

Ontario Energy
Board
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'Énergie
de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL

February 26, 2010

Ms. Kirsten Walli
Board Secretary

Dear Ms. Walli:

**Re: Board Staff Submission
Request by Hydro One Networks Inc. for amendment to the deferral account
established in Ontario Energy Board Decision and Order EB-2008-0272
Board File No. EB-2009-0416**

Please find attached the Board Staff submission with respect to the above proceeding.

Please forward the attached submission to Hydro One Networks Inc. and all intervenors in this proceeding.

Yours truly,

A handwritten signature in black ink, appearing to read "Edik Zwarenstein". The signature is written in a cursive style and is underlined.

Edik Zwarenstein
Project Advisor

ONTARIO ENERGY BOARD

STAFF SUBMISSION

Hydro One Networks Inc

**MOTION TO ADD PROJECTS TO EXISTING
DEFERRAL ACCOUNT
AUTHORIZED UNDER EB-2008-0272**

EB-2009-0416

February 26, 2010

Introduction

Ontario Energy Board staff does not oppose the request of Hydro One Networks Inc. (“Hydro One”) to add certain additional projects to the deferral account established under EB-2008-0272. Deferral accounts are a mechanism that can be used by regulated utilities to record costs that may be recoverable through rates at a future time. Board staff submits that the criteria which Hydro One suggests as relevant in its response to Board staff interrogatory #5 are in accordance with Board practice. However, Board staff submits that the Board, if it decides to grant Hydro One’s request, should reinforce the fact in its decision that the inclusion of costs in a deferral account does not imply that the prudence of the recorded expenditures has been tested, nor that Hydro One is entitled to recovery of the recorded costs.

In making its application, Hydro One relies on a letter dated September 21, 2009 to the Chair of Hydro One Networks Inc. from the Minister of Energy George Smitherman. That letter expresses the expectation that Hydro One will proceed with the bulk transmission upgrade projects listed in Schedule A of that letter. It should also be noted that the September 21 letter indicated that in implementing these projects the Minister expects that Hydro One will follow appropriate consultation and approvals processes.

Board staff submits that there are aspects of the evidence filed on which additional clarity is needed, and staff invites Hydro One to address the following issues.

Overlap of Projects

It is submitted that Hydro One did not provide a complete response to Board staff interrogatory #2 which called for an explanation of potential overlaps in those projects now requested and those projects for which the deferral account was authorized under proceeding EB-2008-0272.

Hydro One identifies four projects included in the current motion that are already included in the deferral account. Board staff does not understand why, if the projects are identical, the projects have been added to the list of projects to be included in the deferral account. If these projects are not identical, the differences should be made more explicit.

Board staff submits that it is not clear whether the scope or scale of certain proposed projects is greater than, less than or identical to the existing overlapped projects in the list of projects already included in the deferral account.

Cost Estimates

Board staff notes that the estimates originally proposed for the projects sought to be included in the deferral account have changed significantly between those included in the request and those provided in the interrogatory answers. Board staff at this time is unable to reconcile the differences between the initial request of \$167.7million and the response to IR#2 amount which quotes \$125.5 million.

Board staff further submits that the total amounts proposed for the projects may be excessive, and if Hydro One chooses to spend such amounts, the utility could be at risk of having the Board find that some of its expenditures are not prudent.

The Ontario Power Authority ("OPA") has not yet completed its Transmission Availability Tests and Economic Connection Tests for the Feed-In Tariff program for any part of the province. The work to be completed by the OPA will be the foundation for transmission planning for renewable generation. Staff submits that Hydro One should be cautious in making significant investments in transmission planning in advance of the completion of the two noted OPA tests.

In addition, in the absence of more detailed information from the OPA, there is the potential for inefficient duplication of development work by Hydro One Networks Inc. and other licensed transmitters who may also develop transmission plans to accommodate the same needs.

Partnerships and Third Party Project Work

Despite the wording of the Minister's letter, Hydro One has indicated that it has not yet found partners to participate in any of the projects, nor third parties that might better accomplish projects. Board staff submits that there is a possibility that costs incurred by Hydro One might be found to be imprudent if it is determined that efforts to find partners or alternative project proponents were inadequate.

ALL OF WHICH IS RESPECTFULLY SUBMITTED