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February 7, 2014

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)
EnWin Utilities Ltd.
Board File No. EB-2013-0348
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: EnWin Utilities 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 EnWin Utilities Ltd. (“EnWin”) for an order or orders approving or fixing just and reasonable distribution rates to reflect final approval of its smart meter costs 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

EnWin filed an application September 11, 2013 (EB-2013-0125) for new rates under the Annual IR Index plan that included recovery of costs for smart meter deployment. The Board determined that it would hear EnWin’s smart meter request in a separate proceeding EB-2013-0348.

EnWin is seeking cost recovery of the 85,027 smart meters installed in its service area by the end of 2012 which represents 100% of its residential and GS<50 kW customer classes. As shown in Table 1 below¹, EnWin’s smart meter costs for the years 2009 to 2012 total \$10,280,473.

Table 1 – Summary of Costs

Total Smart Meter Capital Costs	\$9,803,699
Total Smart Meter OM&A Costs	\$476,774
Total Smart Meter Costs	\$10,280,473

The Board’s Guideline G-2011-0001² states the following:

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

EnWin confirmed the smart meter costs in this application are included in its audited financial statements as at December 31, 2012. VECC submits EnWin’s audited costs exceed the

¹ Application, Page 6

² Board Guideline G-2011-0001, Smart Meter Funding and Cost Recovery – Final Disposition, dated December 15, 2011, Section 3.5, Page 18

Board's 90% threshold set in the Smart Meter Guideline and the full amount is eligible for recovery.

In this application, EnWin is specifically requesting the following:

- Smart Meter Disposition Rate Rider (per metered customer per month) of \$(0.42) effective May 1, 2014 for Residential customers and a Smart Meter Disposition Rate Rider of \$2.36 for General Service<50kW customers, for a two year period to April 30, 2016. The SMDR recovers the variance between the deferred revenue requirement for the installed smart meters up to the time of disposition and the SMFA revenues collected from May 2006 to April 30, 2012 and associated interest to April 30, 2014.
- Smart Meter Incremental Revenue Requirement Rate Rider (per metered customer per month) to commence May 1, 2014 until EnWin's next rebasing application in the amount of \$0.69 for Residential Customers and \$2.11 for General Service <50kW customers. The SMIRR is a proxy for the incremental change in distribution rates that would have occurred if the assets and operating costs were incorporated into rate base and revenue requirement. EnWin has not provided a proposed date for its next rebasing application.

EnWin's smart meter costs include costs related to minimum functionality as shown in Table 2 below. EnWin does not designate any costs as costs beyond minimum functionality.

Table 2: Average Cost per Meter

Description	Total Costs	Average Cost per Meter
Total Meters Installed	85,027	
Total Capital Costs	\$9,803,699	\$115.30
Less Capital Costs Beyond Minimum Functionality	\$0	\$0
Average Capital Cost per Meter (Excludes Costs Beyond Minimum Functionality)	\$9,803,699	\$115.30
Total OM&A	\$476,774	\$5.61
Less OM&A Costs Beyond Minimum Functionality	\$0	\$0
Average OM&A Costs per Meter (Excluding Costs Beyond Minimum Functionality)	\$476,774	\$5.61
Total Average Capital & OM&A Costs per Meter (Excluding Costs Beyond Minimum Functionality)	\$10,280,473	\$120.91

Prudence Review of Smart Meter Costs

EnWin participated in the London RFP process along with other distributors and indicates it was able to benefit from collective expertise and buying power.³

Post 2012 smart meters costs are not included in this application. EnWin indicates it has not included any 2013 installations of smart meters attributable to growth of residential and GS<50 kW customers, and neither the capital nor the operating cost of these smart meters is included for recovery in this application.⁴ For 2013 and beyond, the capital and operating costs for growth related smart meters will be included in EnWin's next rebasing application. In response to Board Staff interrogatory #4, EnWin explained that it proposes to manage its ongoing costs within the envelope of funding for regular distribution operations as it is concerned about the impact of provincial energy costs on rate payers and its proposed smart meter recovery appropriately balances the interests of stakeholders and benefits its ratepayers. VECC takes no issue with EnWin's approach.

EnWin submits that it was able to implement the smart meter initiative much more cost effectively than the provincial average and consequently its ratepayers will pay approximately 42% less for their smart meters than the Board's benchmark for industry. As shown in Table 2 above, EnWin's costs for the smart meter initiative reflect \$115.30 average capital cost per meter and \$120.91 average total cost per meter including OM&A costs, both of which exclude costs exceeding minimum functionality.

VECC submits EnWin's costs compare favourably and are below the sector average of \$186.76 capital cost per meter and \$207.37 total cost per meter (based on September 2009 data)⁵ and the total cost per meter of \$226.92 (based on September 2010 data).⁶ VECC takes no issue with EnWin's smart meter costs and considers the capital and OM&A costs to be reasonable.

As a general comment VECC submits the onus is on the distributor to support its smart meter application and accordingly EnWin should provide any additional information necessary to understand its costs in light of its circumstances. VECC does not agree with EnWin that a variance analysis of actual smart meter deployment costs against EnWin's smart meter budget has no bearing on the prudence of its mandated expenditures⁷, or that information on operational efficiencies and cost savings resulting from smart meter deployment is not relevant or material to this application.⁸ VECC notes many other distributors have provided this information in stand alone smart meter applications in support of their applications. In VECC's view this information would have been helpful in providing further context.

³ Appendix F, Page 3

⁴ Appendix F, Page 5

⁵ Sector Smart Meter Audit Review Report", dated March 31, 2010

⁶ Monitoring Report Smart Meter Investment – September 2010, March 3, 2011

⁷ Board Staff IR#2

⁸ VECC IR#4

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.

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.⁹

EnWin indicates it does not designate any costs as beyond minimum functionality costs as it considers these costs to be part of standard operations in that the distribution rates set by the Board annually provide an envelope of funding that enables those investments in infrastructure.¹⁰ VECC takes no issue with EnWin's approach.

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

⁹ Board Guideline G-2011-0001, Smart Meter Funding and Cost Recovery – Final Disposition, dated December 15, 2011, Pages 15-17

¹⁰ Board Staff IR#1(c)

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, EnWin proposes class specific SMDR and SMIRR rate riders for the residential and GS<50 kW customer classes determined by the Board's smart meter model.

VECC notes the average cost of an installed smart meter for a GS<50 kW customer is typically three times greater than the cost to install a smart meter for a residential customer based on data provided in other recent smart meter applications.¹¹ 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. In its interrogatories, VECC sought separate smart meter revenue requirement models by customer class based on full cost causality by customer class. EnWin was unable to provide separate models as it indicates it does not keep records in account 1556 and 1555 by rate class.¹²

VECC accepts that EnWin was limited by available data and was unable to calculate class specific rate riders based on full cost causality. On this basis VECC accepts EnWin's proposed 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 rate classes" should be returned to those customers 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 7th day of February 2014.

¹¹ Example EB-2013-0159 NPEI

¹² VECC IR#6