

Richard P. Stephenson

T 416.646.4325 Asst 416.646.7417

F 416.646.4335

E richard.stephenson@paliareroland.com

www.paliareroland.com

File 10329

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VIA COURIER and *RESS FILING*

Chris G. Paliare
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Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto ON M4P 1E4

Dear Ms. Walli

**Re: Hydro One Networks Inc. Board File EB-2009-0416
Motion and addition of Projects to a deferral Account previously
authorized in proceeding EB-2008-0272
Submissions of Power Workers' Union**

Attached please find the Power Workers' Union's submissions in the above-referenced proceeding.

Yours very truly,

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

Richard P. Stephenson

RPS:jr

encl.

cc John Sprackett, PWU
Judy Kwik, ERA
Hydro One and Intervenors

Doc 749697

HONORARY COUNSEL

Ian G. Scott, Q.C., O.C.
(1934 - 2006)

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

AND IN THE MATTER OF a motion by Hydro One Networks Inc. in regard to a decision on Transmission Rates for 2010 and for the addition of Projects to a deferral Account previously authorised in proceeding EB-2008-0272

Submissions of the Power Workers' Union ("PWU")

1. In its Decision with Reasons in EB-2008-0272, Hydro One Networks Inc.'s ("Hydro One") 2009-2010 Transmission revenue requirement proceeding, the Ontario Energy Board (the "Board") authorized the establishment of a deferral account to record preliminary planning costs for the Integrated Power System Plan ("IPSP") and certain other long term projects.
2. Since the Board's decision in EB-2008-0272, not only has the *Green Energy and Green Economy Act, 2009* ("GEGEA") received Royal Assent, but also the Ontario Minister of Energy and Infrastructure issued a September 21, 2009 letter to Hydro One requesting that it immediately proceed with the planning, development and implementation of a number of transmission and distribution projects required to accommodate additional renewable generation.¹
3. In letters dated December 3, 2009 and December 15, 2009, Hydro One requested that the Board amend the scope of the deferral account established in EB-2008-0272 to include certain additional long term projects that had not been contemplated in the Board's original order. More specifically, Hydro One asked that the deferral account be expanded to include development OM&A costs associated with 14 "additional" projects.

¹ Letter from George Smitherman to James Arnett dated September 21, 2009

4. The PWU notes that, in response to an interrogatory from Board Staff², Hydro One has identified 4 projects out of the total 14 as overlapping with projects for which a deferral account has already been approved in EB-2008-0272. While Hydro One provides no further explanation as to why, given the overlap, the number of projects in the current proceeding is presented as 14 rather than 10. The PWU assumes that Hydro One included the 4 overlapping projects in the list because of the updates in the cost forecasts for these projects. The PWU submits that given the updated costs for these 4 projects it is appropriate that they are included in this motion for the Board's consideration.

5. The PWU also notes the original estimate of the total OM&A costs of the development work for the 14 projects identified by Hydro One for a deferral account was approximately \$168 million; however, Hydro One has since revised its forecast as \$125.5 million³.

6. The PWU has reviewed all the relevant information in this matter and submits that the Board should grant Hydro One's motion and allow the amendment of the existing deferral account to include the proposed projects on the following grounds:

- a. The projects are driven by the GEGEA and align with the projects specified in the Minister's letter dated September 21, 2009.
- b. Granting the requested motion is consistent with the Board's decision in EB-2008-0272, wherein the Board approved a deferral account for IPSP related and other long-term projects. As Hydro One's letter to the Board dated December 3, 2009, pointed out, the proposed projects meet the important consideration as detailed in the Board's Decision regarding the deferral account:

An important consideration in this specific request is that Hydro One's activities are clearly driven by current Ontario energy policy. Hydro One itself is not the driver behind these expenditures; as the largest transmission utility in the Province, it is responding to the policy drive by the Ontario government to meet certain objectives regarding new generation. Although project plans have not unfolded as originally

² EB-2009-0416, Hydro One IRR to OEB #2, Page 7 of 7

³ EB-2009-0416, Hydro One IRR to OEB #2, Page 4 of 7

conceived, there are clear expectations of the largest transmission utility that the planning work for these projects must continue.⁴

- c. The preliminary work for these projects is a necessary prerequisite in order for Hydro One to meet the Minister's expectations for the projects' in-service dates. Required preliminary work includes planning and pre-engineering work (i.e. development work). In addition, significant time and effort is needed to obtain approvals from the Board and the Ministry of Environment since all the projects require leave to construct (Section 92) and environmental assessment approvals. Time is also needed to procure materials and contracts, and then finally, to build the facilities.
- d. As the Board is aware, granting Hydro One's request in this motion does not guarantee recovery of costs recorded in the deferral account. It is understood that the Board will review the prudence of the proposed projects and their costs at the time of disposition of the account. However, granting Hydro One's request does provide regulatory recognition of the legitimacy of the projects thereby mitigating regulatory risk and enhancing Hydro One's ability to leverage financing objectives.
- e. Concerns raised in interrogatories by some intervenors that the proposed projects have little detail in terms of total capital cost; analysis of alternatives; specific location, length and voltage of lines and level of renewable generation expected, are premature. In fact, the preliminary work will involve the gathering of information on the issues raised. Other issues such as total project cost, alternatives, and prudence will be dealt with by the Board when the deferral account is cleared and the leave-to-construct applications are reviewed.
- f. The PWU agrees with Hydro One's response to Board Staff's interrogatory⁵ that projects for which costs are sought to be included in the deferral account meet the Board's criteria of causation, materiality, inability

⁴ EB-2008-0272 Decision With Reasons, Issued May 28, 2009, Page 59

⁵ EB-2009-0416, Hydro One IRR to OEB #5, Page 1 of 3

of management control, and prudence which the Board uses as a basis for establishing deferral accounts.

All of Which Is Respectfully Submitted

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