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BY EMAIL and RESS

December 7, 2011
Our File No. 20110207

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

Dear Ms. Walli:

Re: EB-2011-0207 – Woodstock 2012 Rates

We are counsel for the School Energy Coalition. Pursuant to the Notice of Application, these are SEC's submissions with respect to the Application. Our submissions are limited to the Incremental Capital Module.

In preparing these submissions, we had the benefit of reviewing a draft of the submissions of Energy Probe, which has allowed us to shorten this analysis considerably.

1. ***Precedent.*** To the best of our knowledge, this is the first time an Incremental Capital Module claim has been based on a contribution to Hydro One for a transmission station. This eventuality was contemplated in the EB-2010-0145 proceeding related to the Applicant's 2011 rates. In that proceeding there was a complete settlement of all issues, but the parties to the Settlement Agreement noted that, if the expected 2012 capital contribution to Hydro One was not eligible for ICM treatment, then the Parties would be seeking an alternate method of reflecting this substantial cost in rates starting in 2012. The Board responded [at page 3 of its April 20, 2011 Decision]:

"The Board in this particular case does not see any impediment to treating the capital contribution made by Woodstock Hydro in the same manner as a capital expenditure in the event that Woodstock Hydro would submit an Incremental Capital Module ("ICM") in a future Incentive Regulation Mechanism rate application."



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SEC therefore believes that it is appropriate to include the capital contribution in the ICM calculation in the same manner as any other capital project.

2. **Net Amount Above Threshold.** We have reviewed the analysis of Energy Probe, and agree that the amount that should be subject to ICM treatment is \$2,953,060.
3. **IFRS.** In general, SEC believes that a utility that had its rebasing under CGAAP should report any subsequent ICM also under CGAAP, until it rebases under MIFRS. At that point, the PP&E Deferral account will capture all differences in the interim period. However, in this case the difference is not material, and so in our view no change to the Application is necessary.
4. **Cost Allocation.** We agree with Energy Probe that the revenue requirement associated with the incremental capital should be allocated in the same manner as the transmission connection charge.
5. **Rate Design.** The Applicant proposes that the costs be recovered using both the fixed and variable charges. Energy Probe suggests that the recovery be structured using the same method as for transmission connection charges. We note that in both the Guelph [EB-2010-0130] and Oakville [EB-2010-0104] ICM decisions, the Board approved the recovery of similar amounts (in those cases for LDC-built transmission stations) using the variable charge only. Using the same approach here would have the advantage of consistency.
6. **Calculation.** We note that, in its response to Staff IR#5(a), the Applicant agreed that the time period for the rate rider should be changed to April 30, 2015, rather than 2014. This should be reflected in the final order.
7. **Costs.** SEC submits that it has participated in this proceeding in a responsible manner with a view to maximizing its assistance to the Board. It therefore requests that the Board order payment of its reasonable costs of participation.

All of which is respectfully submitted.

Yours very truly,
JAY SHEPHERD P. C.

Jay Shepherd

cc: Wayne McNally, SEC (email)
Interested Parties