

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 Chatham-Kent 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 Chatham-Kent Hydro Inc. ("CK Hydro") for an order approving just and reasonable rates for the distribution of electricity commencing May 1, 2010.
2. On March 2, 2010, CK Hydro submitted a Settlement Agreement for approval by the Board. The parties to the Settlement Agreement were CK Hydro, the Vulnerable Energy Consumers' Coalition ("VECC"), Energy Probe, and SEC. On March 11, 2010 (Decision on Partial Settlement and Procedural Order #5), the Board accepted the Settlement Agreement.
3. These submissions therefore address only those issues that are identified in the Settlement Agreement 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 unresolved 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 CK Hydro'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. As stated in Energy Probe's submissions, including the 0.5% flotation allowance in CK Hydro's revenue requirement results in a significant, and in SEC's submission unnecessary, cost to ratepayers: approximately \$650,000 over four years.

Issue 3: Small Business Tax Deduction

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

Costs

11. 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 17th day of March, 2010.

John De Vellis
Lawyer for the School Energy Coalition