CANADA **ENERGY RÉGIE**

PROVINCE OF QUÉBEC
DISTRICT OF MONTREAL

Number: R-3770-2011

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

Petitioner

PROJECT AUTHORIZATION REQUEST

REMOTE METER READING – PHASE 1

(Article 73 of the *Energy Régie Law*, (L.R.Q., c. R-6.01)

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

1. It is a company which has some activities, such as electricity distribution, which are subject to the jurisdiction of the Régie de l'énergie ("the **Régie**") to the extent provided by the *Régie de l'Energy Law* ("the **Law**").

2. Under Article 73 of the Law, the Distributor must obtain authorization from the Régie, 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 replacing existing meters with new generation meters and setting up information technology ("**IT**") for an advanced measurement infrastructure ("**AMI**") over 2010-2017.

4. On June 15, 2010, the Régie authorized the Distributor to create a deferred expense account in order to accrue all the costs related to the preparatory work such

as it appears in decision D-2010-078 handed down in connection with the R-3723-2010 case.

5. In the same decision, the Régie deferred to a previous body, which will be petitioned for the LAD Project authorization request, any decision as to the disposition of the sums paid into the deferred expense account and to their prudently acquired and useful nature.

6. The Distributor finds itself faced with a situation where its embedded base of meters is aging, since 45% of the meters have reached their 25 year lifetime. The Distributor must therefore replace its meters and a new technology is needed.

7. The purchase, installation and operation of new generation meters will be a major efficiency savings, as it appears in part HQD-1, Document 1. The savings involve the automation of activities including meter reading and those remote cut-off and restoration of clients' service

8. The preparatory work performed has reduced the risks associated with the LAD Project, in particular by confirming the costs and savings, by determining the deployment strategy and by defining the human resources management plan and the communications plan.

9. Although the pilot projects started by the Distributor have not all been finished, the results obtained are probative because they can at this point confirm the level of connectivity, interoperability and security of the AMI components. The finalization and implementation of the last pilot projects will make it possible for the Distributor to complete the preparatory work for the LAD Project deployment in the territory served.

LAD PROJECT OBJECTIVES

10. The Distributor broke the LAD Project down into three phases, because of the size and length of the project.

11. The replacement of meters in the territory served by the Distributor will be done successively in three regions; the first of which is the greater Montreal region ("Region 1"), as detailed in the proof.

12. Phase 1 includes preparatory work, setting up the IT for the AMI and replacement of the meters in Region 1.

13. Phases 2 and 3 will be limited to the replacement of existing meters by new generation meters and to the telecommunication equipment and services in the other regions indicated in the evidence.

14. Additionally, potential progression of the technology and consequent cost reduction of some technologies could make the implementation of phases 2 and 3 occur at a lower cost than expected.

JUSTIFICATION OF THE LAD PROJECT

15. Over a 20 year window, the purchase, installation and operation of new generation meters will lead to major efficiency improvements representing an amount of nearly $300 million (actualized to 2011). An initial investment of $88 million, actualized, is required for setting up the IT for an AMI prior to the deployment of the new generation meters.

16. More specifically, the LAD Project can markedly improve the efficiency of meter reading activities and cutting off and restoring service to the Distributor's clients, mainly because access to the clients' property will no longer be necessary.

17. The LAD Project is also justified by a better response by the Distributor to the expectations of its client base, in particular by systematic billing of the actual electricity consumption, the possibility of offering new services to the clients, and in addition by making it easier to set up possible intelligent networks.

18. All these items now lead the Distributor to come before the Régie for it to authorize the Remote Meter Reading Project – Phase 1 (the "**Project**" or the "**Phase 1**") described in evidence in the part HQD-1, Document 1.

PROJECT DESCRIPTION

19. Phase 1 is the subject of this application and includes the following items:

    a) The 24-month preparatory work presented in case R-3723-2010, specifically the pilot projects, acquisition and integration of the data acquisition front-end and the measurement data management system with the Hydro-Québec system, and also other requests for proposals concerning the acquisition and installation of new generation meters, collectors and routers (telecommunication equipment) and telecommunication services;

b) Finalization of the IT set up for an AMI, in particular the development of communication links with the service provider responsible for installation of the computers, development of the remote cut off and service restoration function and setting up a measurement operations center prior to the deployment of new generation meters for LAD, all of this during 2010-2012;

c) Replacement of 1.7 million meters in the greater Montreal region (Ile de Montreal, Laval, north shore municipalities, and part of the south shore municipalities), and also the acquisition and installation of required routers and collectors, all of this during 2012-2013.

PROJECT ASSOCIATED COSTS

20. The Phase 1 costs represent an amount of $440 million, including $42 million for the preparatory work. The investment portion is $396 million and an amount of $44 million is planned for operating charges.

21. The fixed LAD costs (setting up the AMI IT and project office) are all included in Phase 1 and will be recovered upon installation of 1.2 million meters out of the 1.7 million replacement meters planned for Phase 1.

22. The Distributor requests authorization to accrue the 2012 costs related to Phase 1 in the deferred expense account created by decision D-2010-078, and to do so in compliance with the methods approved by the Régie in decision D-2010-022.

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

24. The Distributor files with the present case, by reference, the evidence that it produced in the case R-3723-2010, including the responses to the requests for information.

25. The document “Benchmarking AMR-AMI Initiatives in North America” (HQD-1, Document 2) is sent confidentially because the Distributor has not obtained authorization to make this information public and does so for the reasons indicated in the attached affirmation from a representative of the Accenture firm.

ON THESE GROUNDS, MAY IT PLEASE THE RÉGIE TO:

RECEIVE this request;

AUTHORIZE the Distributor to implement the Remote Meter Reading Project – Phase 1 described in part HQD-1, Document 1;

AUTHORIZE the Distributor to accrue in the same deferred expense account created by decision D-2010-0782 the 2012 costs attributed to the Remote Meter Reading Project – Phase 1, in compliance with the methods approved by the Régie in decision D-2010-022;

PROHIBIT the disclosure, publication and release of the information contained in part HQD-1, Document 2.

Montreal, June 30, 2011

/s/ Hydro- Québec Legal Affairs

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