

**Ontario Energy Board**

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

**AND IN THE MATTER OF** an application by Niagara-on-the-Lake Hydro Inc. for an order approving just and reasonable rates and other charges for electricity distribution to be effective May 1, 2014.

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**ARGUMENT OF  
ENERGY PROBE RESEARCH FOUNDATION  
("ENERGY PROBE")**

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**March 26, 2014**

**NIAGARA-ON-THE-LAKE HYDRO  
2014 RATES**

**EB-2013-0155**

**ARGUMENT OF ENERGY PROBE RESEARCH FOUNDATION**

**A - INTRODUCTION**

This is the Argument of the Energy Probe Research Foundation ("Energy Probe") related to the issue that was not settled in the setting of 2014 rates for Niagara-on-the-Lake Hydro ("NOTL") to be effective May 1, 2014.

As indicated in the Settlement Proposal dated March 22, 2014, there is no settlement of Issue 9.1 (Are the proposed deferral accounts, both new and existing, account balances, allocation methodology, disposition periods and related rate riders appropriate?) with respect to Account 1535 - Smart Grid OM&A Deferral Account.

The Parties to the Settlement Proposal did not agree on whether the smart grid project was eligible for recording in the Green Energy/Smart Grid variance accounts, and as a result, there was no agreement on whether the amount that was recorded in Account 1535 is eligible for recovery.

NOTL included their written submission in Appendix 1 of the Settlement Proposal.

**B - ACCOUNT 1535**

The amount being claimed by NOTL in Account 1535 is \$133,025. This figure, shown on page 3 of Appendix 1 in the Settlement Proposal is made up of \$84,585 in OM&A costs, \$44,242 in depreciation costs and \$4,198 in interest to April 30, 2014.

In the original evidence NOTL stated at page 20 of Exhibit 9, Tab 2, Schedule 1 that:

*"Primary projects costs contributing to the Smart Grid OM&A account include the unfunded portion of the Residential Load Control Pilot project (\$46,000), industry smart grid training courses, maintaining/tuning the Smart Grid self-healing system and participation in an EDA delegation that visited Denmark to study smart grid connections of renewable generation."*

However, in the response to 9.1-VECC-40, NOTL states that all of the OM&A costs were related to the smart grid demonstration project recorded in Account 1534, and that no costs are related to studies and planning exercises or education and training.

In the Filing Requirements: Distribution System Plans - Filing under Deemed Conditions of Licence, originally issued March 25, 2010 and revised May 17, 2012 (EB-2009-0397), Account 1535 is to be used to record the operating, maintenance, amortization and administrative expenses directly related to the following smart grid development activities: smart grid demonstration; smart grid studies and planning exercises; and smart grid education and training (Section 7.2.2).

As noted above, the response to 9.1-VECC-40 states that all of the OM&A costs recorded in this account are related to the smart grid demonstration project.

However, Section 7.2.2. also states that "Distributors should not record in this account any allocation of general expenses that are not specifically related to the investments that can be recorded in Account 1534.

NOTL notes that the associated capital expenditures and net capital additions of \$237,952 that had been recorded in Account 1534 were accepted by the Parties under Issue 9.1 (page 2 of Appendix 1 to Settlement Proposal). This does not, however, mean that Energy Probe accepts that these capital expenditures should have been recorded in Account 1534. Energy Probe supports the inclusion of the net capital additions in the test year rate base irrespective of whether or not they were included in Account 1534. If they had not been included in Account 1534, the same amount would have been included in the test year base through the normal addition of this capital expenditure to gross assets and the changes to accumulated depreciation that would have taken place over the years prior to the test year.

Energy Probe submits that the issue with respect to Account 1535 is whether or not the investments qualified to be in Account 1534. Further, Energy Probe submits that this is an all or nothing issue. By definition, if the investment does not qualify for inclusion in Account 1534, there can be no depreciation expense included in Account 1535. Further, there can be no OM&A expenses in Account 1535 since these expenses need to be specifically related to the investments that are recorded in Account 1534, of which there would be none.

Account 1534 is a smart grid capital deferral account that is to include investments related to smart grid demonstration projects. Board Staff asked NOTL to comment on the view that the installation of switches to transfer Old Town supply to another feeder to address reliability issues was not new and was part of the ongoing responsibility of the distributor to investigate and address such issues and that any capital investment made in this regard would be part of its normal activities (5.1-Staff-13). The response provided by NOTL does not directly answer the question. Rather, the response indicates that the switches installed were considered leading edge technology at the time.

Energy Probe submits that leading edge technology is not sufficient rationale for inclusion of the investment in Account 1534. The activity of a distributor should include the investigation of leading edge technology in the normal course of business.

NOTL notes in the response to 5.1-Staff-13 that with today's technological advancements, one can argue that by the time new technology is implemented, it is yesterday's technology. Energy Probe submits that this reinforces the view that dealing with new technology is part of the normal course of business for today's distributors.

Energy Probe submits that NOTL has not provided sufficient evidence to support the conclusion that the installation of the switches was a demonstration project as opposed to the normal course of business of finding a solution to a problem.

In the DSP filing requirements (EB-2009-0397), the Board set out the information that should be provided for all smart grid development activities (Section 4.4). Energy Probe submits that NOTL did not provide the required information to support the inclusion of the investment costs in Account 1534. For example, no information was provided as to whether or not NOTL undertook a review of other similar demonstration projects to determine what was already learned about the technology; no information on any other demonstration projects that had been conducted and why additional demonstration by NOTL was necessary; no information of any joint participation projects, information sharing arrangements and any other efforts that NOTL made to avoid undertaking a project that unnecessarily duplicates other ongoing or planned demonstration projects so as to avoid redundant demonstration projects; and no formal evaluation was performed to assess the value of the project.

For the reasons noted above, Energy Probe submits that the project was not a demonstration project, but rather a project carried out in the normal course of business by NOTL. It is submitted that the Board should determine that the investment in this project does not qualify for inclusion in Account 1534 and as a direct result, no amounts included in Account 1535 should be recoverable from ratepayers.

## **C - COSTS**

Energy Probe requests that it be awarded 100% of its reasonably incurred costs. Energy Probe co-operated with other intervenors in this application to minimize duplication where possible.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED**

**March 26, 2014**

**Randy Aiken  
Consultant to Energy Probe**