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March 27, 2014

**VIA E-MAIL**

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

Dear Ms. Walli:

**Re: EB-2013-0155 - Niagara-on-the-Lake Hydro Inc. (NOTL)  
Final Submissions of Vulnerable Energy Consumers Coalition**

Please find enclosed the submissions of the Vulnerable Energy Consumers Coalition (VECC) in the above noted proceeding.

Thank you.

Yours truly,

Michael Janigan  
Counsel for VECC

cc: NOTL - M. Galloway - [mgalloway@notlhydro.com](mailto:mgalloway@notlhydro.com)

**ONTARIO ENERGY BOARD**

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

**AND IN THE MATTER OF an Application by Niagara-on-the-Lake Hydro Inc. pursuant to section 78 of the *Ontario Energy Board Act* for an Order or Orders approving just and reasonable rates for electricity distribution to be effective January 1, 2014.**

**FINAL SUBMISSIONS**

**ON BEHALF OF THE**

**VULNERABLE ENERGY CONSUMERS COALITION (VECC)**

**March 27, 2013**

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# **Vulnerable Energy Consumers Coalition (VECC)**

## **Final Argument**

### **Niagara-on-the-Lake Hydro EB-2013-0155**

#### **1 THE ISSUE**

- 1.1 The parties have settled all matters other than whether the amount of \$133,025 recorded in Account 1535 is eligible for recovery.

#### **2 THE FACTS**

- 2.1 NOTL serves the old (Historic) town of Niagara-on-the-Lake via two 27.6 kV feeders that originate several kilometres south of its MTS#2 substation. Switches were installed to automatically transfer supply to the Old Town should one of the feeders fail with a fault that does not originate in the Town. The switches are part of NOTL's SCADA system.<sup>1</sup>
- 2.2 There are two components to the cost of these switches. \$282,194 was invested in capital costs in 2009 through 2011. An amount of \$44,242 of associated accumulated depreciation was recorded and a net amount of \$237,952 in capital costs is to be placed into 2014 rate base.<sup>2</sup> The amount to be recorded in 2014 rate base is not in dispute. However, VECC disputes how these costs were recorded and whether the associated accumulated depreciation for 2009 through 2011 is eligible for rate recovery.
- 2.3 The total amount in dispute is \$133,025k includes both the accumulated depreciation and costs associated with travel and conferences where this project was presented. It also appears to have recorded costs related to a residential load control pilot project. The total cost represents approximately 6% of the agreed upon 2014 OM&A costs.

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<sup>1</sup> Exhibit 9, Tab 2, Schedule 1, pg.18-19.

<sup>2</sup> Ibid.

2.4 NOTL described in its evidence the costs as: “[P]rimary 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.”<sup>3</sup>

2.5 VECC asked NOTL to provide specific details of these costs. In response the following table was provided<sup>4</sup>.

	J	K
51	<b><u>Breakdown of 1535 Claim</u></b>	
52	OM&A to December 31, 2012	
53	Demonstration projects	\$ 84,585
54	Studies and planning exercises	\$ -
55	Education and training	\$ -
56	Total OM&A	\$ 84,585
57	Depreciation to December 31, 2012	\$ 44,242
58	Interest to April 30, 2014	\$ 4,198
59	Total	\$ 133,025

NOTL added that “[U]pon completing the system installation in 2011, NOTL Hydro was invited (and accepted) to speak at a North American technical conference in Montreal hosted by Hydro Quebec and share our experience to the audience.”<sup>5</sup>

<sup>3</sup> Exhibit 9, Tab 2, Schedule 1, pg.20

<sup>4</sup> Table from 9.1-VECC-40

<sup>5</sup> 9.1-VEC-39

2.6 VECC agrees with NOTL as to the Board policy with respect to what may be recorded in account 1535. This is outlined by NOTL in the evidence as:

*“ [O]perating, maintenance, amortization and administrative expenses directly related to the following smart grid development activities should be recorded in this operating deferral account:*

- *smart grid demonstration projects;*
- *smart grid studies and planning exercises; and*
- *smart grid education and training.”*<sup>6</sup>

### **3 OUR SUBMISSION**

3.1 VECC disagrees with the characterization of these costs as being smart grid related. We also question what, if any costs associated with the OPA funded residential load control program should have been recorded in account 1535.

3.2 In our submission the costs related to the automated switches that NOTL installed should not have been recorded in the smart grid deferral account as they do not meet the criteria that NOTL itself subscribes to. While we have no doubt that the switching technology was innovative or necessary it was, in our view, a normal upgrade to the distribution system. To accept the argument otherwise would be to conclude that all investments in automated equipment or SCADA systems are “smart grid” investments. In the vernacular - because an investment is “smart” does not necessarily make it “smart grid.” In our submission automated switching technologies are *de rigueur* in today’s modern distribution system. This particular investment is consistent with changes over the past 10 years from passive monitoring to more active controlled distribution systems.

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<sup>6</sup> Exhibit 9, Tab 2, Schedule 1, pg.20

- 3.3 The Board's rules clearly contemplate that account 1535 is (was) for pilot projects and those types of investments primarily driven by the policy agenda of distributed power generation. The automated switches are neither.
- 3.4 The method of how NOTL recorded the automated switches has no effect on 2014 rate base. Whether recorded in a deferral account or as part of the general continuity accounting makes no difference to the calculation of 2014 base rates. It does however, go to whether NOTL is eligible to recover \$44,242 in related accumulated depreciation. In our submission, and for the reasons above, NOTL should not be allowed to recover this out of period accounting cost.
- 3.5 Resolution of the categorization of the automated switches is also conceptually important for understanding whether travel and conference costs claimed by NOTL can be recovered from ratepayers. It follows that if the automated switches should not have been recorded in account 1535 then neither should any associated costs be allowed. This includes any costs for travel that NOTL claims for conferences and meetings to discuss this investment.
- 3.6 In our submission even if the Board were inclined to find the automated switches as a smart grid investment it does not follow that costs to "show off" this investment should be recovered from ratepayers. Overseas and other trips provided no value to NOTL's ratepayers. Whether one considers the costs prudent or not these are costs that should have been paid from the rates that were approved during the time in which the events took place.
- 3.7 What remains is the residential load control pilot project mentioned briefly in NOTL's Consolidated Distribution System Plan where it states: "[A] *'behind-the-meter' residential load control pilot project, sanctioned and partially funded by the OPA, was conducted in 2010. The pilot provided valuable insight into equipment capabilities and customer expectations that was shared with the province through a Navigant Consulting report released in 2011.*"<sup>7</sup> NOTL did not explain what was meant by "partial funding" by the OPA.

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<sup>7</sup> Distribution System Plan Exhibit 2, Appendix 2A, pg. 29

- 3.8 Notwithstanding VECC's request to detail these costs NOTL has not explained what precisely is included in the \$84,585 in spending. As there was no supplementary discovery process after interrogatories VECC was unable to clarify this issue on the record. In any event, the burden is on the Applicant to prove its case. The record is ambiguous as to what, if any amounts, of the Residential Load Control Pilot project were not compensated by OPA. VECC explicitly provided an opportunity to NOTL to clarify the matter prior to argument. Having failed to provide sufficient evidence to support their case means these costs should also be disallowed.
- 3.9 VECC submits that its participation in this proceeding has been focused and responsible. Accordingly, VECC requests an award of costs in the amount of 100% of its reasonably-incurred fees and disbursements.

**All of which is respectfully submitted this 27<sup>th</sup> day of March 2014.**