

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

AND IN THE MATTER OF a review of an application
filed by Essex Powerlines Corporation for an order
approving just and reasonable rates and other
charges for electricity distribution commencing May 1,
2010.

FINAL SUBMISSIONS
OF THE
SCHOOL ENERGY COALITION

1. These are the final submissions of the School Energy Coalition ("SEC") in the application by Essex Powerlines Corporation ("Essex") for an order approving just and reasonable rates for the distribution of electricity commencing May 1, 2010.
2. On February 24, 2010, Essex submitted a Settlement Agreement for approval by the Board. The parties to the Settlement Agreement were Essex, the Vulnerable Energy Consumers' Coalition ("VECC"), Energy Probe, and SEC. On March 3, 2010, the Board accepted the Settlement Agreement.
3. These submissions therefore address only those issues that are identified in the Settlement Agreement (at pg. 13 thereof) as being unresolved.
4. We have had the opportunity to review the draft submissions of Energy Probe and VECC in relation to all of the above issues. Doing so has greatly reduced the amount of effort required for these submissions. We are generally in agreement with Energy Probe's and VECC's submissions but offer the following additional submissions on behalf of SEC.

Issue 1: Lead/Lag Study

5. SEC agrees with Energy Probe and VECC that the amount of working capital included in Essex's rate base, and the resulting revenue requirement impact, is a material amount. Like any other material amount included in revenue requirement, it should be supported by reasonable evidence. At present, the only "evidence" used to determine the working capital requirement is a Board guideline. SEC therefore agrees with Energy Probe and VECC that a lead lag study is required.

Issue 2: Appropriate Return on Equity and Capital Structure

6. SEC agrees with Energy Probe's submissions regarding the flotation costs included in the equity risk premium portion of the allowed return on equity.

7. SEC acknowledges that the return on equity is itself a proxy figure, designed to reward the utility investor with a rate of return on its investment that is equivalent to what the investor would earn had it invested in an enterprise with a similar risk profile in the competitive market. As such, the return on "equity" is included in the distributor's revenue requirement even where, for example, the distributor has no actual equity.

8. The flotation cost, however, should not in SEC's submission be viewed as a proxy for a reasonable rate of return. It is rather an estimate of an actual cost that a company would pay to obtain equity. Since the flotation cost is an estimate of an actual cost and not a proxy for a fair return, it should not apply where, as there, there is evidence that the utility will not incur the cost.

9. In addition, SEC agrees with VECC's submission that the return on equity emanating from the Board's latest Cost of Capital Parameter Update, 9.85%, is unreasonable. It represents a spread between borrowing costs and return on equity that is greater than even the highest recommended spread during the 2009 consultation process.

Issue 3: OM&A- Regulatory Affairs Manager

10. SEC adopts Energy Probe's submissions on this issue and has no additional submissions.

Issue 4: Small Business Tax Deduction

11. SEC adopts the submissions of Energy Probe on this issue and has no additional submissions.

Issue 5: Non-Utility Revenues

12. SEC believes Essex's position with respect to Accounts 4375 and 4380 (Revenue/Expense from Non-Utility Operations) is incorrect. As VECC and Energy Probe point out in their respective submissions, the May 2009 Filing Guidelines for cost of service applications require that these accounts be included when determining revenue offsets.

13. In addition, other cost of service applications have included the net margin from accounts 4375 and 4380 when calculating their revenue offsets. See, for example, the evidence of:

- North Bay Hydro Distribution Limited (EB-2009-0270 pre-filed evidence, Ex. 1, pg. 84);
- Haldimand County Hydro Inc. (EB-2009-0265, Exhibit 3, Tab 3, Schedule 1, pg. 1);
- Cambridge and North Dumfries Hydro Inc. (EB-2009-0260, Ex. 3, pg. 27, Table 23);
- Kitchener-Wilmot Hydro Inc. (EB-2009-0267, Ex. 3, pg. 69);

- Orillia Power Distribution Corporation (EB-2009-0273, Ex. 3, Tab 2, Schedule 1, pg. 5 of 5, Table 3-24); and
- Festival Hydro Inc. (EB-2009-0263, Ex. 3, Tab 3, Schedule 2, pg. 1).

14. The last table referred to above, the one found in the Festival Hydro evidence, is entitled "OEB Appendix 2-D", which is an obvious reference to Chapter 2-D of the Minimum Filing Guidelines.

15. Accordingly, SEC submits that Essex's position in respect of this issue is not only inconsistent with the Filing Guidelines but also inconsistent with the approach taken by most other distributors participating in the 2010 cost of service process.

Costs

16. SEC participated responsibly in this proceeding and sought to cooperate with other ratepayer groups to minimize costs. SEC respectfully requests that it be awarded 100% of its reasonably incurred costs.

All of which is respectfully submitted this 5th day of March, 2010.

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