

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

AND IN THE MATTER OF an Application by an application by
Enersource Hydro Mississauga Inc. for an Order or Orders approving
just and reasonable rates and other service charges for the distribution of
electricity, effective May 1, 2009.

SUBMISSIONS

OF THE

SCHOOL ENERGY COALITION

Introduction

1. These are the submissions of the School Energy Coalition ("SEC") in the application by Enersource Hydro Mississauga Inc. for an Order or Order approving just and reasonable rates and other services charges for the distribution of electricity, effective May 1, 2009.

Interim Rates from January 1, 2010 to April 30, 2010

2. It appears from Enersource's Manager's Summary that the basis for this request is that Enersource intends to apply to have its 2010 rates implemented as of January 1, 2010 instead of May 1, 2010. Enersource states that it anticipates significant cost increases in 2009 and compounded in 2010 and in 2010 it would like to align its rate year with its fiscal year. [Manager's Summary, p. 2]
3. SEC notes that the issue of aligning the rate year with the fiscal year was canvassed in a recent case involving Hydro Ottawa.
4. In that proceeding, Hydro Ottawa sought an order declaring its then existing rates interim as of January 1, 2008 and to consider, as part of the proceeding, whether to allow recovery from customers of any revenue deficiency for the four-month period January 1, 2008 to April 30,

2008. Like Enersource, Hydro Ottawa's distribution rates at the time it sought the order were determined using the Board's incentive regulation formula¹. In rejecting the company's proposal, the Board stated in effect that the period January 1 to April 30 was part of the previous rate period and there was no real "deficiency" for that period:

The Board has described its 2nd Generation IRM, which was used to set Hydro Ottawa's current rates, as a "formulaic rate adjustment method." That rate setting process, by design, did not require any information about forecast costs and revenues for the year May 1, 2007 to April 30, 2008. It is a price (rate) cap form of incentive ratemaking that does not even require the calculation of a traditional revenue requirement. Hydro Ottawa's contention that there will be a revenue deficiency for the four months ended April 30, 2008 is based on factors that were not part of the regulatory construct under which the existing rates were approved.

[EB-2007-0713, Decision on Request for Interim Rates dated January 10, 2008, p. 4]

5. The Board went on to state that there were mechanisms within the rate making formula that utilities could resort to in the event they face unusual costs. Although the Board did not say so explicitly, in SEC's submission the implication was that utilities should resort to those mechanisms within the formula in the event they have unusual costs that are not covered by the formulaic increase. [Ibid, at p. 5]
6. Enersource states in its interrogatory responses to Board Staff that its situation is different from Hydro Ottawa's in that it is "not proposing the alignment of rate year with fiscal year to recover a deficiency as in the Hydro Ottawa submission" and, unlike Hydro Ottawa, Enersource is a public issuer under Ontario securities law. [Board Staff IRR #1, p.4]
7. In the first place, as stated above, Enersource stated in its Manager's Summary that one of reasons for the request is that it will be experiencing "significant cost increases in 2009 and compounded in 2010". The effect of declaring rates interim now and having 2010 rates implemented on January 1 will be that, for the period January 1 to April 30, 2010, Enersource's rates would earn extra revenue, and it appears that at least part of the motivation for this application is to address what Enersource anticipates will be a revenue deficiency during that period.

¹ Hydro Ottawa's rates were set pursuant to the 2nd Generation Incentive Regulation formula whereas Enersource's are being set pursuant to the Board's 3rd Generation Incentive Regulation formula. In SEC's submission there is no material difference between the two ratemaking formulas for the purposes of this analysis.

8. Second, although Hydro Ottawa does not have private equity investors like Enersource does, it does issue debt in the public markets. Hydro Ottawa's pre-filed evidence in the proceeding, for example, stated that its "financing for long-term debt is from debentures issued in the external markets, currently through private placements with terms between 10 years and 30 years."² In SEC's submission, Hydro Ottawa too would likely have significant reporting obligations as a result of its public debt issuances.
9. In sum, SEC believes that Enersource's position is substantially similar to Hydro Ottawa's and SEC respectfully submits that its application should be rejected.

IFRS Deferral Account

10. SEC understands that, although Enersource addresses the issue in its Manager's Summary, the Board decided the issue is one of general sector applicability and therefore not part of the scope of this proceeding [SEC IR#4]. Accordingly SEC makes no submissions on the issue.

PCB Deferral Account

11. SEC understands that the Board has already informed Enersource that its PCB-related expenses can be recorded to account 1572, but that "the appropriateness of these costs will be reviewed upon application for disposition." [SEC IR#4, VECC IR#1(a)]. On that basis, SEC makes no submissions on this issue at this time.

All of which is respectfully submitted this 2nd day of February, 2009.

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² EB-2007-0713, Hydro Ottawa pre-filed evidence, Exhibit F1, Tab 1, Schedule 2, pg. 1