



EB-2009-0416

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

AND IN THE MATTER OF an application by Hydro One
Networks Inc. to expand the scope of the deferral account
previously authorised in proceeding EB-2008-0272.

BEFORE: Cynthia Chaplin
Vice Chair and Member

DECISION AND ORDER

Introduction

The Board, in its decision on Hydro One Networks Inc's ("Hydro One") application for 2009 and 2010 revenue requirements (EB-2008-0272), authorized the creation of a deferral account for "IPSP & Other Long Term Projects Preliminary Planning Costs." This deferral account allows for the recording of preliminary planning costs for 18 projects listed in that application. By letters dated December 3, 2009 and December 15, 2009 Hydro One requested that the Board expand the scope of the deferral account to include development OM&A costs associated with 14 additional projects. The Board assigned the application File No. EB-2009-0416.

The Board issued a Notice of Hearing and Procedural Order No. 1 on January 26, 2010. The Board adopted as intervenors in this application the parties of record from EB-2008-0272 and made provision for interrogatories and written submissions. The following intervenors made submissions: Canadian Manufacturers and Exporters ("CME"); Energy Probe Research Foundation ("Energy Probe"); Consumers Council of

Canada (“CCC”); the Power Workers’ Union (“PWU”) and the Vulnerable Energy Consumers Coalition (“VECC”). Hydro One filed its reply submission on March 5, 2010.

The Proposal

Hydro One is seeking approval to add 14 projects to the deferral account. Hydro One in its application submitted that it will incur planning costs of \$125.5 million in 2010 for the 14 new projects.

Hydro One’s summary from its reply submission provides the relevant background for the application:

In the 2008-0272 Hydro One Networks’ 2009-2010 Transmission Revenue Requirement Decision With Reasons (May 28, 2009), the OEB approved the establishment of an “IPSP and Other Preliminary Planning Costs Account.” Since then, the *Green Energy and Green Economy Act, 2009*, (GEGEA) has received Royal Assent. On September 21, 2009, the Ontario Minister of Energy and Infrastructure issued a letter to Hydro One requesting that it immediately proceed with the planning, development and implementation of a number of transmission and distribution projects which allow the grid to accommodate additional renewable generation as per the policy objectives of the GEGEA, as well as seek the necessary approvals for these projects.

The proposed new projects are listed below.

Project	Description
1	Goderich Area Enabler
2	Northwest Transmission Line [Pickle Lake x Nipigon]
3	North-South Tie
4	Reinforcement West of London [London x Sarnia]
5	Chenau (Galletta Junction)
6	St. Lawrence x Merivale [Cornwall x Ottawa]
7	Renfrew Area Cluster [Pembroke]
8	Wanstead Cluster [Huron South Enabler]
9	Parry Sound Cluster [Enabler]
10	North Bay Cluster [Enabler]
11	Thunder Bay Cluster [Enabler]
12	East – West Tie (Nipigon x Wawa)
13	Selby Junction x Belleville [Belleville x Napanee]
14	Bowmanville x GTA

Submissions

PWU supported the application as being consistent with the Minister's letter and the Board's decision in EB-2008-0272. Board staff did not oppose the application but emphasized that approval should carry no implication of prudence. Board staff also expressed concern about the apparent overlap between projects to be added and those already covered by the account, interaction with the OPA processes, and uncertainty around potential partners or potential preferred proponents.

Energy Probe supported the application in part, expressing reservations about the timing of some of the proposed projects and the necessity for them to be included in the deferral account. Energy Probe submitted that only 5 of the proposed projects were characterized by sufficient certainty and urgency to require deferral account treatment. The other projects, it was submitted, could be brought forward in Hydro One's next transmission rates case.

CCC, VECC and CME opposed the application. CCC submitted that Hydro One had not provided sufficient detail about the forecast costs and had not demonstrated the costs were incremental to what is already included in rates.

CME argued the application should be denied because there was insufficient evidence to change the current parameters for the account with respect to 2010. In CME's view the application amounted to a motion to vary the prior decision but did not meet the requirements of a motion. In addition, CME submitted that there was insufficient explanation of the apparent overlap with projects already included in the account. CME also argued that the need for an account for expenditures in 2011 and beyond could be considered in the next rates application. CME emphasized that project specific costs should be recovered from ratepayers only if and when the capital costs of the projects are allowed into rate base as a result of a determination by the Board that the projects are economically feasible, as well as used and useful.

VECC submitted that there was insufficient evidence to demonstrate the need for deferral account treatment for project costs proposed to be incurred in 2010. For the period beyond 2010, VECC argued that the application was premature, and that requests relating to 2011 and subsequent years be deferred to the next Hydro One transmission rates application. In the alternative, should the Board choose to grant Hydro One's request, VECC provided a list of factors to be considered by the Board at the time prudence of the cost recorded in the accounts is determined.

In reply, Hydro One provided further information on cost estimates, and submitted that the proposed projects should be considered as a group in this application, rather than piecemeal in other proceedings.

Board Findings

The application is approved. Hydro One has made the application to extend the coverage of the existing deferral account to provide the opportunity for future recovery of the costs associated with additional projects on the understanding that it is at full risk to establish the prudence of the costs at the time of account disposition. The Board finds this proposal to be acceptable. The Board does not consider the application to be a motion to vary; it is in effect an application for a deferral account based on current circumstances. The Board is satisfied that Hydro One may be required to undertake significant incremental work. CME, Energy Probe, VECC and CCC raised legitimate concerns, but the Board concludes that these matters can be addressed when the time comes to determine the prudence of the amounts recorded in the account. To assist in that review, the Board expects Hydro One to track its costs so as to be able to report expenditures on a project-specific basis.

Hydro One is cautioned that this approval does not provide any assurance, either explicit or implicit, that the amounts recorded in the account will be recovered from ratepayers. No finding of prudence is being made at this time. Hydro One has identified a list of projects, but the level of costs, the timing, and the need for the expenditures has not been sufficiently justified in this proceeding to make any conclusion as to the prudence of these expenditures. Due to the current uncertainty around the extent of the additional capacity required, the timing for any additions, and the ultimate proponents for specific projects, the expenditures which Hydro One proposes to make may be duplicative, premature or excessive. Two factors are particularly important in this regard.

First, as has been noted by Board staff and the intervenors, the OPA is still conducting its analysis of the FIT applications and is still in the process of developing its Transmission Availability Tests and Economic Connection Tests. The Board cautions Hydro One against making significant expenditures in advance of the OPA's work in this area.

Second, Board policy regarding transmission plans (including the scope, timing, and approval of such plans) is still under development. The Board cautions that it may not allow the recovery of costs for work which duplicates the work of other transmitters. The Board is expecting to issue a staff discussion paper addressing transmission plan issues shortly.

A full test of prudence will be undertaken when Hydro One applies for disposition of the account. The Board finds merit in highlighting the considerations identified by VECC and CME and expects that those issues, among others, will be addressed at the time of disposition. Hydro One will have the opportunity to demonstrate the relevance or lack thereof of the considerations identified by VECC and CME at that time.

Cost Awards

The Board has already granted cost eligibility to CCC, CME, Energy Probe and VECC.

The Board therefore orders that:

1. The Board approves the addition of the requested projects to the list in the “IPSP and Other Preliminary Planning Costs” deferral account, originally authorized in the EB-2008-0272 decision.
2. Parties eligible for costs shall submit their claims on or before Friday April 9, 2010. The cost claim must be filed with the Board and one copy is to be served on Hydro One. The cost claims must conform to the Board’s Practice Direction on Cost Awards.
3. Any objections to the cost claims must be filed with the Board and one copy must be served on the party against whose claim the objection is made, by Friday April 16, 2010.
4. The party whose cost claim was objected to will have until Friday April 23, 2010 to respond. A copy of the response must be filed with the Board and one copy is to be served on Hydro One.
5. Filings to the Board must be made in the manner described in Procedural Order No. 1 in this proceeding.
Hydro One shall pay the Board’s costs upon receipt of the Board’s invoice.

Dated at Toronto March 25, 2010

ONTARIO ENERGY BOARD

Original signed by

John Pickernell
Assistant Board Secretary