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February 26, 2010

Via E-mail

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

**Re: Great Lakes Power Transmission LP ("GLPT") Application for an
"Infrastructure Investment, Green Energy Initiatives, and Preliminary
Planning" Deferral Account**

Board File Number EB-2009-0409

As Counsel to the Vulnerable Energy Consumers' Coalition ("VECC"), I am writing to provide VECC's submissions on GLPT's application for the above-noted deferral account.

1. No Guarantee of Deferral Account Balance Recovery

VECC notes that GLPT has confirmed that "if the Board grants GLPT's request, there will be no guarantee of recovery of costs recorded in the deferral account, and that a review of the prudence of the investments and their costs will be conducted at the time of disposition of the account."¹

¹ Board Staff IR# 4(ix)

VECC submits that should the Ontario Energy Board (“OEB” or “the Board”) approve this request, the Board should make it clear to GLPT that the standard for prudence exceeds a simple demonstration of cost control.

VECC submits that a credible demonstration of prudence includes evidence that:

- (i) GLPT has given sufficient attention to interdependencies between various projects in its planning exercise;
- (ii) On any project, GLPT will not be incurring significant expenses, relative to the overall costs of the project, prior to OPA approval of the associated renewable generation contracts; and
- (iii) Commitments to incurring any development and implementation costs are consistent with the anticipated timelines and required in-service dates for the projects concerned.

2. Recorded Costs are Incremental Costs

VECC notes that GLPT has stated that “[t]he costs that will be recorded are incremental costs related to system planning and development to facilitate the connection of renewable generation under the Green Energy and Green Economy Act (“GEA”). Incremental means an investment not included in previous investment plans, not funded through current rates and not part of future investments to be made in the ordinary course of operation of the existing transmission system.”²

VECC is satisfied that this approach will ensure that no overlap, double counting, etc., occurs.

3. Two Main Sub-Accounts

In the event that the Board approves this request, VECC submits that the deferral account should contain two main sub-accounts, one for OM&A expenses and the other for capital expenditures. This will ensure that the impact on the revenue requirement of the balances can be readily determined (once approved for disposal). VECC also notes that this structure is similar to that approved for Smart Meter costs for similar reasons.

4. Accounts by Project

VECC submits that until it is known whether or not a project will proceed, it will likely be impossible to determine the costs to be expensed and the costs to be capitalized, i.e., the impact on revenue requirement is indeterminate until the project’s status (go or no go) is known. Therefore, until the project’s final status is known, the deferral balance associated cannot be cleared.

² Board Staff IR# 1(i)

At any particular point, some projects' statuses may be known while others are unknown. When some disposition of deferral balances is approved, only those projects for which the amounts to be capitalized and the amounts to be expensed are clear can have their associated balances recovered.

Therefore, VECC submits that the capital and OM&A balances be differentiated by creating accounts for each project, with each project account having its own sub-accounts for OM&A and capital expenses.

5. The Appropriate Interest Rate for Deferral Account Balances

VECC notes that in the Hydro One transmission application filed under docket number EB-2008-0272, the pre-filed evidence states the following:

*The Regulatory Asset values are calculated by applying simple interest to the monthly opening principal balance in the accounts using the Board prescribed interest rate.*³

However, VECC also notes that GLPT proposes to use its own effective interest rate to calculate carrying charges on its deferral account balances.⁴

VECC submits that the Board prescribed interest rate for deferral balances is the appropriate rate to use.

6. No Further Submissions

The foregoing completes VECC's submissions on this issue.

Yours truly,

Michael Buonaguro
Counsel to VECC

³ EB-2008-0272, Exhibit F1 Tab 1 Schedule 1 page 1, lines 21-23

⁴ Board Staff IR #4(vii)