

March 1, 2010

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700
2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli

Re: EB-2009-0416 - Hydro One Networks' Application to Amend a Deferral Account Previously Authorized in EB-2008-0272

We are Counsel to the Consumers Council of Canada ("Council"). Pursuant to the Notice of Hearing and Procedural Order No. 1, dated January 26, 2010, we are providing submissions on the Application by Hydro One Networks Inc. ("HON") to expand the scope of the deferral account, approved by the Ontario Energy Board ("Board") in HON's 2009-2010 rate proceeding, to capture preliminary planning costs associated with the Integrated Power System Plan ("IPSP") and certain other long term projects.

In its Decision with Reasons in the EB-2008-0172 rate proceeding, the Board approved HON's request to establish the IPSP-related deferral account. By letters dated December 3, 2009, and December 15, 2009 HON requested that the Board amend the scope of the deferral account to include certain additional long term projects that had not been contemplated in the Board's original order. Specifically, HON's request is that the deferral account be expanded to include development costs associated with 14 additional projects. The estimated total OM&A costs of the development work for the projects was approximately \$168 million. In response to a Board Staff interrogatory that estimate has been reduced to \$125.5 million (BS 2).

HON's request arises from a letter from the Minister of Energy and Infrastructure dated September 21, 2009 requesting that HON immediately proceed with the planning, development and implementation of a number of transmission and distribution projects which will allow the grid to accommodate additional renewable generation as per the policy objectives of the *Green Energy and Green Economy Act, 2009* ("GEGEA") as well as seek the necessary approvals for these projects.

The Council does not take issue with HON's contention that the projects that have been identified are being driven by factors outside the control of HON. In addition, the types of projects are consistent with the ones for which the earlier account was granted. The Council does, however, have concerns about the expansion of the account for the following reasons.

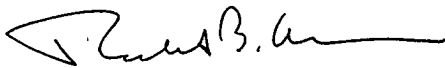
Although HON projected it would spend \$19.2 million on these activities in 2009 and 2010, it has only spent \$1.9 million to date (CME 2). It is not clear as to why the account was required in the first place. In addition, it is not clear to the Council to what extent there are amounts embedded in rates that would include this type of work. When asked for a detailed breakdown of the estimated planning and development costs for each project for the years 2010 and 2014 HON declined to provide that information (CME 1). There are also questions about the extent to which the \$32.7 million forecast for 2010 applies to the projects cited in the previous request or the additional projects defined in the

Minister's letter. HON has not, in our view, provided a sufficient evidentiary basis for approval of the account. Prior to any approval HON should be required to specifically define its forecast for 2010 and provide the details used to arrive at that forecast. In addition, HON should be required to demonstrate that these costs are entirely incremental to the 2010 revenue requirement.

The Council submits that, if the Board is to expand the account as requested, there must be a clear indication that there will be a full examination, in HON's next rate proceeding, of the details of the expenditures and whether the costs were prudently incurred. The simple existence of the account should not be construed as justification for recovery of the costs incurred from ratepayers.

If the Board approves the account for 2010, the Council submits that that should be the limit of approval. The nature of the costs and the parameters of the account should be carefully considered in HON's next transmission rate proceeding before continuation of the account, beyond 2010, is approved. No consideration should be given at this time to approval of the account for the period 2011 and beyond.

Yours truly,



WEIR FOULDS

cc: Hydro One Networks Inc. attention Susan Frank
Donald R. Rogers, Q.C.
Julie Girvan