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Via E-file

August 21, 2020

B.C. Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

File No.: 4.2.7(2020)

Attention: Marija Tresoglavic
Acting Commission Secretary

Dear Ms. Tresoglavic:

**Re: Pacific Northern Gas (N.E.) Ltd.
Application for a Certificate of Public Convenience and Necessity to
Implement Automated Meter Reading (AMR) Infrastructure
Applicant's Reply Argument**

Accompanying, please find the written Reply Argument of Pacific Northern Gas (N.E.) Ltd. in the referenced proceeding.

Please direct any questions regarding the application to my attention.

Yours truly,

Original on file signed by:

Verlon G. Otto

Enclosure

PACIFIC NORTHERN GAS (N.E.) LTD.

**APPLICATION
to the
BRITISH COLUMBIA UTILITIES COMMISSION**

**FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY
TO IMPLEMENT AUTOMATED METER READING (AMR)
INFRASTRUCTURE**

APPLICANT'S REPLY ARGUMENT

August 21, 2020

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1. INTRODUCTION

1. Pacific Northern Gas (N.E.) Ltd. (PNG(NE)) hereby provides its Reply Argument on matters noted and submissions made in the Final Argument in this proceeding of the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Center, known collectively as BCOAPO et al. (BCOAPO), filed with the British Columbia Utilities Commission (BCUC) on August 18, 2020.

2. REPLY SUBMISSIONS

2. PNG(NE) appreciates the indication of support by BCOAPO for the proposal to update and replace PNG(NE)'s current manual meter reading process for residential and commercial customers with AMR infrastructure (AMR Project), and BCOAPO's concurrence that the evidence on record in this proceeding supports PNG(NE)'s proposal as a low cost risk project that will provide efficiency and accuracy benefits, as well as estimated net financial benefits to ratepayers of \$2.2 million over the twenty-year evaluation period.¹

3. The BCOAPO Final Argument focused on five areas: (i) Project Cost; (ii) Project Alternatives; (iii) Rationale for the Application; (iv) Alternatives for Persons with AMR Concerns; and v) Radio Frequency Concerns. The balance of this reply will focus on points made by BCOAPO in regard to each of these matters.

2.1 Project Cost

4. In its Final Argument, BCOAPO addressed the matter of the AMR Project capital cost of \$4.2 million, comprised of the Vendor A quote (\$3.1 million), plus PST (7%) and provisions for overhead (10%) and contingency (15%). BCOAPO queried the necessity for the overhead and contingency provisions and expressed discomfort with the conservative nature of these elements of the cost estimate.

5. PNG(NE) observes that it addressed the matter of the overhead and contingency provisions in response to BCUC IR 16.1 and 16.2, respectively, and reiterates that these provisions are common to its forecasting for capital projects. PNG(NE) further reiterates that

¹ BCOAPO Final Argument, page 7

while it does not expect project costs to materially exceed the quotation, there clearly are project cost risks associated with delayed implementation (i.e. weather-related risks² and foreign exchange risk³), therefore PNG(NE) considers that the provisions remain prudent, conservative and appropriate. Lastly, PNG(NE) submits that there is minimal risk to customers associated with the conservative nature of the financial analysis as, irrespective of the noted provisions for overhead and contingency, only the actual costs incurred will be recovered from customers.

2.2 Project Alternatives

6. The BCOAPO Final Argument acknowledges the importance of the evaluation of a chosen project in consideration of alternatives. BCOAPO has expressed satisfaction that the evidence placed on record supports PNG(NE)'s proposal to proceed with the AMR Project rather than with the alternatives identified for both vendors and configurations.

7. PNG(NE) reiterates that the proposed AMR Project utilizing mobile reads is a prudent, cost-effective solution that is supported by the opportunity to realize tangible financial and operational benefits.

2.3 Rationale for Application

8. In its Final Argument, BCOAPO has observed that PNG(NE)'s proposed AMR Project is not to address any identified service or quality issues with existing processes, but rather to achieve specific goals around efficiency and accuracy of meter reads. Of specific interest to BCOAPO and its constituents is the opportunity to improve the timeliness and accuracy of meter reads, with the BCOAPO noting that an inability to quantify these benefits does not diminish their importance.

9. PNG(NE) appreciates the BCOAPO's comments on the AMR Project objectives and the potential for increased customer satisfaction with more timely and accurate meter reads, and reiterates that the AMR Project will also provide tangible operational efficiencies and improve employee safety.

² Exhibit B-3, BCUC IR 14's

³ Exhibit B-4, BCUC IR 1.2's

2.4 Alternatives for Persons with AMR Concerns

10. As indicated in the evidence on record, PNG(NE) will provide an opt-out option to customers requesting this alternative and has proposed a one-time AMR opt in/opt out fee of \$60 and has also proposed bi-monthly fee of \$30 to recover the cost for manual reading of the meter for these customers. While the BCOAPO has not made an assessment that these fees are fair or reasonable, in Final Argument BCOAPO has acknowledged that there is sufficient evidence on record for the BCUC to determine the appropriate fees to be charged to customers who choose to opt out of AMR.

11. BCOAPO has queried the total cost figure of \$8.09 to set up an account as opting out of AMR prior to deployment of the AMR Project that was provided in the first scenario outlined in response to BCUC IR 15.1. To confirm, as provided in PNG(NE)'s Final Argument,⁴ while the Application indicated that there would be a \$60 fee associated with opting out, PNG(NE) subsequently clarified that this fee would only apply to opting out after deployment of the AMR Project, where an Encoder Receiver Transmitter (ERT) is already installed at the customer premise, and that there would be no fee associated with opting out prior to initial deployment of AMR and installation of ERTs.⁵

2.5 Radio Frequency Concerns

12. The last item addressed by BCOAPO in its Final Argument is the concern noted by Ms. Kira Baines in her Letter of Comment⁶ with regard to radio frequency (RF) emissions from the ERT devices to be installed as part of the AMR Project. While BCOAPO observes that it is unlikely Ms. Baines is alone in her concerns regarding RF, BCOAPO has not taken a position on this issue given its divisive nature and the contradictory science around RF emissions.

13. In reply, PNG(NE) reiterates that the matter of RF issues as they pertain to the AMR Project have been addressed in the Application,⁷ and again notes that utility use of RF emitting meter reading devices is prevalent in its service area, including BC Hydro's installation of AMI smart meters, and the installation of AMR technology for the water utilities of the City of Fort

⁴ PNG(NE) Final Argument, p. 10

⁵ Exhibit B-3, BCUC IR 15.2 and 15.4

⁶ Exhibit E-1

⁷ Exhibit B-1, Section 3.6

St. John and the City of Dawson Creek.

3. CONCLUSION

14. PNG(NE) respectfully submits that, for the reasons described in its Application, its Final Argument and in this Reply Argument, as well as in the other evidence on record in this proceeding, it has demonstrated that AMR is a cost-effective meter reading solution that will enable more efficient and effective meter reads, while providing quantifiable financial benefits and a number of qualitative operational benefits. PNG(NE) submits that the proposed AMR Project is in the public interest and that the approval sought in the Application should be granted.

15. Given the proposed AMR Project timelines, PNG(NE) reiterates its request that the BCUC give consideration to the timeliness of a decision on the Application, including the possibility of expediting the issuance of the decision with reasons to follow. PNG(NE) submits that an expedited regulatory decision on the Application will assist in mitigating the risks of delayed implementation particularly as they pertain to potential incremental costs.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

Dated at Vancouver, British Columbia this 21st day of August 2020.

PACIFIC NORTHERN GAS (N.E.) LTD.

Original on file signed by:

Gordon Doyle

Vice President, Regulatory Affairs, Legal & Gas Supply