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February 26, 2010

VIA EMAIL & COURIER

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge St, Suite 2701  
Toronto ON M4P 1E4

Dear Ms. Walli:

**Board File No. EB-2009-0416 Hydro One Networks Inc.  
Motion for Additions to Deferral Account  
Submissions of Energy Probe**

Pursuant to Notice of Hearing and Procedural Order No. 1, issued January 26, 2010, please find attached two hard copies of the Submissions of Energy Probe Research Foundation (Energy Probe) in respect of the Deferral Account Motion (EB-2009-0416) for the Board's consideration. An electronic version of this communication will be provided in PDF format.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh  
Case Manager

cc: Don Rogers, Rogers Partners LLP (By email)  
Susan Frank, Hydro One Networks (By email)  
Bill Cowen, Hydro One Networks (By email)  
Peter T. Faye, Counsel to Energy Probe (By email)  
Intervenors of Record (By email)

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**Ontario Energy Board**

**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 authorized in proceeding EB-2008-0272.

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**SUBMISSIONS ON BEHALF OF  
ENERGY PROBE RESEARCH FOUNDATION  
("ENERGY PROBE")**

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**February 26, 2010**

**HYDRO ONE NETWORKS INC.  
DEFERRAL ACCOUNT MOTION  
EB-2009-0416**

**ENERGY PROBE RESEARCH FOUNDATION  
SUBMISSIONS**

**How these Matters came before the Board**

1. On December 30, 2009, Hydro One Networks Inc. (the “Applicant” or “Hydro One”), filed an Application by letter seeking approval to Amend Approved Deferral Account for IPSP & Other Long Term Projects Preliminary Planning Costs. That Deferral Account had been established in the Decision with Reasons in EB-2008-0272, the 2009-2010 Hydro One Transmission revenue requirement proceeding.
2. The Board issued a Notice of Hearing and Procedural Order No. 1 on January 26, 2010. Energy Probe filed Interrogatories on February 9, 2010; the Applicant filed its Responses on February 19, 2010.

**Submissions**

3. Energy Probe accepts the Applicant’s claim that the projects outlined in the Application did not arise until passage of the Green Energy and Green Environment Act and so could not have been anticipated by Hydro One’s rate application in EB-2008-0272. They are clearly related to government policy enunciated in that act and as such are both outside management control and not included in the OM&A approved in that application.
4. Energy Probe also accepts that development work is needed to prepare for renewable energy projects that will flow from the Ontario Power Authority (OPA) Feed-in Tariff program and that Hydro One, as the principal transmission system operator in the province, must necessarily play a major role in that development work.

5. However, Energy Probe has some reservations about the timing of expenditures and whether all of the requested projects need to be dealt with through a deferral account mechanism. To the extent possible, Energy Probe would prefer to see these projects dealt with through a normal rate application where proper scrutiny can be applied before development expenditures are made.

6. Energy Probe acknowledges that the Board's approval to record costs in a deferral account does not constitute approval for recovery of those costs. A prudence review will be necessary before the Board gives its approval for recovery.

7. Energy Probe submits, though, that there are no urgent reasons for many of these projects to be considered by the Board at this point and that a better evaluation can be done in Hydro One's next transmission rates application.

8. The table provided in response to Board Staff IR#2 lists the projects with planned expenditures, start dates and completion dates for development work. These projects can be conveniently grouped as follows:

**Table 1 – Projects with long start and/or completion dates**

| <b>Project #</b>  | <b>Description</b>           | <b>Start</b> | <b>Completion</b> | <b>Cost (\$M)</b> |
|-------------------|------------------------------|--------------|-------------------|-------------------|
| 5                 | Chenault (Galletta Junction) | Early 2012   | Mid 2013          | 0.9               |
| 6                 | St. Lawrence x Merivale      | Early 2012   | Mid 2013          | 0.8               |
| 13                | Selby Jct. x Belleville      | late 2011    | early 2013        | 0.8               |
| 14                | Bowmanville x GTA            | 2015         | 2018              | 11.4              |
| <b>Total Cost</b> |                              |              |                   | <b>13.9</b>       |

9. There is no requirement that three of these projects be approved by the Board in this Application because they will not start before 2012. They should be submitted for proper scrutiny in the next transmission rates application. The fourth project (Selby Jct. x Belleville) is scheduled to start in 2011 but only has a budget of \$800,000. Energy Probe submits that this small project does not require

two years to complete and could be started in 2012. Therefore, it too should be presented in the next Transmission rates application.

**Table 2 – Projects with poor definition**

| <b>Project #</b>  | <b>Description</b>   | <b>Start</b> | <b>Completion</b> | <b>Cost (\$M)</b> |
|-------------------|----------------------|--------------|-------------------|-------------------|
| 7                 | Renfrew Area Cluster | early 2011   | mid 2013          | 7.9               |
| 8                 | Wanstead Cluster     | late 2011    | mid 2014          | 0.8               |
| 9                 | Parry Sound Cluster  | early 2011   | mid 2013          | 5.6               |
| 10                | North Bay Cluster    | early 2011   | mid 2013          | 5.6               |
| 11                | Thunder Bay Cluster  | early 2011   | mid 2013          | 12.0              |
| <b>Total Cost</b> |                      |              |                   | <b>31.9</b>       |

10. These projects all depend on FIT contract activity to define their need and terminal point. Energy Probe submits that this uncertainty by itself is sufficient to warrant better scrutiny in a rates application. Combined with the fact that none are scheduled to commence before 2011, there is no prejudice to the applicant to delay approval until the projects can be better defined and evaluated in the next transmission rates application.

**Table 3 – Network Projects that do not rely on specific FIT generation**

| <b>Project #</b>  | <b>Description</b>           | <b>Start</b> | <b>Completion</b> | <b>Cost</b> |
|-------------------|------------------------------|--------------|-------------------|-------------|
| 1                 | Goderich Area enabler        | early 2010   | late 2012         | 5.0         |
| 2                 | Northwest Transmission Line  | late 2009    | late 2011         | 21.7        |
| 3                 | North South Tie              | early 2010   | late 2013         | 18.2        |
| 4                 | Reinforcement west of London | early 2010   | late 2013         | 22.7        |
| 12                | East west tie                | early 2010   | early 2013        | 12.1        |
| <b>Total Cost</b> |                              |              |                   | <b>79.7</b> |

11. These projects all appear to respond to overall FIT generation in specific regions but are not dependent on individual FIT projects for definition. It is more likely, in Energy Probe's submission, that they will be necessary. They are also among the largest of the projects that will require substantial development work and have relatively early completion dates. Based on those observations, Energy Probe agrees that they should be approved for inclusion in the Deferral Account.

## **Summary**

12. Energy Probe does not object to adding projects to the Deferral Account if it can be demonstrated that it is the most appropriate way of handling the costs.

However, many of the projects proposed in this Application do not appear to require urgent attention and many are speculative in that they rely on renewable generation being identified through the FIT program to define them.

13. Those projects in Tables 1 and 2 above should, in Energy Probe's submission, be submitted in the next transmission rates application for examination. If they can be adequately defined at that point then, in Energy Probe's submission, they should be treated as normal capital projects and costs collected accordingly. If they cannot be adequately defined at that point, then the Board can decide in the rate application whether they should be included in development OM&A or put into a deferral account for later disposition.

14. Projects in Table 3 are more general network projects that will be necessary to accommodate overall renewable generation in specific areas of the province. Development work on some is already underway and on others is imminent. Energy Probe recommends that the Board approve charging those projects that must proceed promptly to the Deferral Account but that it require the Applicant to also include them in its next rate application for further examination. If at that point they can be adequately defined as capital projects then they should proceed by the usual funding mechanism. If they cannot be adequately defined at that point, then the Board can decide whether to include them in development OM&A or continue to have them charged to a deferral account for later disposition.

15. By approaching the Application in this manner, the Applicant will have more time to examine the uptake of the FIT program and more adequately support the necessity of the projects. This will permit the Board to make a more informed judgment on how the costs should be treated and should result, in Energy Probe's submission, in better control of costs and less impact on ratepayers.

### **Costs**

16. Energy Probe submits that it participated responsibly in this proceeding. Energy Probe requests the Board award 100% of its reasonably incurred costs.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED**

**February 26, 2010**

**Peter Faye**

**Counsel to Energy Probe Research Foundation**