

# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

### **GREAT LAKES POWER TRANSMISSION LP**

#### **DEFERRAL ACCOUNT APPLICATION RELATING TO RENEWABLE ENERGY PROJECTS EB-2009-0409**

**February 23, 2010**

Ontario Energy Board staff supports the request of Great Lakes Power Transmission LP ("GLPT") to establish a deferral account to record capital and OM&A expenses for Green Energy Act related expenditures as described in GLPT's application. Staff agrees that GLPT may incur expenditures in coming years related to green energy initiatives, and that given the present uncertainty regarding the costs and timing of such initiatives, that the criteria for the establishment of a deferral account have been met. Board staff has identified two issues in the application that staff invites the applicant and intervenors to address in more detail.

## **1. Cost estimates for 2011 and 2012**

In answer to Board staff interrogatory 4(v), GLPT provides estimates of the total costs to be recorded in the proposed account. Staff submits that the amounts proposed to be recorded in 2011 and 2012 are excessive, and if GLPT chooses to spend such amounts, GLPT would be at risk of having the Board find that the amounts are not prudent.

GLPT acknowledges the uncertainty that presently exists in forecasting both renewable generation connection and the transmission system work that will be necessary to enable these connections. Such uncertainty is the foundation for the application for a deferral account. However, GLPT states, in its response to Board staff interrogatory 2(i) that:

For cost effectiveness and efficiency, it is appropriate for GLPT to plan its system taking into account network upgrades that would arise if most or all available wind resources were exploited under the FIT program as well as upgrades arising from flows on GLPT's system as part of the Ontario bulk transmission system.

It is Board staff's submission that GLPT may be overestimating the expenditures that will be necessary for renewable connection and system upgrades in 2011 and 2012.

The Ontario Power Authority ("OPA") has not yet completed its Transmission Availability Tests and Economic Connection Tests for the Feed In Tariff program for any part of the province. The work to be completed by the OPA will be the foundation for transmission planning for renewable generation. Staff submits that GLPT should not make significant investments in transmission planning in advance of the completion of the two noted OPA tests.

In addition, in the absence of more detailed information from the OPA, there is the potential for inefficient duplication of development work by each of GLPT and Hydro One networks Inc.

GLPT is aware, from its attendance at an initial consultation meeting on December 14, 2009, that the Board is in the process of developing policy on transmission project development planning. The Board has not yet exercised its authority under section 70(2.1) of the *Ontario Energy Board Act, 1998* to require transmitters to prepare and file plans for the accommodation of renewable generation, nor has it released any guidance on the content or timing of such plans. GLPT indicates in answer to Board staff interrogatory 4(i) that it anticipates filing a Transmission Plan no later than the third quarter of 2010. While Board staff recognizes the benefit to be gained from timely planning, staff submits that it is not certain at this time when the information necessary to create a prudent Transmission Plan will be available (for example, the results of the tests to be conducted by the OPA mentioned above).

Board staff submits that the amounts estimated for inclusion in the account for 2011 and 2012 appear excessive, and that GLPT should be fully cognizant of the risk of denial of recovery of such amounts.

## **2. Capitalization of expenditures**

GLPT, in answer to Board staff interrogatory 4(vi) states:

Costs are proposed to be recorded in the deferral account until such time as the costs relating to a project have met GLPT's normal capitalization policies, at which time the capital amount recorded in the deferral account will be transferred to Construction Work in Progress. To the extent costs prove not to be of a capital nature, they would be treated as an expense and recovery would be sought in a future GLPT rate application.

In its answer to Board staff interrogatory 4(ix), GLPT confirms the understanding that there is no guarantee of recovery of costs recorded in the deferral account. Board staff submits that GLPT should record and maintain all capital amounts in the account until the prudence of these amounts has been accepted by the Board. It may be advisable for GLPT to maintain two sub-accounts within the deferral account to separate capital and OM&A expenses.