



EB-2009-0096

IN THE MATTER OF the *Ontario Energy Board Act 1998*,
S.O.1998, c.15, (Schedule B);

AND IN THE MATTER OF an application by Hydro One
Networks Inc. for an order or orders approving or fixing just
and reasonable distribution rates and other charges for 2010
and 2011.

BEFORE: Pamela Nowina
Vice Chair and Presiding Member

Paul Sommerville
Member

Cynthia Chaplin
Member

PARTIAL DECISION ISSUE 9.3

Background

On July 13, 2009 Hydro One Networks Inc. (“Hydro One”) filed an application for 2010 and 2011 distribution rates, including its Green Energy Plan. The Board assigned file number EB-2009-0096 to the application and issued an approved issues list on September 22, 2009. The oral hearing for this proceeding took place in December 2009 and January 2010, concluding with Hydro One’s Argument-in-Chief on January 14,

2010. Board staff and intervenor submissions were submitted on February 1, and February 8, respectively. Hydro One submitted its Reply Argument on February 12, 2010.

One of the issues in the EB-2009-0096 proceeding was Issue 9.3:

Issue 9.3 – Is Hydro One’s methodology for allocating Green Energy Plan O&M and capital costs between the OPA (Global Adjustment Mechanism) and Hydro One appropriate?

In a separate but related matter, on September 25, 2009, the Board initiated a consultation process (EB-2009-0349) to address how the Board should, in accordance with the requirements of Ontario Regulation 330/09, determine the direct benefits that accrue to the consumers of a distributor when that distributor has incurred costs to make an eligible investment in its distribution system to accommodate a renewable energy generation facility. These are costs commonly included in a Green Energy Plan. As a consequence of the determination of the direct benefits, the cost allocation between provincial ratepayers and the ratepayers of the individual distributor making the investment will be determined.

On January 18, 2010, in response to the Board’s direction in the distribution rates case, Hydro One submitted a proposal for dealing with issue 9.3, relating to the determination of the direct benefits associated with Hydro One’s proposed investments to connect renewable energy generation facilities.

Hydro One proposed that the issue be dealt with in this proceeding in advance of the Board's policy determination on this issue as part of EB-2009-0349. Hydro One proposed that the argument schedule on all other issues proceed as previously determined and offered to produce its witness panel on issue 9.3 at the Board's convenience, as early as January 25, 2010.

On January 20, 2010, the Board responded that it had already indicated a preference for awaiting the release of the Board’s policy determination prior to hearing issue 9.3. However, the Board indicated that it would hear from Board staff and any interested parties before making a final determination on this matter. The Board asked that any parties with an interest in this matter include submissions on the appropriate timing for the hearing of issue 9.3 with their final submissions.

The Board further indicated that Board staff would include its proposal with its submissions (4 days prior to the deadline for intervenor submissions), and parties would be expected to comment on the appropriateness of staff's proposal. Hydro One was invited to respond in its reply argument.

In Board staff's February 1, 2010, submission, staff submitted that the Board could set the allocation between provincial ratepayers and Hydro One ratepayers on a provisional basis. Board staff explained this alternative as follows:

In this scenario, the Board would establish a deferral account in which the applicant would record amounts collected from its own ratepayers. A parallel account would be established to record recovery from provincial ratepayers.

When the Board makes its final determination of the percentage of direct benefits to Hydro One's ratepayers of [Green Energy] Plan expenditures in 2010 and 2011 (which may not be until the next rates case) the Hydro One ratepayer account can be credited or debited, and any over or under-collection from provincial ratepayers can be taken into account in setting the amount to be collected in subsequent years.

Staff further submits that if this approach is adopted, the Board need not reconvene the hearing at this time to determine the amount of direct benefits to Hydro One ratepayers. The Board could choose to adopt Hydro One's proposal or a different percentage allocation, for example, 15%, as a default allocation to Hydro One's ratepayers. The final allocation would be determined in a subsequent proceeding.

VECC, SEC, and CME generally agreed with the Board staff proposals. AMPCO agreed with the Board staff proposals but wanted an opportunity to cross examine the witness panel. The PWU supported the original Hydro One proposal on the issue.

Hydro One, in its February 12, 2010 reply argument, indicated that the Board staff approach was acceptable but made some specific comments on the design and clearance of the related variance accounts.

Decision

The Board has decided to issue this partial decision in advance of the complete decision in this proceeding to provide Hydro One and other parties the information they need to participate fully in the Board's policy initiative EB-2009-0349.

The Board does not require further discovery or examination on this issue in order to make its determination.

The Board approves the methodology proposed by Hydro One in this rates proceeding for the allocation of Green Energy Plan costs for rate setting purposes, on a provisional basis. The consequences of this approval will be reflected in the Rate Order arising from this case. The allocation methodology and the resulting responsibility for Green Energy Plan costs for 2010 and 2011 will be subject to later revision to reflect the Board's final policy determination in EB-2009-0349. Deferral accounts will be established to track the difference between the allocation provisionally approved in this decision and the allocation that will be established as a result of the Board's policy. Hydro One will apply the results of that Board policy when it applies for disposition of the deferral accounts for 2010 and 2011.

The use of rate adders, the amounts to be allocated and the definitions of the deferral accounts will be established in the final decision in this proceeding.

DATED at Toronto, February 18, 2010

ONTARIO ENERGY BOARD

Original Signed By

Pamela Nowina
Vice-Chair and Presiding Member

Original Signed By

Cynthia Chaplin
Member

Original Signed By

Paul Sommerville
Member