.28	$1.33	$1.37	$1.37
GS<50 kW	$7.79	$7.85	$3.2	$3.2

With regards to rate class allocation NBHDL has updated the average installation cost of a Residential smart meter from $96.90 to is $96.40[13] and the average installation cost of a General Service < 50 kW smart meter from $226.01 to $224.44.[14] Approximately 35% of GS<50 kW customers will have the more expensive 3-phase Elster meters which contributes to the higher average installed meter cost for the GS<50 kW customer.

VECC notes the average installed cost of a GS<50 kW customer meter is over 2 times the average installed cost of a residential customer meter. 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.

[12] Board Staff IR#18
[13] VECC IR#10
[14] Board Staff IR#7

VECC IR#13 sought a separate revenue requirement model by customer class based on full cost causality. In its response, NBHDL indicates it segregated capital and OM&A costs in 1555 and 1556 but did not track costs by installation or rate class as this was not practical.

VECC accepts that NBHDL does not have the cost data by rate class and therefore accepts NBHDL'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 other customer classes should be returned to those customer classes instead of a 50:50 allocation between the residential and GS<50 kW customer classes.

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 12th day of November 2013.

.