

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 Centre Wellington
Hydro Ltd. 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

Overview

1. These are the submissions of the School Energy Coalition in the application by Centre Wellington Hydro Inc. ("CWHI") for an order fixing just and reasonable rates for the distribution of electricity effective May 1, 2009.

OM&A

2. CWHI has budgeted \$163,000 for costs of the rebasing application and has requested inclusion of \$40,750 in its 2009 OM&A (1/4 of \$163,000) for this purpose [Board Staff IR#52].

3. However, the actual amount spent as of the filing of interrogatory responses was \$80,920. CWHI was asked to prepare a revised budget assuming there is no settlement conference or oral

hearing, neither of which have occurred. In response, CWHI said that the budget would decrease by \$6,855 in 2009, or \$27,420 in total. However, that amount appears to under-stated. An examination of the revised budget shows at least \$41,050 related to the technical conference or settlement conference, as follows:

(a) Elenchus:	\$12,250
(b) Utility Financial Concepts Inc.:	\$ 5,300
(c) OEB costs:	\$13,500
(d) Intevernor costs:	<u>\$10,000</u>
Total:	\$41,050

4. In addition, other areas of the budget also appear to be over-stated. For example, CWHI had budgeted \$42,650 as payment to Elenchus for assisting in preparation of application and assisting in defending the application ("IR's-5 days")- this is more than the total spent on this category (Elenchus) so far- \$30,080. The only other two items in this category are the above-mentioned \$12,250 budgeted for Elenchus expenses related to the technical/settlement conferences. Therefore, the amount budgeted for Elenchus appears to be over-stated by an additional \$12,570. The same analysis for the other two consultants yields similar over-budgets in the amount of \$6,987 for Utility Financials Inc. and \$1,500 for KPMG.¹

5. SEC believes therefore that there is sufficient evidence to reduce the budget associated with the 2009 rebasing by at least \$43,000, which would reduce 2009 OM&A by \$10,750.

¹ The difference between the amount budgeted for Elenchus and the amount spent thus far is \$24,820; \$12,250 of this amount has been budgeted for Elenchus costs associated with the technical conference and settlement conference. The remaining difference is \$12,570 which SEC believes has been over-budgeted for the first two items in the "Elenchus" category- preparation for the application and defending application. SEC used the same analysis for the other two consulting cost categories shown in the Table attached to Board Staff IRR #52.

Cost of Capital

6. In SEC's submission, the promissory note issued to the Township of Centre Wellington is callable on demand and the cost rate should, accordingly, be the Board's deemed long term debt rate. Allowing the note to use the nominal rate of 7.25% would create an asymmetry: it would allow the utility's shareholder to enjoy the relatively higher interest rate now yet retain the right to call the note in the event interest rates increase. SEC submits that this asymmetry is precisely why the Board uses the deemed long-term debt rate in cases of affiliate debt that is callable on demand, and it should apply to CWHI in this case as well.

Deferral Account

7. SEC agrees with CWHI's proposal to clear its deferral account balances, including those (accounts 1584 and 1586) that will be addressed in separate proceedings. These accounts have significant credit balances that will help to alleviate the rate impact of the rebasing application.

8. Cost Allocation

9. In SEC's submission, even with the changes proposed by CWHI, the proposed 2009 revenue to cost ratios still result in significant over-contribution per customer in the general service rate classes, as can be seen from the following table:

Rate Class	R/C Ratio	\$ (being subsidized)/\$over-contributing	# of Customers (2009)	Over-contribution per customer
Residential	103.0	\$44,990.50	5,710	\$7.87
GS<50kW	106.62	\$29,779.51	687	\$43.34
GS>50kW	112.82	\$60,365.82	53	\$1,138.97
GS>3,000kW	87.3	(\$12,953.41)	1	(\$12,953.41)
Street Lighting	40.47	(\$120,903.12)		
Sentinel Lighting	45.23	(\$2,454.53)		
Unmetered Scattered Load	112.08	\$1,181.63		

10. As can be seen from the above table, customers in the GS>50kW rate class are over-contributing to CWHI's revenue requirement in the amount of over \$1,138 each. Those customers are also seeing the highest distribution rate impacts resulting from this application-ranging from 11% to 42%. [Ex. 9-1-7, p. 3]

11. In interrogatories SEC asked a number of questions regarding the apparent incongruity between the rate impacts for Residential and GS<50kW customers, on the one hand, and those of GS>50kW customers on the other. Specifically, the GS>50kW customers are seeing relatively large distribution rate impacts (ranging from 10% to 42%, although the larger rate impacts are

also due to the change to the fixed charge, as discussed below) while Residential and GS<50kW are seeing mostly decreases or modest increases. That seemed counter-intuitive to SEC since all three rate classes are, obviously, facing the same revenue requirement increase and are all, in addition, seeing similar reductions to their revenue to cost ratios.

12. The Applicant's response to SEC's inquiries was that "although there is a movement in the Revenue to cost ratio toward 100% this class [as opposed to the Residential and GS<50kWrate classes] will receive the same proportion of total revenue as the existing rates. Since there is a revenue deficiency the amount of revenue to this class will in fact increase resulting in various bill impacts..." [SEC IRR#17(b)] CWHI then goes on to explain that:

the revenue to cost ratio of 113% [for the GS>50kW rate class] in this rate application reflects the volumetric share of the GS>50kW rate class according to the 2009 load forecast. Because of differences in the base load data, it is possible for revenue to cost ratios to change slightly over time even when distribution rates remain unchanged.
[SEC IRR#17(d)]

13. What all of this suggests to SEC is that the revenue to cost ratios for the GS>50kW rate class are lower in this application because of the 2009 load forecast but have not been adjusted in the sense that there has been a reduction in the level of over-contribution to the applicant's revenue requirement. As is shown above, the GS>50kW customers continue to over-contribute to the applicant's revenue requirement by over \$1,100 each. In SEC's submission, this is unacceptable in view of the fact that other rate classes appear to have benefitted from a real adjustment to the revenue to cost ratios. SEC submits that GS>50kW customers should receive

real, not nominal, adjustments to their revenue to cost ratios so as to reduce the distribution rate impacts they are facing.

14. The biggest beneficiary of the over-contribution by the Residential and general service rate classes is the Streetlighting class. SEC submits that, in keeping with previous Board decisions, this class should be moved toward the minimum level set out in the Board's guidelines (70%) within two years rather than three as proposed by CWHI. SEC further proposes that the Streetlighting class be further adjusted to move towards 100% during the IRM period and that other rate classes be adjusted downward accordingly.

15. There is only one customer in the GS>3,000 rate class. That customer is being subsidized by other customers in the amount of \$12,933. It is unclear why CWHI has a rate class with just one customer in it, but it appears to SEC that this class should be amalgamated into the GS>50kW rate class. Doing so would partially, but not completely, reduce the level of over-contribution of the GS>50kW rate class. Because there would be a significant rate impact to the sole GS>3,000 customer if the change were done immediately², SEC suggests it should be done during the IRM period after the revenue to cost ratio for the GS>50 class has been reduced by other means (i.e. adjustment to Streetlighting class).

Rate Design

² Its 2009 distribution bill would nearly double from the existing level, \$6,745.38 per month, to \$12,205 per month (versus \$10,642.35 in CWHI's proposed rate schedule.)

16. Also contributing to the significant distribution rate impacts for some GS>50kW customers is CWHI's decision to increase the fixed charge for this class from \$42.23 to \$130.72, a 209% increase in a single year. As a result of this increase in the fixed charge, the distribution rate impacts vary widely within the GS>50kW rate class- from 10.9% for the largest users within the class to 42% for the smallest users. [Exhibit 9-1-7, p. 3]

17. While the proposed fixed charge is not unreasonable compared to other LDC's in the province, SEC submits that such a large increase in a single year will create hardship for smaller users within the class. SEC submits that change should be phased in. SEC suggests that the 2009 fixed charge should be \$72.36, which is the avoided cost using the Informational Filing.

Costs

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

All of which is respectfully submitted this 18th day of February, 2009.

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