

BRITISH COLUMBIA UTILITIES COMMISSION

In the matter of the
Utilities Commission Act, RSBC 1996, c.473

and

BC Hydro and Power Authority
Application for Approval of
Charges Related to Meter Choices Program

**WRITTEN ARGUMENT OF INTERVENORS
B.C. SUSTAINABLE ENERGY ASSOCIATION and
SIERRA CLUB BRITISH COLUMBIA**

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Part 1. Introduction

A. Final Argument

1. This is the final argument of the intervenors B.C. Sustainable Energy Association (BCSEA) and Sierra Club British Columbia (SCBC) concerning the application by BC Hydro for approval of charges related to BC Hydro's Meter Choices Program under the *Utilities Commission Act*, RSBC 1996, c.473 ("Act").

B. BCSEA and SCBC

2. BCSEA is a non-profit association of citizens, professionals and practitioners committed to promoting the understanding, development and adoption of sustainable energy, energy efficiency and energy conservation in British Columbia. BCSEA has five chapters across B.C. and approximately five hundred individual and corporate members. Many of BCSEA's members are customers of BC Hydro. BCSEA's goals include sustainable energy, energy efficiency and energy conservation in British Columbia.¹
3. SCBC is a non-profit organization of British Columbians from all walks of life who care about a broad range of environmental issues including climate change and clean energy. SCBC has six local groups and over 16,000 members and supporters across the province, many of whom are ratepayers of BC Hydro who want the electricity they purchase to come from a sustainable electricity system.²
4. BCSEA-SCBC's principal interests in the BC Hydro Meter Choices Charges application are: fairness to all ratepayers, including, of course, participants in the Meter Choice Program; regulatory efficiency; and preserving the functional benefits of BC Hydro's Smart Metering and Infrastructure (SMI) Program.
5. BCSEA-SCBC have participated fully in this proceeding. They have made information requests to BC Hydro in both rounds. They have reviewed BC Hydro's Application and responses to information requests from Commission staff and intervenors. They have also reviewed the letters of comment filed as the "D" and "E"

¹ Exhibit C2-1.

² Exhibit C2-1.

series of exhibits. BCSEA-SCBC have not been privy to the Commission's confidential information requests and BC Hydro's confidential responses in this proceeding.

C. BCSEA-SCBC smart meter background

6. BCSEA-SCBC participated in the Commission's 2012--2013 lengthy oral and written proceeding concerning the application by FortisBC Inc. (electric) for a Certificate of Public Convenience and Necessity (CPCN) for the FortisBC Inc. (FBC) Advanced Metering Infrastructure (AMI) project.³
7. BCSEA-SCBC supported approval of the FBC AMI program subject to addition of an opt-out option that would allow a customer, at the customer's expense, to have his or her meter configured so as not to have any radio frequency (RF) transmission or reception. On July 23, 2013, the Commission approved⁴ a CPCN for the FBC AMI project subject to FBC's acknowledgment that it would apply for approval of an opt-out program of the type supported by BCSEA-SCBC.
8. BCSEA-SCBC then participated in the Commission's proceeding that resulted in the December 19, 2013 approval of the FBC Radio-Off fees.⁵

D. BC Hydro Meter Choices Program

9. On July 18, 2013, the Minister of Energy – not BC Hydro – announced that there would be a meter choice program for BC Hydro's SMI program. This Meter Choices

³ The FBC AMI project involves installation of wireless smart meters within the FBC service territory in South Central B.C. From a technical perspective, the FBC AMI project is very similar to the BC Hydro SMI program (except that the FBC AMI project is just beginning whereas the BC Hydro smart meter program is all but finished). From a regulatory perspective, there are two key differences between the FBC AMI project and the BC Hydro SMI program. First, the *Clean Energy Act*, s.17 and the Smart Meters and Smart Regulation, B.C. Reg. 368/2010 require BC Hydro to complete the SMI program. Second, *Clean Energy Act*, s.7(1)(j) exempts BC Hydro from the requirement to obtain Commission approval (i.e., a CPCN) for BC Hydro's SMI project.

⁴ Order C-7-13.

⁵ Decision and Order G-220-13.

Program for BC Hydro is fundamentally different⁶ than the Commission-approved FBC Radio-Off program in two respects:

- (a) First, the Minister's Meter Choices program for BC Hydro is a 'grandparenting' approach: the "Meter Choice" is available only to customers who have a currently installed legacy meter. In contrast, the FBC Radio-Off program is available to any customer.
- (b) Second, the Minister's Meter Choices program for BC Hydro allows eligible customers to retain their existing legacy meter. In contrast, the FBC Radio-Off program allows participants to choose a radio-off smart meter, but not to retain a legacy meter.

10. On September 25, 2013, the B.C. cabinet issued Direction No. 4 to the Commission. The Meter Choices program set out in Direction No. 4 is substantially the same as the Meter Choice program announced by the Minister on July 18.

11. Direction No. 4, s.3(3) requires the Commission to approve within 30 days specified Electric Tariff terms and conditions related to the Meter Choices Program, which the Commission did by Order G-166-13 on October 9, 2013. As a result, notably, the terms and conditions of the Meter Choices program (but not the fees) are approved on a permanent and final basis, and are not open for change in the current proceeding.

12. In addition, in Order G-166-13 the Commission approved interim and refundable rates (fees) for the BC Hydro Meter Choices program. These are open for change in the current proceeding, within significant legal limits imposed on the Commission by Direction No. 4 as discussed below.

E. The present application

13. On October 11, 2013, the Commission issued Order G-167-13⁷ establishing a regulatory timetable for the current proceeding in which the Commission is considering permanent and final rates for the BC Hydro Meter Choices program.

⁶ The BC Hydro Meter Choices program and the Commission-approved FBC Radio-Off program both require participating customers to pay a fee based on the utility's cost of providing the non-standard service.

Part II. Issues

14. The items for the Commission to determine in the present proceeding are:

- (a) a permanent and final charge for customers who have a legacy meter, now \$35 per month on an interim and refundable basis,
- (b) a permanent and final charge for customers who have a radio-off meter, now as follows on an interim and refundable basis
 - (i) \$20 per month, and
 - (ii) an initial (one time) charge of:
 - (1) \$100 for acquiring a radio-off meter in place of a legacy meter, or
 - (2) \$155 for acquiring a radio-off meter in place of a radio-on smart meter,⁸
- (c) a permanent and final “failed installation charge” to a customer at premises where a “failed installation” occurs, now \$65 per failed installation on an interim and refundable basis
- (d) the effective date of the permanent and final Meter Choice fees, and, importantly, whether to ‘back date’ the permanent and final fees if they are different than the already-approved interim and refundable fees and if so whether to require BC Hydro to refund to customers the difference between fees they had paid and the new fees.

15. In addition, the Commission may wish to provide direction concerning the timing of future consideration of revisions to the Meter Choices Program rates.

⁷ Exhibit A-3.

⁸ The initial charge for a radio-off meter in place of a radio-on meter would apply in the relatively infrequent circumstance where a customer with a legacy meter moves to new premises where a radio-on meter is currently installed and opts to have a radio-off meter.

Part 3. Argument

A. Applicable rate-setting constraints

16. The Meter Choice charges are “rates” under the *Utilities Commission Act* to which sections 58-61 apply, requiring that such rates be just and reasonable and not unduly discriminatory.
17. In the present case, the Commission’s authority to set rates that are just and reasonable and not unduly discriminatory is narrowed by Direction No. 4. Direction No. 4 is issued by the Lieutenant Governor in Council pursuant to section 3(1) of the *Utilities Commission Act*, which authorizes the Lieutenant Governor in Council to issue a direction to the Commission requiring the Commission to exercise a power or perform a duty as specified in the regulation. Section 3(2) of the *Act* requires the Commission to comply with such a Direction despite any other provision of the *Utilities Commission Act* (which would include s.58-61, the rate-setting provisions of the *UCA*) or the *Clean Energy Act*.
18. Among other things, Direction No. 4 limits the Commission’s authority to determine the size of the charges for the Meter Choice program. Specifically, section 3(1)(a)(i) requires the Commission to approve Meter Choice charges that recover BC Hydro’s “program costs, investigation costs and infrastructure costs” from Meter Choice customers (i.e., customers with a legacy meter or a radio-off meter) to the extent BC Hydro requests.⁹
19. Direction No. 4 defines program costs (generally, costs of service related to legacy meters and radio-off meters), investigation costs (generally, extra costs of investigating unmetered loads due to legacy meters reducing the accuracy of electricity balance analyses done with smart meters), and infrastructure costs (generally, additional costs for equipment needed to overcome gaps in communications between smart meters caused by the presence of radio-off or legacy meters).

⁹ Direction No. 4, section 3(1)(a)(ii) also provides that Meter Choice “program costs, investigation costs and infrastructure costs” that are not recovered from Meter Choice customers must be recovered from all BC Hydro customers.

20. In addition, section 3(1)(c) requires the Commission to approve rates that allow BC Hydro to recover “failed installation costs” from customers where a failed installation occurs. The term “failed installation costs” is defined in Direction No. 4.

21. The narrow scope of the Commission’s jurisdiction in the present proceeding is acknowledged in paragraph 4 of Order G-167-13 as follows:

“In reviewing the Application for Approval of Charges Related to Meter Choices Program, the written hearing is limited in scope to the recovery of costs of providing services to customers in relation to their choice of meters. Direction No. 4, section 4 establishes limits on the Commission’s powers to review the Application.”

B. BC Hydro application

22. BC Hydro applies for Commission orders approving: (1) the \$65 failed installation charge effective as of October 25, 2013 on a final and permanent basis; (2) the \$35 per month charge associated with a legacy meter effective as of December 2, 2013 on a final and permanent basis; and (3) the \$100 and \$155 initial charges 1 and \$20 per month charge associated with a radio-off meter effective as of April 1, 2014 on a final and permanent basis.¹⁰

C. BCSEA-SCBC main points

23. BCSEA-SCBC supports Commission approval of permanent and final Meter Choice rates subject to the following provisos:

- (a) There should be no “initial charge” for customers choosing the radio-off option. BC Hydro’s incremental costs of setting up a radio-off meter should be recovered through the monthly charge for the radio-off service. There should be no ‘exit fee’ or advance recovery in lieu of an exit fee for radio-off customers choosing to take the default radio-on service.
- (b) The size of the monthly charge should be based on the estimate of 10,000 Meter Choice participants by the end of 2014, with a requirement that BC Hydro apply to revise the Meter Choice fees in F2016 if by that time participation numbers

¹⁰ BC Hydro Final Argument, paragraph 5, second bullet; and paragraph 9.

and program costs have diverged significantly from the numbers on which the program fees were set.

- (c) The postage-stamp concept should apply to the Meter Choice rates.¹¹ The rates should be the same regardless of a customer's location within the BC Hydro service territory.
- (d) The Commission should not require BC Hydro to implement a 'self-read' system for Meter Choice participants with legacy meters.
- (e) The Commission should 'back date' the permanent and final Meter Choice fees and require BC Hydro to refund to customers the difference between amounts they paid under the interim and refundable rates and the newly-approved rates.

24. These points are elaborated upon in the paragraphs that follow.

D. Initial charge for radio-off service

25. BC Hydro proposes an initial charge for eligible customers¹² who opt for radio-off service. BC Hydro proposes no initial charge for eligible customers who opt for, or are deemed to have opted for, a legacy meter.
26. Thus, under BC Hydro's proposal, an eligible customer who chooses not to have a standard (radio-on) smart meter faces an immediate financial disincentive to opt for a radio-off meter compared to opting to keep his or her legacy meter. Granted, the proposed monthly rate for a radio-off meter (\$20/mo.) is lower than the proposed monthly rate for a legacy meter (\$35/mo.) and over a certain period of time the choice of a radio-off meter would cost the customer less than having chosen a legacy meter. However, the immediate financial disincentive against selecting a radio-off meter instead of a legacy meter is quite real.
27. BCSEA-SCBC respectfully asks the Commission to conclude that, while assuming compliance with Direction No. 4 in terms of Meter Choice cost recovery, BC Hydro customers, and the public interest generally, are better off to the extent that eligible

¹¹ This is consistent with BC Hydro's proposal, Direction No. 4, and the Commission's usual approach.

¹² Eligible customers are residential customers who had a legacy meter installed at their premises as of the dates defined in the recently approved Electricity Tariff section 4.2.2.

customers who don't want a standard smart meter chose a radio-off meter rather than a legacy meter.

28. BCSEA-SCBC asked BC Hydro:

"1.12.1 Does BC Hydro agree that short of full implementation of radio-on smart meters the most cost-effective approach to retaining theft-detection benefits is to install radio-off smart meters where necessary due to customer objections and to manually read interval usage data from the radio-off smart meters? If not, why not?"

29. BC Hydro responded:

"Agreed. Meter data downloaded bi-monthly includes all interval consumption data and other events including tamper and outage detection. This data is not available with legacy meters, necessitating the addition of field investigation resources to mitigate the impact associated with the ongoing presence of legacy meters on the system."¹³

30. BCSEA-SCBC then asked BC Hydro:

"2.21.1 Does BC Hydro agree that from the perspective of all customers as a whole it would be preferable to those customers who do not want a functioning smart meter to choose the Radio-Off Option rather than the Legacy Meter Option? If not, why not?"

31. BC Hydro responded:

"To the extent the incremental costs of the Meter Choices Program are recovered from Program participants, all other customers should be largely indifferent whether Program participants elect the legacy or radio-off meter option. However, BC Hydro agrees that there is more risk to SMI Program benefit realisation (and in particular the theft detection benefit) if eligible customers take the legacy as opposed to radio-off meter option. Please refer to the response to BCUC IR 1.18.1.1 and Skogstad IR 1.2.1."¹⁴ [underline added]

32. BCSEA-SCBC submit that there is no reason why the legally required cost-recovery for radio-off service has to be structured with an initial charge plus a monthly charge rather than a simple monthly charge that recovers whatever costs are appropriately allocated to the installation of a radio-off meter. And, given the substantial

¹³ Exhibit B-6-1, BCSEA 1.12.1.

¹⁴ Exhibit B-11, BCSEA 2.21.1.

disincentive that an initial fee creates against selection of radio-off meter rather than a legacy meter, and the benefits of Meter Choice participants selecting radio-off meters rather than legacy meters, BCSEA-SCBC recommend that the Commission approve a simple monthly fee for the radio-off service (and for the legacy meter service).

33. Further, BC Hydro's proposed radio-off initial charge includes recovery of \$55 in lieu of an exit fee, that is, to recover the cost of installing a standard smart meter when the customer leaves the Meter Choice program. In BCSEA-SCBC's view, that charge is not appropriate and should not be allocated to radio-off customers. The cost of installing a standard smart meter is routinely borne by all customers. It is not a cost recovered from the customer at whose premises the meter is installed. And it should not be recovered from a radio-off customer, either in advance or upon the customer's exit from the Meter Choice program.

E. Meter Choice participation numbers and timing of fee revision

34. BCSEA-SCBC have carefully weighed the question of whether the size of the approved permanent and final Meter Choice fees should be based on actual, or expected, program participation numbers; and the related question of how soon the program fees should be revised.
35. BC Hydro's estimate of the costs of the Meter Choice program that must be recovered from participants is based on its assumption of 10,000 participants. BC Hydro's evidence is that the per customer cost is somewhat lower with a higher number of participants. The most recent actual figure is 19,302 participants in the Meter Choice program as of January 10, 2014.¹⁵ BC Hydro argues that the fees should be approved based on the 10,000 participants assumption because participation in the program is likely to fall substantially within 2014 and in subsequent years.¹⁶ BC Hydro's evidence is that it expects Meter Choice participation to fall below 10,000 by the end of calendar 2014.¹⁷

¹⁵ Exhibit B-10, BCUC 2.25.2, p.2.

¹⁶ BC Hydro Final Argument, paragraphs 28 to 34.

¹⁷ Exhibit B-10, BCUC 2.25.2, p.2.

36. BCSEA-SCBC agree with BC Hydro that Meter Choice participation will decline substantially from the January 10, 2014 actual figure. And they do not take issue with BC Hydro's expectation that participation will fall below 10,000 by the end of 2014.
37. Further, while theoretically the number of program participants would tend to decline more slowly with lower fees (and to decline more quickly with higher fees), the change in the size of the fees caused by a change in the number of participants is small relative to the size of the fee itself and BCSEA-SCBC do not expect the choice between using actual or estimated participation numbers to have a significant impact on participation numbers. That said, the point is contentious, because program participants and supporters naturally want the program fees to be as low as possible.
38. There is a trade-off in terms of the length of time before the program fees need to be revised. In the context of declining program participation (for reasons having to do with the already-approved program rules) and the cost-recovery requirement, basing fees on actual participation means the fees should be revised sooner than if the fees are based on estimated participation.
39. The regulatory process for revising the program fees is a resource intensive process for all concerned. And BC Hydro's costs of going through the fee revision process would likely be allocated to the Meter Choice cost that must be recovered from program participants. So, revising the fees sooner rather than later might end up costing program participants more than it saved them. In addition, to the extent that the (actual or estimated) participation figure used in the fee revision is lower than the figure used for setting the pre-revision rates, a fee revision would likely result in the fees going up (depending on any other changes in costs).
40. Conceivably, one way to base the Meter Choice fees on the most up to date participation figure possible would be to have BC Hydro file a "compliance filing" after the Commission's main decision in this proceeding. The compliance filing would provide the then-most-recent actual participation figure and the corresponding fees (taking into account any directions in the Commission's decision). The Commission would review the compliance filing for arithmetic accuracy and then approve the permanent and final fees. However, the disadvantage of using a compliance filing for this purpose in this proceeding is that the Commission, the intervenors and the public

would not know the precise size of the Meter Choice fees at the time of the Commission's main decision in this proceeding. For that reason, BCSEA-SCBC would not support that technique in this proceeding.

41. It is understood that BC Hydro is expecting to file a general rate design application in calendar 2015 (or F2016). This will be a large application, presumably covering all rate classes and myriad rates issues. The general rate design application might be a suitable opportunity for BC Hydro to propose revisions to the Meter Choice fees if participation numbers and program costs have diverged significantly from the numbers on which the program fees were set.
42. Taking into consideration the various factors discussed above, BCSEA-SCBC support Commission approval of Meter Choice fees based on the participation estimate of 10,000, with the proviso that BC Hydro apply to revise the Meter Choice fees in F2016 if by that time participation numbers and program costs have diverged significantly from the numbers on which the program fees were set.

F. Postage stamp principle

43. BCSEA-SCBC support application of the postage-stamp concept to the Meter choice fees. The rates should be the same regardless of a customer's location within the BC Hydro service territory.

G. Customer self-read concept

44. BC Hydro has a small-scale practice of using a customer's reading of his or her own meter ('self-read') for billing purposes from time to time and in certain situations. Many of the people who filed letters of comment propose that the Commission require BC Hydro to allow Meter Choice participants with legacy meters¹⁸ to provide 'self reads' to BC Hydro for billing purposes, with periodic manual meter reading for true-up.
45. BCSEA-SCBC are not convinced that the 'self-read with true up' concept would actually achieve the intended purpose of reducing the legacy meter fee by reducing BC Hydro's incremental costs of providing the legacy meter service. Establishing a self-read system for legacy meter customers could be done, but it would have a

¹⁸ Self-read is not applicable to radio-off meters.

certain cost that would be recovered from legacy meter customers (due to Direction No. 4). There would be some savings due to fewer manual meter readings, but these would be limited because meters readers would still have to travel to read the legacy meters that were not self-read.

46. It should be noted that the question is whether the Commission should require BC Hydro to establish a self-read system available for use by all legacy meter customers. In the absence of a mandatory self-read system, presumably BC Hydro and particular legacy meter customers could still choose to use self-reads where doing so made sense for both parties for whatever reasons. Any resulting reduction in the cost of manually reading legacy meters would be reflected in the next revision of the Meter Choice fees.
47. For these reasons, BCSEA-SCBC's view is that the Commission should not require BC Hydro to implement a 'self-read' system for Meter Choice participants with legacy meters, but that self-reads of legacy meters where mutually agreed upon by BC Hydro and the customer should remain allowable.

H. Refunds

48. As stated above, BCSEA-SCBC's view is that the Commission should 'back date' the permanent and final Meter Choice fees to the in-effect date of the interim and refundable fees, and require BC Hydro to refund to customers any difference between amounts they paid under the interim and refundable rates and the newly-approved rates.
49. BCSEA-SCBC recommend that the Commission add a provision specifying that, for customer relations reasons, BC Hydro waive recovery of any increase in the Meter Choice fees between the interim and final rates.

Part 4. Conclusion

50. BCSEA-SCBC support Commission approval of the proposed Meter Choice fees with the provisos set out above.

ALL THE ABOVE IS RESPECTFULLY SUBMITTED



February 7, 2014