

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 Haldimand County Hydro Inc. 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 Haldimand County Hydro Inc. ("HCHI") for an order approving just and reasonable rates for the distribution of electricity commencing May 1, 2010.

2. On February 12, 2010, HCHI submitted a Settlement Agreement for approval by the Board. The parties to the Agreement were HCHI, the Vulnerable Energy Consumers' Coalition ("VECC"), Energy Probe, and SEC. On February 18, 2010, the Board accepted that agreement.

3. These submissions therefore address only those issues for which the parties have not reached an Agreement. Those issues are set out in Appendix A to the Settlement Agreement, and are as follows:

1. The appropriateness of a lead-lag study for HCHI's next cost of service application.
2. The appropriate capital structure for HCHI, in particular, whether the deemed short-term debt component is appropriate.
3. The appropriate Return on Equity for HCHI.
4. Harmonized Sales Tax ("HST") – the appropriate treatment of Ontario's shift to a Harmonized Sales Tax, planned for implementation effective July 1, 2010, with respect to both capital expenditures and operating costs.
5. The appropriateness of HCHI's Load Forecast Methodology;

6. RSVA Account 1588 - Power – Subaccount Global Adjustment disposition to be applied only to the non-RPP customers.

4. We have had the opportunity to review the draft submissions of Energy Probe 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 submissions but offer below some additional comments 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 HCHI'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: Capital Structure

6. No submissions.

Issue 3: Return on Equity

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

8. 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.

9. The floatation 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 floatation 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.

Issue 4: Harmonized Sales Tax

10. In SEC's submission, there is no dispute that with the implementation of the Harmonized Sales Tax on July 1, 2010, the applicant's OM&A and capital expenditures are over-stated to the extent they reflect past expenditures in which the provincial sales tax ("PST") was an embedded cost.

11. The HST, like the GST, is an end-user tax. That means that ratepayers, as the end users, will as of July 1, 2010 be paying the 8% PST that has hitherto been embedded in the company's operating and capital expenses, as a direct charge on their electricity bills. As Energy Probe indicates in its submissions, HCHI has confirmed that it has not made adjustments to its OM&A or capital budgets to reflect the removal of PST as of July 1, 2010 [Energy Probe IRR#1].

12. As the situation now stands, therefore, ratepayers will be paying the PST portion of the HST twice- once as an embedded cost in the OM&A and capital budget forecasts and again as a direct charge on their electricity bills.

13. Unless something is done to correct for it, distribution rates that reflect this double taxation cannot be just and reasonable.

14. SEC understand that HCHI is concerned about the administrative costs of having a deferral account to track the PST costs no longer paid after July 1, 2010. Unfortunately, HCHI did not provide an estimate of the amount of PST included in its test year capital and OM&A forecast. There is therefore no information on the record in this proceeding upon which the Board could reasonably estimate what adjustments should be made to forecast operating and capital expenditures to account for the HST. The only options, therefore, are: re-open the evidentiary phase of the proceeding to obtain a factual foundation for the adjustment; or, a deferral account to track the savings.

15. In SEC's submission, the preferred option would have been for the company to have provided an estimate of the embedded PST as requested in Energy Probe interrogatory #1.

16. Under the circumstances, however, the only practical solution at this point is to employ a deferral account. SEC concurs that the language used in the Toronto Hydro settlement, as set out in Energy Probe's submissions, is the most appropriate method.

Issue 5: Load Forecast

17. No submissions.

Issue 6: RSVA Account 1588- Global Adjustment

18. SEC agrees with VECC's submissions on this issue.

19. Whether or not having a separate rate rider for non-RPP customers is the best solution in principle, SEC notes that this is strictly a cost allocation issue, the resolution of which will not provide efficiencies or savings for ratepayers as a whole. SEC believes therefore that it would only be beneficial to make the change requested if the efficiencies of doing so- in term of a better allocation among ratepayers- outweigh the costs. Since it is not known what the cost of updating HCHI's billing system would be to accommodate a separate rate rider (or if that is even possible), SEC believes it is not possible to make that determination at this point.

Costs

20. 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 19th day of February, 2010.

John De Vellis
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