

CIC-SASKPOWER SMART METER REVIEW

TERMS OF REFERENCE

DATE AUGUST 15, 2014

SMART METER REVIEW

Terms of Reference

1. PURPOSE

The Government of Saskatchewan has requested that Crown Investments Corporation (CIC) undertake a detailed review of Saskatchewan Power Corporation's (SaskPower) Smart Meter program following eight meter related fires. This review will be conducted in two parts:

- (1) A consulting firm will review and assess the adequacy of SaskPower's due diligence, procurement and contract management practices relating to the Smart Meter program.
- (2) A legal consultant will:
 - a. review the contracts and agreements between the parties to advise on possible legal options for SaskPower, including receipt of financial compensation.
 - b. to preserve SaskPower's legal privilege, the firm will engage an engineering firm on CIC's behalf to provide an independent assessment of the cause of the fires.

SaskPower has engaged two firms to conduct reviews to assist in determining the cause of the fires. CIC's legal consultant will coordinate its efforts with SaskPower, to provide an independent assessment to CIC.

CIC is the project owner. SaskPower is a wholly owned subsidiary of CIC and will make available all documents, data and employees required for the completion of this review. The consultant will provide CIC with a final report, including findings and recommendations, for public release.

2. PROJECT BACKGROUND

Crown Investments Corporation

CIC is conducting an external review of SaskPower's Smart Meter program, as directed by Cabinet, to assess the adequacy of SaskPower's processes to ensure its safe and effective implementation.

SaskPower

SaskPower is a vertically integrated electric utility providing generation, transmission, distribution and retail services. SaskPower operates or buys electricity supply from a generating fleet that use a wide range of fuels (e.g., coal, hydro, gas, and wind). SaskPower has the exclusive franchise to supply, transmit, and distribute electricity and provide retail services to customers in the Saskatchewan. Two cities, Saskatoon and Swift Current, have retained their municipal franchise to supply and distribute electricity.

Advanced Metering Infrastructure (AMI)

SaskPower's AMI program consists of the replacement of SaskPower's existing electric meters with an AMI electric meter and retrofitting SaskEnergy's gas meters with a two-way AMI communication module, installed at a customer's home, farm or business.

AMI also includes a provincial communication network to deliver information from the AMI meters to SaskPower, where it will be integrated into corporate systems for customer billing and other operational purposes. The key customer benefit associated with AMI is increased operational efficiency and real time information, which will allow earlier detection of outages.

Full AMI deployment would involve approximately 500,000 AMI electric meters installed and approximately 360,000 gas meters retrofitted with two-way AMI communication gas modules. These devices will communicate across a network consisting of approximately 400 tower sites across the province. These are primarily existing SaskTel tower locations where AMI equipment is then installed.

The AMI program was approved by the SaskPower Board of Directors in August 2010 with an associated budget of \$190 million. Over the next year, SaskPower and SaskEnergy completed key project vendor procurements, and ultimately selected Sensus USA Inc. for the supply of the AMI solution (electric and natural gas meters/modules, communication base stations, and associated information technology systems) and Grid One Solutions Inc. for electric meter and gas module installation.

Equipment delivery began in early 2012, as did laboratory and field testing activities. These activities continued through the fall of 2013 when full meter and module deployment commenced.

At the end of July 2014, approximately 105,000 electric meters and 75,000 gas modules were installed, and 280 network sites had been commissioned.

Since the beginning of June, eight newly installed smart meters have caught fire causing Cabinet to direct SaskPower to replace 105,000 newly installed smart meters.

3. OBJECTIVE

Public safety and transparency are of paramount importance to SaskPower and its Shareholder, the Government of Saskatchewan.

The overall objective of this review will be to evaluate SaskPower's due diligence throughout the Smart Meter process, as well as determine SaskPower's legal options, including receipt of financial compensation.

4. PROJECT OWNERSHIP

CIC will engage consultants to undertake a review of SaskPower's due diligence exercised in: (1) the selection of the smart meter supplier (Sensus USA Inc.), (2) the acquisition of meter installation services from Grid One Solutions Inc., (3) the review of all contractual provisions relating to the AMI program implementation; and also, (4) provide an independent assessment of the cause of the Smart Meter fires.

CIC and SaskPower will make available any staff resources and will provide the required documents, correspondences, and any other information required for the successful completion of the engagement.

SaskPower has engaged Underwriters Laboratories (UL) and Kinectrics to conduct reviews to assist in determining the cause of the fires. To preserve SaskPower's legal privilege, CIC's legal consultant will engage an engineering firm on CIC's behalf to provide an independent assessment of the cause of the fires.

5. SCOPE

The scope of this review will include:

1. SaskPower's due diligence exercised in the selection of the supplier of Smart Meters, including, but not limited to:
 - the factors used to evaluate the suppliers, measured against best practices;
 - the process used to evaluate health and safety concerns; including the appropriate level of field testing, etc.;
 - compliance of technology with safety and measurement regulations;
 - compliance with SaskPower's internal policies;
 - consideration of company reputation and product history; and,
 - the ongoing supplier contract management.
2. SaskPower's due diligence exercised in the selection process for the contract of installation services, including, but not limited to:
 - the process used to evaluate installation service providers;
 - review documentation; including the including the request to the Ministry of Labour Relations and Workplace Safety regarding the qualifications of the installers;
 - the examination of smart meter installation programs in other jurisdictions;
 - compliance with SaskPower's internal policies; and,
 - the contract management oversight of meter installation work by Grid One, to ensure the safe installation of meters.
3. Legal due diligence related to, but not limited to:
 - breach of contract, termination and dispute resolution if performance or safety issues emerge;

- payment terms and hold backs to protect SaskPower's financial interests in the event of problems; and,
 - SaskPower's ability to receive compensation recovery.
4. Assessment of the cause of the Smart Meter fires. CIC's legal consultant will engage an engineering firm on CIC's behalf.

The consultant(s) shall have full discretion to pursue all lines of inquiry deemed appropriate in meeting the review's objective.

6. REPORT

The results of the review will be utilized by the Government of Saskatchewan to assess SaskPower's due diligence throughout the Smart Meter process, and ensuring public safety. CIC will prepare a public report outlining the results of the review, while preserving SaskPower's legal position on future damages.

CIC expects the report to be completed and made public by late October.