

Ontario Energy Board

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. for an Order or Orders pursuant to section 92 of the *Ontario Energy Board Act, 1998* (as amended) granting leave to construct transmission line facilities in the Windsor-Essex Region, Ontario.

Technical Conference re Phase 2 Interrogatory Responses

Questions to Hydro One Transmission

Energy Probe Research Foundation

May 28, 2015

EB-2013-0421 Phase 2- Energy Probe Technical Conference Questions

Energy Probe Q#1

Ref: Exhibit I-P2, Tab 11, Schedule 10

Preamble: The Board has not ruled previously on the beneficiary pay principal.

Background

Exhibit I-P2, Tab 5, Schedule 4, Page 2, part d) “To the IESO’s knowledge this is the first time the proportional benefits approach has been applied, therefore the IESO is not aware of any regulatory precedent for the method being proposed.

Exhibit I-P2, Tab 9, Schedule 2, Page 2, part b) indicates “The IESO and Hydro One only considered the cost allocation alternative described in the Recommended Cost Allocation Treatment evidence filed as Exhibit B, Tab 4, Schedule 5”.

Exhibit I-P2, Tab 1, Schedule 11, Page 1, Part a) indicates “Hydro One nevertheless acknowledges that a proportionate benefit split based on all related project costs would be an arguably purer approach, especially if an approved methodology is to become policy for use in all such similar investments.”

Questions

- a) Confirm that the latter response indicates that a proportional Cost allocation could/should apply to the 3 main components of the following inter-related Regional Projects with a total cost of \$119.2 million (\$99.9m+\$19.3m).**

**-System Integrity Restoration in J3E-J4E -\$22.5 million savings
-SECTR Project- \$ \$77.4 million
-Leamington Transformer- \$19.3m (savings due to SECTR ~\$6 million)**

If not correct, please correct/provide the components and the costs of the related Regional TX/DX projects.

- b) Please explain from a “trigger” construct and a “fairness principle” why this alternative approach to cost allocation is appropriate.**
- c) Please provide the alternative Cost Allocations to the TX Pool, LDCs and Large customers. Compare to the IESO/HO proposed allocation in terms of cost responsibility and Capital Contributions.**

- d) Please indicate where, to IESO/HO's knowledge, has such an approach been adopted in other jurisdictions?
- e) Please discuss whether in IESO/HO's opinion this potential alternative allocation fits/does not fit with the 6 Principles set out FERC Order 1000 (pages 421-423).
- f) Comment on the Principles as they may apply to regional planning in Ontario.
- g) Please explain/discuss whether such a cost allocation only works for related coincident (in time) Regional projects or also across Regions.

Energy Probe Q#2

Ref: Exhibit I-P2, Tab 11, Schedule 7

Preamble: Load reductions as contemplated in sections 6.5.8 to 6.5.10 of the TSC would not be counted against customers of distributors or customers of Hydro One Distribution in the true-up calculation. Such reductions must relate to generation that was installed, or activities that occurred, during the true-up periods set out in section 6.5.3 (c)—this covers the first 10 years after in-service but not necessarily beyond 10 years. Reductions which result in a decrease in capital contributions to the transmitter will increase the cost to the transmission pool.

Background

Exhibit I-P2 Tab 2 Schedule 16 Page 1 indicates “Benefits to future distributed generation customers were not taken into consideration in determining the proposed capital contributions by the affected distributors”. See also Exhibit I-P2 Tab 2, Schedule 15.

Questions

- a) Using a hypothetical increase of 75MW in DG in Kingsville/Leamington from 2018-2021, please provide a scenario showing the impact on the Load Forecast, the Capital Contribution and on the Transmission Pool customers. Please delineate how much will be paid by the Greenhouse Growers with DG or third party Generators (other than their line connections to the LDC).

- b) Please relate the response to that provided in Exhibit I-P2Tab 11 Schedule 5 Page 4-Scenario D: 10% Decrease to Non-coincidental peak in first ten years. In particular how will the capital contribution and its allocation to load customers or Distributed generators be affected by load reduction due to DG. (\$39.4 m to \$42.2 million)
- c) Specifically for Hydro One Dx and the 3 Embedded LDCs, confirm that the Load Forecast includes a CDM forecast that corresponds to the 2014-2020 LDC targets established by IESO and also reflects the LDC's Sectorial (Greenhouse) CDM reduction estimates. Please provide the relevant data for HO Dx and each LDC.

Energy Probe Q#3

Ref: Exhibit I-P2, Tab 11, Schedule 13, Part a) and b)

Preamble: CHPSOP 2.0, targeting agricultural industry (e.g. greenhouses) and district energy projects was launched in 2014. Interest in CHP greenhouse projects in the Kingsville-Leamington area has remained high. The IESO received 25 applications representing 219 MW for greenhouse CHP projects in the first application window – these applications are currently being evaluated for contract awards up to 75 MW.

Questions

- a) Please update the Status of CHPSOP 2.0 as related to Kingston/Leamington- timing, capacity and potential in-service dates etc.
- b) Please provide a discussion on how the potential for up to 75 MW of DG will affect:
 - The SECTR load forecast 2018 onward
 - The Up-front Capital Contribution of \$39.4 million and
 - The True Up -Timing/Amount of True up
- c) Please discuss how LDCs and their customers should make allowance for True-up costs e.g. deferral/variance account(s). Assume that the LDCs are under a 4GIRM or similar regulatory regime.