

**Cost Considerations Study Group
Notes of Meeting
September 1, 2004**

Attendees: Julie Girvan Consumers Council of Canada
Martin Malinowski Rodan Meter Services
Sagar Kancharla Enbridge Gas Distribution
Andy Poray Hydro One Networks
Randy Aiken London Property Management Association
Paul Ferguson Newmarket Hydro
Anne Rampado Burlington Hydro
Dave Wilkinson Cambridge Hydro
George Armstrong Veridian Corp

Absent Tom Charette Canadian Federation of Independent Business

Notes prepared by: Peter Faye Ontario Energy Board

1.0 Meeting dates were confirmed as follows:

1.1 Mtg. #1	Tuesday	September 7/04	9:00 am – 3:30 pm
1.2 Mtg. #2	Wednesday	September 15/04	9:00 am – 3:30 pm
1.3 Mtg. #3	Monday	September 20/04	9:00 am – 3:30 pm
1.4 Mtg. #4	Wednesday	September 29/04	9:00 am – 3:30 pm
1.5 Mtg. #5	Wednesday	October 6/04	9:00 am – 3:30 pm

2.0 Review of Meeting Agendas

2.1 Draft meeting agendas were reviewed and amended. The subject material currently to be considered by the cost considerations study group is itemized as follows but note that the agendas are not closed and will be further amended as other issues are identified:

Meeting #1 Stranded Assets/Costs

- What assets are likely to be stranded?
- What is the undepreciated cost of these assets?
- What opportunities exist for redeployment?
- Is there any scrap value?
- Are there contracts for supply or service that will be affected?
- What strategies can be used to minimize stranding?
- What human resource stranding will occur?
- Is lower LDC revenue likely as a result of conservation?
- Will smart meters strand existing MIST and MOST meters?
- How should stranded costs be recovered?

Meeting #2 and #3 Unbundling Meter Charges

- What effect will Smart meters have on metering costs?
 - Meter capital including depreciation expense
 - Installation
 - Maintenance
 - Reading

- What effect will Smart meters have on back office costs and systems?
 - Data storage and management
 - Data usage
 - Settlement
 - Billing
 - Communications
 - Meter record management

- What are the elements of back office costs under present system?
- What are the requirements to accommodate Smart meters?
- Can the present systems adapt and to what extent?
- What differences exist by utility size?
- What are expected costs to modify or replace?
- What other non recurring costs are expected? (e.g. staffing, training)
- What billing changes are necessary?
- Can these costs be quantified?

Meeting #4 Cost Allocation Issues and Cost Recovery Alternatives

- How are metering and billing costs recovered presently?
- What are the alternatives for recovering costs in the future?
 - What principles apply ?
 - What parties may be involved?
 - How should costs be apportioned among parties?
 - How should costs be apportioned over time? (ie. should customers only contribute after they have a smart meter?)
- What will the cost recovery process be for LDCs?
 - what can be included in an LDC's forecast of spending for the 3rd installment of MBRR?
 - should a forecast of costs be included in the 2006 derivation of the revenue requirement?
 - what happens to the costs that I have for beyond 2006?
 - what would be deferred for future recovery ?

- What regulatory changes are needed to accommodate alternatives?

Meeting #5 Prepare draft report recommendations

3.0 Other Comments/Concerns

- 3.1 Meter Inventory survey of all LDCs in the province being conducted by OEB consultant (eg. depreciable value of meters etc.) must be well focused, must solicit the right information, must use current sources of information. The cost group needs access to whatever data the consultant develops early in its study period
- 3.2 Both Newmarket Hydro and Hydro One Networks have pilot projects in place that are looking at the feasibility of smart meters and the potential for demand management for selected groups of customers. Both agreed to follow up and see what relevant information from the pilot projects might be useful to assist the team in its deliberations.
- 3.3 There is the potential for forward stranding of electronic metering equipment if the depreciable life is significantly less than that of electromechanical meters. These are presently depreciated over 25 years for rate making purposes so a change in regulation will be needed to recognize the shorter useful life of electronic metering equipment.
- 3.4 Cost recovery of stranded assets by accelerating depreciation will need regulatory changes
- 3.5 A moratorium on meter reverification and resealing during the smart meter implementation period might be sensible to save costs. Measurement Canada would need to grant the concession.
- 3.6 There may be issues of indirect stranding. For example, if the same meter reader is presently reading water and electric meters then the water unit cost will increase once the electric meter is read remotely. Consultation and coordination with water utilities will be advisable.
- 3.7 For gas utilities, the costs of AMR might exceed the benefits on a "stand alone" basis for few customer classes. But the costs of participating in joint AMR need to be analyzed in detail after the AMR technology is decided.
- 3.8 Meter manufacturers/vendors should be consulted to determine if a market exists for redeploying existing electromechanical meters and to comment on their experience with back office systems and costs. The group leader will invite one or more vendors to address the group and provide insight into the costs/complexities associated with the meter data management function

- 3.9 There needs to be coordination in terms of the timing of metering installation and the implementation of pricing structures intended to incent consumer behaviour. Once the Board recommends a strategy to the Government what will the regulatory framework be to facilitate the plan? Who is looking at this issue?
- 3.10 The OEB will need to establish guidelines for LDC implementation of metering initiatives early in the process. Specifically, LDCs will need to know what, from the Board's perspective constitutes prudent expenditures. LDCs need guidance in order to minimize the risk of disallowance
- 3.11 It was agreed that in the event that an appointed meeting participant is unable to attend that an alternate from his/her organization would be welcome to attend instead.
- 3.12 The working group leader advised that the Board had received clarification concerning the issue of competitiveness in the provision and support of smart meters as included in the Minister's directive. This was intended to apply to competitive supply of metering and AMR equipment and was not intended to suggest that ownership of the meter would be contestable during the implementation of smart meters.
- 4.0 The meeting finished at 3:00 pm. Next meeting is Tuesday September 7/04 at 9:00 am in the north hearing room.