

CANADA

ENERGY AUTHORITY

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

Number: R-3863-2013

HYDRO-QUÉBEC, public law legal entity
legally constituted under the *Hydro-Québec
Law* (LRQ, c. H-5) with its corporate offices at
75 Boulevard René Lévesque West, in the city
and district of Montréal, province of Québec,
H2Z 1A4,

Petitioner

PROJECT AUTHORIZATION REQUEST

REMOTE METER READING – PHASES 2 and 3

(Article 73 of the *Energy Authority Law*, (L.R.Q., c. R-6.01)
and first paragraph of Article 1 of the *Regulation on the Conditions in Cases Requiring
Energy Authority Authorization* (2001) 133 G.O. II, 6165)

IN SUPPORT OF ITS REQUEST, THE PETITIONER RESPECTFULLY SUBMITS THE FOLLOWING:

1. It is a company that has some activities, such as electricity distribution, that are subject to the jurisdiction of the Energy Authority (“the **Authority**”) to the extent provided by the Energy Authority Law (“the **Law**”).
2. Under Article 73 of the Law, Hydro-Québec in its electricity distribution activities (the “**Distributor**”) must obtain authorization from the Authority, under the conditions and in the cases that are set by regulation, for acquiring, building or disposing of buildings or assets intended for electricity distribution.
3. The Distributor’s Remote Meter Reading Project (“**LAD**” or the “**LAD Project**”) consists of setting up an advanced measurement infrastructure (“**AMI**”) and replacing existing meters by new generation meters, over 2010-2018.

4. Phase 1 of the LAD Project was authorized by the Authority October 5, 2012 by decision D-2012-127 and includes the following items:
 - a) Setting up an AMI, including a data acquisition front end and a measurement data management system (**MDMS**) that will serve all LAD new generation meters (**NGM**);
 - b) Replacement of 1.7 million meters in the greater Montréal region (Ile de Montréal, Laval, northern crown municipalities, and part of the southern crown municipalities), and also the acquisition and installation of required routers and collectors, all of this during 2012-2013, but which will extend into the first quarter of 2014.
 - c) Preparatory work over a 24 month period, specifically pilot projects and acquisition of a data acquisition front and an MDMS, and similarly other requests for proposals about the acquisition and installation of computers, collectors and routers and telecommunication servers.
5. The Distributor presented the Authority its most recent quarterly tracking report on the LAD Project phase 1 deployment for the period from July to September 2013, as can be seen from a copy of the report, exhibit HQD-1, document 2.
6. This document reported 634,000 NGM installed on September 30, 2013, at an installation tempo ranging up to 7000 meters installed per day and project deployment complying with the costs authorized by the Authority. The installation tempo has since increased with days now reaching up to 8000 NGM.
7. This request covers LAD Project phases 2 and 3 which consists of the acquisition of NGM and telecommunications equipment (routers and collectors), installation and integration of the equipment and telecommunication services required in each of the regions covered by these phases and the replacement by NGM of 2.1 million existing meters as can be seen in exhibit HQD-1, document 1.
8. The technology infrastructure in the zones deployed in phase 1 proved very effective and very stable, as can be seen from exhibit HQD-1, document 1.
9. Because of the increase of cellular coverage in Québec, the Distributor selected the same telecommunication technology for phases 2 and 3 as for phase 1. This technology remains the most economically viable in the short and medium term.

10. The NGM deployment will be done sequentially by phase, the Distributor giving priority first to the most densely populated areas for phase 2, which will enable it to quickly generate efficiency savings. However, for considerations of network and logistical efficiency, the Distributor will simultaneously deploy the phase 2 and 3 zones when it thinks that the conditions require it, as can be seen in Sections 3 and 4 of exhibit HQD-1, document 1.

JUSTIFICATION OF THE PROJECT

11. The overall LAD Project objectives and justification were presented in case R-3770-2011, for the following items: the durability of the embedded base of meters, efficiency savings for the Distributor and the choice of an evolvable technology with which possible new services could be offered to the clients and the distribution service quality improvement. In case R-3770-2010, the Distributor also reported on the concrete and immediate benefits for the clients.
12. The LAD Project economic feasibility study, which demonstrated that the LAD Project was advantageous, was also presented in case R-3770-2011 for all three (3) phases.
13. LAD Project phases 2 and 3 is justified by the deployment of NGM, routers and collectors over the entire territory served by the Distributor in order to operate an AMI so as to generate the efficiency savings already presented to the Authority and provide for the technological evolution presented during case R-3770-2011.

THE COSTS ASSOCIATED WITH THE PROJECT AND THE IMPACT ON THE TARIFFS

14. The costs for phases 2 and 3 amount to \$557 million. The share for the investments is \$440 million, whereas an amount of \$117 million is planned for operating charges during the project.
15. All the LAD Project costs related to establishing an AMI are included in phase 1, already authorized, and are therefore not the subject of the present request.
16. The analysis of the impact on the Distributor's required revenues was also presented in case R-3770-2011 for all three (3) phases.
17. In its decision D-2012-024, the Authority accepted the regulatory treatment of the costs for projects over \$10 million and not authorized under Article 73 of the Law.
18. However, should it happen that the project not be authorized before the decision on the 2014-2015 rate case (R-3854-2013), the Distributor asks, in conformance with D-2012-024, that these costs inherent in phases 2 and

3 that were included in the required revenue for control year 2014, be paid in an off tariff base set-aside account until a project authorization is issued.

REQUEST FOR PRIORITY DECISION

19. In order to be able to operate the AMI upon installation of the NGM in the LAD Project phases 2 and 3 territories, the Distributor must immediately proceed with setting up telecommunications equipment (routers and collectors) in certain phase 2 regions and on Hydro-Québec facilities.
20. Setting up this equipment must be done 6 to 9 months before the installation of meters so the Distributor will be able to perform all the required activities including the necessary tests so that the network will be fully operational before installation of the NGM, which immediately supplement their advanced security by communicating with the telecommunication network, as can be seen in the evidence.
21. The installation of the NGM in some phase 2 areas will thus start at the beginning of the third quarter of 2014 or upon authorization of phases 2 and 3 by the Authority.
22. The purchase and setup costs for this telecommunication equipment is about \$6.4 million, as indicated in exhibit HQD-1, document 1, section 3.3.
23. For the transition between phase 1 and the deployment of phases 2 and 3, the Distributor wishes to capitalize on the phase 1 experience of the teams in the field. Thus, while waiting for a decision on all of phases 2 and 3, it wishes to avoid a break in the installation rhythm and releasing teams, which would show up as additional costs and delays, as can be seen from the evidence from exhibit HQD-1, document 1, section 3.3.
24. The Distributor therefore requests a priority decision in 2003 from the Authority authorizing it to acquire and set up telecommunications equipment in the Hydro-Québec facilities, even in the following phase 2 regions:
 - Châteauguay
 - Granby
 - Saint-Jean-sur-Richelieu
 - Saint-Hyacinthe
 - Sorel
 - Valleyfield
 - Vaudreuil

PROCEDURAL FRAMEWORK

25. This request is not covered by Article 25 of the Law and consequently a public hearing is not required.

ON THESE GROUNDS, MAY IT PLEASE THE AUTHORITY TO:

RECEIVE this request;

AUTHORIZE WITH PRIORITY the Distributor to perform the work described in exhibit HQD-1, document 1, section 3.3;

AUTHORIZE the Distributor to execute the Remote Meter Reading Project – Phases 2 and 3 described in exhibit HQD-1, Document 1;

AUTHORIZE the Distributor to account for the costs inherent in phases 2 and 3 included in the required revenue for the control year 2014 from tariff case R-3854-2013 in an off tariff base set-aside account and to do so under the circumstances that the case for the Remote Meter Reading Project – Phases 2 and 3 not be authorized before the decision of the 2014-2015 tariff case.

Montréal, this October 28, 2013

/s/ Hydro- Québec Legal Affairs

Hydro- Québec Legal Affairs
(Jean-Olivier Tremblay, Esq.)

SOLEMN AFFIRMATION

I, undersigned, **FRANÇOIS G. HÉBERT**, Director – Regulatory Affairs for the Hydro-Québec Distribution division for the petitioner Hydro-Québec, at 75 boulevard René Lévesque West, second floor in the city of Montréal, province of Québec, solemnly affirm the following:

1. The present authorization request for the acquisition of assets aiming to execute remote meter reading project phases 2 and 3 (case R-3863-2013) was prepared under my supervision and my control;
2. I have personal knowledge of the facts alleged in the present request;
3. All facts about Hydro-Québec Distribution regulation alleged in the present authorization request are true.

and I have signed in Montréal, this October 28, 2013

/S/ François G. Hébert

FRANÇOIS G. HÉBERT

Solemnly declared before me in Montréal,
this October 28, 2013

/S/ Nicolas Panneton

Commissioner for Oaths
for the district Montréal

SOLEMN AFFIRMATION

I, undersigned, **GEORGES ABIAD**, Director – Advanced Measurement Infrastructure for the petitioner Hydro-Québec, at 201 rue Jarry West, second floor, in the city of Montréal, province of Québec, solemnly affirm the following:

1. The present authorization request for the acquisition of assets aiming to execute remote meter reading project phases 2 and 3 (case R-3863-2013) was prepared under my supervision and my control;
2. I have personal knowledge of the facts alleged in the present request;
3. All the facts alleged in the present request are true.

and I have signed in Montréal, this October 28, 2013

/S/ Georges Abiad

GEORGES ABIAD

Solemnly declared before me in Montréal,
this October 28, 2013

/S/ Nadia Cloutier

Commissioner for Oaths
for the district Montréal