



February 19, 2009

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Re: EB-2008-0194 Middlesex Power Distribution Corp. 2009 Incentive Rate Mechanism Application

Dear Ms. Walli:

Please find enclosed Middlesex Power Distribution Corp. responses to the Board staff's Submission on 2009 2GIRM.

Yours truly,

A handwritten signature in black ink, appearing to read 'Cheryl Decaire', is written over a light blue horizontal line.

Cheryl Decaire
Co-ordinator of Regulatory and Rates
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CC: Dave Kenney, President of Middlesex Power Distribution Corporation
Jim Hogan, Chief Financial and Regulatory Officer



Middlesex Power Distribution Corporation

2009 Electricity Distribution Rates

EB-2008-0194

Submission

Middlesex Power Distribution Corporation (“MPDC”) would like to provide the Ontario Energy Board (“Board”) with the following submission on their rate application (EB-2008-0194) that is before the Board.

In reviewing the Staff submission, the main issue in question relates to the Tier 2 revenue that was approved by the Board in RP-2005-0020/EB-2005-0351. In that application MPDC presented the case that they were eligible for Tier 2 funding that would be invested in the capital and the operation and maintenance of the distribution system. MPDC had filed a three year plan that they felt would be required to improve the reliability and the efficiency of the distribution system.

In the decision the Board did allow for the recovery of the costs in 2006 however, in the decision the Board wrote;

The Board makes no findings regarding the spending and rate consequences beyond 2006.

The Board did not deny the costs beyond 2006 just that they were not making a decision on those costs at that time.

Retain the Tier 2 funding

In the Staff submission they discuss whether MPDC should be allowed to retain the rate adder for 2007 and 2008 at all, MPDC respectfully submits that they should retain these funds for the following reasons;

- The Tier 2 rate adder was not removed from rates earlier was an oversight by MPDC as well as the Board staff.

- The Board did approve the rates as just and reasonable in the Incentive Rate Mechanism (“IRM”) process in 2007 and 2008 (EB-2007-0553 and EB-2007-0867)
- The Board does not retroactively adjust final rate orders
- One of the operation and maintenance projects that MPDC invested in is the testing and elimination of PCBs in the transformers. This project is a serious health and safety issue for the residents, customers and employees of MPDC. It is also mandated by Federal and Provincial legislation. (appendix A has details of the requirements and the project)
- MPDC has made significant investments in fixed assets of the distribution system with the revenue from the Tier 2 rates and the general rates

Fixed Asset Investments					
	2005	2006	2007	2008	Total
Tier 2 Rates	\$0	\$382,400	\$144,500	\$352,400	\$884,300
General Rates	\$421,100	\$1,118,100	\$1,206,400	\$695,000	\$3,440,700

The fixed asset investments were approximately \$1.5M more than depreciation.

- These investments significantly improved the reliability of the distribution system, which benefits the customers.

	2005	2006	2007	2008
SAIDI	2.07	0.22	0.83	0.83
SAIFI	1.32	0.16	0.98	0.98
CAIDI	1.56	1.32	0.84	0.84

- Another benefit of the investments to the distribution system is a reduction in the line losses.

	Losses in Rates	2006	2007	2008
Line Losses	5.60%	4.25%	4.72%	4.81%

- MPDC has done a customer satisfaction survey in 2006 and 2008, which highlights that the customers are more satisfied with the service they receive compared to the National and Ontario averages.

% of customers that were “Very + Somewhat Satisfied”

2006			2008		
National	Ontario	MPDC	National	Ontario	MPDC
84%	82%	89%	87%	82%	90%

MPDC has made significant investments in the distribution system such that the reliability and efficiency of the distribution system has improved to benefit of the customers.

Full Refund of Tier 2 Rates

MPDC respectfully submits that a full refunding of the Tier 2 rates for 2007 and 2008 is not fair for many of the reasons listed above. MPDC would prefer that the Board defer this decision until rate rebasing occurs which will be up to 5 years from now, 2014, based upon MPDC’s purchase of Dutton Hydro and Newbury Power. At that time a full regulatory review of the costs and benefits can be undertaken.

MPDC will be able to apply any Tier 2 refund if approved by the Board at that time can be applied to the current MPDC customers only. Therefore there will not any intergenerational inequities if the Board would decide at that time that a refund is warranted.

Customer Sharing

If the Board feels that a refund is warranted at this time MPDC would recommend that a 50 / 50 sharing of the Tier 2 rates for 2007 and 2008 is fair for all parties involved.

MPDC has identified the significant benefits to the customers and should receive some compensation for those investments that relate to those benefits. By providing a sharing of these benefits at this time it will also provide regulatory efficiency for both MPDC and the Board.

Summary

MPDC believes that the revenue from the Tier 2 rates were prudently and effectively invested in the distribution system and the customers benefited by improved reliability and reduced line losses and therefore MPDC believes that they are entitled to retain all of the Tier 2 funding.

If however the Board decides that a refund is warranted MPDC recommends that a 50 / 50 sharing is fair to all parties. MPDC would also recommend that the refund should be over a two year period, which is consistent with Board Staff's submission

Appendix A

PCB elimination in MPDC

To comply with Federal and Provincial regulations and initiatives Middlesex Power distribution focused on testing and eliminating transformers which included levels of PCB content greater than 50 PPM. A goal was to comply with Environment Canada's Great Lake basin initiative which focuses on mandatory reporting of inventories and the elimination of in-service PCB equipment.

This initiative includes the following

Part 1 (Equipment *end of use*)

- Equipment containing greater than 500 ppm PCB's which are located within 100 meters of sensitive areas must be removed from service by December 31, 2009.
- All other areas have until December 31, 2014 for their equipment containing 50 – 500 ppm PCB's.

Transformers containing greater than 50 PPM PCB Elimination

Mt. Brydges greater than 50 PPM PCB elimination was completed in 2006. 37 transformers were tested for PCB's. 11 transformers were found to be over 50 PPM and were removed from service and scrapped by Green-Port Environmental Managers Ltd. Most of Mt. Brydges transformers had been previously tested for PCB content in the mid-nineties.

Parkhill PCB testing was started in 2006 and completed in 2007. Parkhill only had minor PCB testing up to this point. 103 transformers were tested with 5 transformers found to be over 50 ppm. To date all 5 of those transformers have been replaced and scrapped and disposed of by Green-Port Environmental.

Strathroy PCB transformer testing was completed in 2008 on the approximately 850 transformers. All transformers containing PCB levels greater than 50 PPM have been replaced.

Part 2 (Elimination of PCB storage sites)

- All current PCB storage sites would have to be eliminated by December 31, 2009
- Any PCB material removed after the regulation can only be stored for a period of one year.

All PCB material has been eliminated and disposed of from the MPDC PCB storage facility located at the head office.

Part 3 (labeling and reporting)

- Annual reporting required by owners outlining quantities in use and stored as well as progress towards achieving end of use targets.
- Labels must be placed on all known PCB items except ballast and must be affixed prior to the end of use deadline.

MPDC is in compliance with this regulation