

**From:** Rachel Anderson [<mailto:Rachel.Anderson@ontarioenergyboard.ca>]  
**Sent:** December-20-13 10:36 AM  
**To:** Leslie Dugas; Roy Hrab  
**Subject:** RE: Smart Grid questions

Hi Leslie,

Thanks for your questions, responses are below. If you require further clarification please do not hesitate to contact me.

Thanks,

Rachel Anderson

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**From:** Leslie Dugas [<mailto:LDugas@bluewaterpower.com>]  
**Sent:** December 18, 2013 9:55 AM  
**To:** Rachel Anderson; Roy Hrab  
**Subject:** Smart Grid questions

Hello, Bluewater Power has launched an internal group to assess smart grid options. I have reviewed the documents that have been released on Smart Grid including: G-2009-0087 Deemed Conditions of Licence: Distribution System Planning, the Supplemental Report on Smart Grid, and the Chapter 5 Requirements. I also attended the OEB's roadshow back in October. I have a couple of questions:

1. Bluewater filed a GEA plan as part of its 2013 COS application and included an amount of \$40,000 for Smart Grid OM&A expenses mainly for research projects and staff education. We did not include anything for smart grid capital expenditures. We did not request approval of the budget at that time, but indicated we would use the deferral accounts until our next rebasing application. My question is, if we do plan on spending on smart grid capital expenditures, do we have to update the 'plan' which was part of our rebasing application, or are we restricted to what we had included in our plan?

It is Board staff's view that Bluewater may use the deferral accounts to record smart grid *capital* expenditures without updating the GEA plan that was included in its rebasing application. At Bluewater's next rebasing the expenditures included in those accounts (both capital and OM&A) will be reviewed for prudence and dealt with accordingly. Note that, these 'smart grid' deferral accounts are only available to distributors until such time as a cost of service

application with a Distribution System Plan is filed as set out in Chapter 5 of the new filing requirements. Given that the Board has determined that grid modernization is an integral part of the ongoing development of the system the deferral and variance accounts, rate riders, and rate adders previously established for 'smart grid' investments will no longer be available once a distributor has filed a Distribution System Plan as part of its next rate application.

Secondly, the last guidance I can see for the usage of the deferral accounts (G-2009-0087) indicates that capital expenditures should be limited to smart grid studies or demonstration projects, planning and education only. Is this guidance still applicable, in that we cannot invest in 'real' smart grid projects yet? My interpretation of the 'Supplemental Report on Smart Grid' is that LDCs should be moving forward with real projects as appropriate, but I would like confirmation that the deferral accounts as established under G-2009-0087 are the appropriate accounts for spending.

Per the Supplemental Report distributors are indeed expected to investigate appropriate ways to modernize their grids and are no longer limited only to pilot / demonstration projects. Although this was not explicitly stated in either the RRFE or the Supplemental Report, staff's view is that the deferral accounts have evolved with the Board's policy. This means, until Bluewater files a cost of service application with a DSP it is appropriate to include any 'smart grid' expenditures (not limited to demonstration projects etc.) in the deferral accounts. As mentioned above, when Bluewater comes in for its next rebasing, the amounts in the deferral accounts will be addressed and all 'smart grid' expenditures going forward will be part of Bluewater's DSP and therefore need not be identified, or accounted for, separately.

Thank you,

*Leslie Dugas*

Manager of Regulatory Affairs

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