



EB-2016-0201

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

AND IN THE MATTER OF an extension of an existing deferral account held by Hydro One Networks Inc.

BEFORE: Ken Quesnelle
Presiding Member

DECISION AND ORDER

September 28, 2017

Background

On July 18, 2016, the OEB issued its Regulated Price Plan Roadmap: *Guideline for Pilot Projects on RPP Pricing* (Guideline). With the release of the Guideline, the OEB invited distributors to participate in developing and implementing priority price and non-price pilots that have been identified by the OEB. On August 19, 2016, Hydro One Networks Inc. (Hydro One) submitted an application to develop and implement price and non-price pilots, including the continuation of pilots that it currently had underway.

On September 23, 2016, the OEB issued a Decision and Order granting HONI a deferral account for costs associated with extending the existing Smart Grid Fund pilot. The OEB required that Hydro One not record more than \$1 million in the account, and limited the time period for cost recording from October 1, 2016 to April 30, 2017. Through a Decision and Order dated November 17, 2016, the OEB established the Accounting Order for the deferral account.

The OEB has twice (through Orders dated April 27, 2017 and July 28, 2017) granted Hydro One an extension of the time period for the account and increased the amount that may be recorded.

Hydro One provided an updated application for its new RPP pilots on August 31, 2017. As the review by the OEB of Hydro One's application will extend beyond the present termination date of the account, the OEB on its own motion has considered an extension of both the time period of the account and the cap on the amounts that may be recorded in the account.

Findings

The OEB has proceeded to issue this Decision and Order without a hearing. As the costs recorded in the deferral account will be subject to a prudence review before any costs are recovered from ratepayers, no person other than Hydro One will be adversely affected in a material way by the outcome of this process.

The deferral account was established in order to allow HONI to record costs relating to continuing the existing Smart Grid Fund pilot, particularly to maintain current customer recruitments and enable a smooth transition to a new pilot. These considerations continue to be relevant. As the OEB will need to conduct a full review of the new information, the OEB finds that the limitations on the timing and level of costs to be recorded should be removed from the deferral account.

As the OEB indicated in its Decision and Order of July 28, 2017, the recovery of amounts recorded in the deferral account will be subject to an OEB determination of prudence prior to any disposition of the account. At the inception of the deferral account twelve months ago, Hydro One indicated that the deferral account would "enable transitioning to the new pilot by maintaining current recruitments, avoiding expensive future recruitment, maintaining customer experience by preventing a stop-and-go approach, and assessing persistence based on a longer time frame for customer data monitoring and analysis." The OEB's review will include a consideration of the quantum of the avoided recruitment costs that the maintenance of the existing customer group was intended to achieve.

Hydro One has always been in the best position to gauge whether or not the total cost recorded is justified when measured against the benefits cited in its original request. The onus will remain on Hydro One to demonstrate that the cited benefits outweigh the incurred costs.

THE BOARD ORDERS THAT:

1. The termination date and upper limit for recording costs presently imposed on Hydro One's Sub-account SGF Pilot Deferral Account are removed. An amended Accounting Order is attached as Appendix A to this Decision and Order.

DATED at Toronto, September 28, 2017

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Appendix A

HONI Accounting Order

Board Order No: EB-2016-0201

Dated September 28, 2017

**Hydro One Networks Inc. Accounting Order
EB-2016-0201**

Account 1508 Other Regulatory Assets – Sub-account SGF Pilot Deferral Account

Hydro One Networks Inc. shall establish this deferral account effective October 1, 2016 to record costs associated with extending the existing SGF Pilot as approved by OEB in its decision for EB-2016-0201. As noted in the decision, these costs shall be limited to the costs for extending the pilots from October 1, 2016 to the later of: the end of the month following the date the OEB issues a decision on Hydro One’s application, or the end of the last billing period when SGF prices are being applied to SGF pilot participants, as laid out in HONI’s RPP pilot project schedule.

The disposition of the deferral account will be subject to an OEB determination of prudence.

The accounting entries to be recorded are as follows:

USofA #	Account Description
Dr: 53XX	Billing and Collecting Expense account range
Cr: 2205	Accounts Payable

USofA #	Account Description
Dr: 1508	Other Regulatory Assets – Sub account “SGF Pilot Deferral Acct”
Cr: 53XX	Billing and Collecting Expense account range

To record rebates to customers as well as implementation and maintenance costs associated with the extension of the SGF pilot program.

USofA #	Account Description
Dr: 1508	Other Regulatory Assets – Sub account “SGF Pilot Deferral Acct”
Cr: 6035	Other Interest Expense

To record carrying charges on the principal balance of the “SGF Pilot Deferral Acct”.