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BY EMAIL and RESS

January 26, 2012

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
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Attn: Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2011-0169 – 2012 Greater Sudbury Hydro Inc. – IRM Rate Application

1. We are counsel for the School Energy Coalition ("SEC"). These are SEC's final submissions in this matter, restricted in scope to the proposed Smart Grid Rate Adder for the Community Energy Storage ("CES") Project.
2. **Summary:** SEC supports the CES smart grid demonstration project proposed by the Applicant. However, the issue in this proceeding is not the value of the CES Project but the approval of pre-funding through a rate adder. SEC submits that it is inappropriate for the Applicant to fund the project through a Smart Grid Rate Adder at this time. Instead, the Applicant should be encouraged to record all incremental expenditures related to the CES Project in Account 1534: *Smart Grid Capital Deferral Account* and Account 1535: *Smart Grid OM&A Deferral Account*.
3. **Process Concerns:** The Filing Requirements with respect to *Distribution System Plans – Filing Under Deemed Conditions of License* ("Filing Guidelines") set out the requirements for smart grid activities, including demonstration projects. The filing guidelines with respect to smart grid projects come within the requirements for LDC's filing Green Energy Act Plans as

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part of their cost-of-service rate applications to begin in 2012.¹ This is not a cost-of-service application. In our view, the Board should consider whether it is appropriateness for an application for smart grid funding to be filed during the IRM term.

4. In addition, the Board is currently undertaking a series of consultations to develop a Renewed Regulatory Framework. Included in this process is EB-2011-0004, *Developing Guidance for the Implementation of Smart Grid in Ontario*, and within that initiative the Board has created the Smart Grid Working Group. The Staff Discussion Paper for the consultation discusses various questions relating to filing requirements and cost recovery.² SEC submits that until that consultation has been completed and the Board has issued its Report, it would not be appropriate for the Applicant to seek approval of a smart grid project outside of the Board's current guidelines, i.e. through a cost-of-service application.
5. **CES Project Demonstration Project Merits:** SEC submits that the CES project proposed by the Applicant may have significant benefits for the development of the smart grid. Due to specific characteristics of its distribution system and service area, the Applicant may very well be an ideal host utility for such a demonstration project. SEC is concerned though with the method of funding sought by the Applicant. SEC submits that at this time it is inappropriate for the Applicant to recover costs through the rate adder.
6. While S&C has submitted an application for funding of the CES Project to Ministry of the Environment's Smart Grid Fund ("SGF"), it has not yet passed the second stage and the Applicant is unable to provide a timeline for completing of the approval process.³ At this time it would seem premature to approve funding by way of rate adder, which would lead to funds being collected from ratepayers before the outcome of the SGF application has been determined. Even if the CES Project is approved, there is no guarantee that the Ministry of the Environment will approve the entire amount requested, and that may ultimately affect S&C's willingness to undertake the project.
7. The Applicant is scheduled to submit a cost-of-service application next year for 2013 rates. SEC submits that there is no pressing need at this time to approve funding for the Applicant's part of the CES Project. The Applicant, if it chooses, can re-apply during its rate application next year for recovery of incremental expenditures after approval for funding through the SGF.
8. SEC has also has concerns that a number of the expenditures may not be incremental to activities currently approved in rates. As an example, the Applicant seeks to recover project costs for 'Management', which include expenditures such as public meetings, operational

¹ *Distribution System Plans – Filing Under Deemed Conditions of License*, dated March 25, 2010 at page 9 (EB-2009-0397) ("Filing Guidelines").

² *Staff Discussion Paper In Regards to the Establishment, Implementations and Promotion of a Smart Grid in Ontario*, dated November 8, 2011 (EB-2011-0004)

³ SEC Interrogatory #4

practices, and monthly reporting. In SEC's view these costs may not be incremental and therefore may not be recoverable from ratepayers.

9. While SEC submits that it is not appropriate for the Applicant to recover expenditures for the CES Project through a rate rider, it should be encouraged to undertake being the host utility for the Project and record all potential expenditures in the Smart Grid deferral accounts (1534 and 1535) that have been already authorized by the Board.⁴ At a future date the Board will be able to dispose of the balance after completing a prudence review. That review would include a confirmation that all expenditures incurred are incremental.
10. **OM&A Pre-Approval** The Applicant are also seeking in addition to the Smart Grid Rate Adder, "the Board's support in this application for the recovery of the annual maintenance costs with the next Cost of Service Application as this on-going cost component is part and parcel of the project".⁵ SEC submits that such an approval is inappropriate; recovery through rates of future OM&A costs of the program should be determined during a cost-of-service application relating to the relevant period, and not during the prior IRM term.
11. **Costs:** SEC submits that it has participated in this proceeding in a responsible and focused manner with a view to assisting the Board, and requests that the Board order payment of its reasonably incurred costs of that participation.

All of which is respectfully submitted.

Yours very truly,
JAY SHEPHERD P.C.

Originally signed by

Mark Rubenstein

cc: Applicant and Intervenors (by email)

⁴ *Filing Guidelines* at page 23-24.

⁵ Appendix E at page 17.