

IN THE MATTER of an Application by Welland Hydro-Electric System Corp. for an Order or Orders approving or fixing just and reasonable rates and other charges for the transmission of electricity commencing October 1, 2007.

SUBMISSIONS OF THE
SCHOOL ENERGY COALITION

1. These are the submissions of the School Energy Coalition (“SEC”) in relation to an application by Welland Hydro-Electric System Corp. for an order varying its 2007 distribution rates.
2. For most rate classes, the impact of Welland Hydro’s requested relief results in a 5.1-5.3% increase in monthly service charge and 5.3-6.3% increase in the volumetric distribution rate. [Current vs. Revised rate schedules attached to Welland Hydro’s application]
3. SEC considers these to be significant rate impacts, particularly in view of the fact that they do not result from a cost of service application but rather from a single-issue revision to Welland Hydro’s revenue requirement.
4. Besides the large rate impacts, SEC believes the relief requested by Welland Hydro amounts to single-issue rate making and should be rejected.
5. A review of Welland Hydro’s projected and actual results for 2006 demonstrates why a single-issue adjustment should be rejected. As can be seen from Welland Hydro’s response to Board Staff interrogatory #2, being the variance analysis comparing Welland Hydro’s actual tax/PILs payments made to the Ministry of Finance for the 2006 tax year and the estimated PILs allowance in Welland Hydro’s 2006 electricity distribution rates, there are several discrepancies between the revenues and tax deductions included in Welland Hydro’s approved rates and the actual results for 2006. For example:
 - a. Bad debt recovery in the amount of \$500,000- this is a one-time revenue item that Welland Hydro recovered in 2006. It was not included in Welland Hydro’s revenues for 2006. Welland Hydro therefore enjoyed a \$500,000 windfall.

- b. Capital cost allowance was \$1.1 million in the 2006 rate model vs. \$1.311 million actual, a difference of \$230,062. This means that Welland Hydro's PILS amounts in the 2006 rate model were over-stated.

Since 2007 rates were based on the 2006 EDR model, this capital cost allowance variance may continue into 2007. If the actual 2007 capital cost allowance is similar to the actual 2006 capital cost allowance, then, everything else being equal, Welland Hydro's PILS amounts would have been over-stated in both 2006 and 2007.

Calculation of Revenue Shortfall

6. Welland Hydro has proposed to recalculate the 2006 EDR Model with the non-capital tax loss carry forward eliminated. A review of its 2006 Income Tax Return, however, shows that for the 2006 taxation year, Welland Hydro still claimed \$385,772 in non-capital losses from preceding years (Line 331 of 2006 Corporate Tax Return). Therefore, if the Board accepts Welland Hydro's argument to recalculate its EDR Model, it should be recalculated using the actual 2006 non-capital losses of \$385,772, not with the non-capital loss adjustment eliminated completely as requested by Welland Hydro.

Costs

7. SEC participated responsibly in this proceeding and respectfully requests that it be awarded 100% of its reasonably incurred costs.

All of which is respectfully submitted this 23rd day of November, 2007

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