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BY RESS and EMAIL

January 12, 2011
Our File No. 20100130

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
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Attn: Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2010-0130 – Guelph 2011 Rates

We are counsel for the School Energy Coalition. These are SEC's final submissions in this matter, restricted in scope to the Incremental Capital Module claimed.

In preparing these submissions, we have been assisted by discussions with VECC, and a review of their submissions prior to preparing ours. Since we are in general agreeing with VECC, we have not repeated below most of the points they have made and positions taken in their submissions.

We have also had an opportunity to review the submissions of Board staff, filed earlier today.

Against that background, SEC submits as follows:

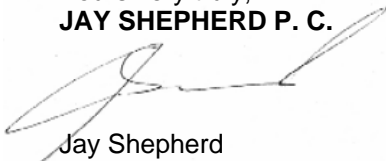
1. ***Appropriateness of the Incremental Capital Module.*** This is precisely the type of situation for which the ICM was created by the Board in the first place. This utility has a substantial one-time capital expenditure that, based on the evidence, must be incurred in the IRM period, and is obviously well beyond the capital spending expectations and pattern on which rates were established. We agree with the analysis by VECC of the Board's ICM tests and conditions, and how they have been met in this case.
2. ***Evidentiary Basis.*** The Applicant has filed a thorough and thoughtful Application justifying the new TS, its cost, and its timing. No Application is perfect, but to the extent that the evidentiary record was insufficient in the prefiles, the Applicant's interrogatory responses have completed the record in an appropriate manner.

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3. **Capital Structure.** We agree with VECC that, as of 2010, the capital structure on which the Applicant's rates are actually based is the Board's standard capital structure. That is therefore the correct capital structure to use for the purposes of the ICM. Use of the 2008 capital structure would calculate an incorrect amount of revenue requirement impact of the TS spending, in effect providing for over-recovery relative to costs actually being incurred by the Applicant in the Test Year.
4. **Half Year Rule.** The Board has already made a determination as to whether as a general practice the half-year rule should apply for the purpose of depreciation in the ICM. The basis of the Board's determination on that point was an assumption that the Applicant will have a further year or more of IRM after the year in which the ICM applies. That is not the case here. Therefore, we agree with VECC that, in a case where the Applicant will be in cost of service in the next rate year, it is inappropriate to provide for a full year of depreciation in the ICM. That is particularly true where, as here, the in service date of the new TS is likely to be near the end of the year, meaning that the half-year rule already overstates the true depreciation applicable to 2011. To provide for twelve months of depreciation for an asset that will in fact only be in service for two months is, in our submission, unreasonable where a full year of depreciation will be built into 2012 rates under the cost of service process applicable to that year.
5. **Term of Rider.** We note that the Applicant has given notice that it will be seeking to change to a January 1st rate year commencing in 2012. Both the Applicant and Board Staff appear to believe that, depending on the result of that request, the ICM rate rider for 2011 could be either eight months (to December, 2011) or twelve months (to April, 2012).
6. SEC disagrees with this distinction. In our submission, if the Board accepts the ICM claim, there is a revenue requirement shortfall to be collected by the Applicant relative to 2011. That amount should be divided by twelve months' volume, and collected over the twelve months commencing May 2011. To cut that short in December would, in our view, result in under-recovery of the incremental revenue requirement properly attributable to 2011. We understand that this is simply another complication of the disjunct between fiscal year and rate year, and that the 2011 rate year may end up only being eight months long. That does not change the revenue requirement shortfall in 2011 resulting from the TS expenditure. That shortfall should, in our view, be collected in full, notwithstanding any shortening of the 2011 rate year.
7. **Conclusion.** Subject to our comments above, it is submitted that this is an appropriate case for approval of an Incremental Capital Module and, subject to the two changes proposed by VECC and discussed above, it should be approved as filed.
8. **Costs.** SEC submits that it has participated in this proceeding in a responsible and focused manner with a view to assisting the Board, and requests that the Board order payment of its reasonably incurred costs of that participation.

All of which is respectfully submitted.

Yours very truly,
JAY SHEPHERD P. C.



Jay Shepherd

cc: Wayne McNally, SEC (email)
Interested parties (email)