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BY EMAIL and RESS

January 23, 2012

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Attn: Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2011-0160 – Centre Wellington – 2012 IRM Rate Application

It has just come to my attention that on January 12th I accidentally filed a preliminary draft version of the School Energy Coalition's (SEC) submissions instead of the correct final version. I apologize for the unfortunate error and ask that the version attached be considered by the Board notwithstanding the date submitted.

Yours Very Truly,

Originally signed by

Mark Rubenstein

cc: Applicants and Intervenors (by email)



Jay Shepherd

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January 12, 2012

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Attn: Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2011-0160 – Centre Wellington – 2012 IRM Rate Application

1. We are counsel for the School Energy Coalition ("SEC"). These are SEC's final submissions in this matter, restricted in scope to the Incremental Capital Module ("ICM") claimed by the Applicant Centre Wellington Hydro Ltd.
2. **Summary:** SEC submits that the Board should deny the request for an ICM since it does not meet the requirements.
3. The Board's *Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* ("3GIRM Report") requires that ICM expenditures satisfy the eligibility criteria of a) materiality, b) need and c) prudence, in order to be recovered during the IRM period. In demonstrating need, the Applicant must show that the proposed expenditures significantly influence the operation of the distributors, are clearly non-discretionary falls outside the basis on which rates were derived.¹
4. **SCADA Project:** SEC submits that while a new SCADA system might be a prudent expenditure to be approved in a rebasing application, it is not an eligible expenditure to be approved through an ICM.

¹ *Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors*, dated July 14th 2008 at page 32-34

5. The Applicant has not demonstrated that that its SCADA project meets the requirements for an ICM set out by the Board. This can be best demonstrated in its answer to SEC Interrogatory#2, which asks in part how this project meets the requirements of an ICM:²

The SCADA project meets the requirements of the ICM because to rehabilitate Fergus MS #2 and the SCADA project brings the total capital requirement over the Incremental Capital Project threshold. Also, Centre Wellington will be including the remainder of the capital expenditures from the Costello report in its 2013 Cost of Service application covering the period 2012 to 2016. Starting the plan in 2012 has the effect of smoothing the expenditures over several years to mitigate rate shock for the customers of Centre Wellington. [emphasis added]

6. It is clear from that response that the Applicant has included the SCADA Project in its application for an ICM for the purpose of exceeding the materiality threshold. That is not a valid reason of granting an ICM.
7. The Applicant has not shown that a new SCADA System is a non-discretionary need as required under the ICM eligibility criteria. The Board should not approve the SCADA Project at this time.
8. **Fergus MS-2 Substation:** If the Board does not approve recovery through an ICM for the SCADA Project, then it must also deny recovery of expenditures for the Fergus MS-2 Substation. This is because the Fergus MS-2 Substation portion of the ICM alone does not meet the capital expenditure materiality threshold set by the Board.³
9. Independently of the SCADA Project, the Board should not approve the ICM for the Fergus MS-2 Substation. While SEC agrees that the Fergus MS-2 Substation should be replaced soon, that in and of itself does not meet the test for recovery of an ICM. In the normal course of business a utility it should be monitoring and replacing or refurbishing its substations on an ongoing basis. This category of capital expenditures should be and is built into the approved capital expenditures of a utility upon rebasing, unlike for example the need to replace a transformer station. Due to the limited number of transformer stations, their life expectancy and magnitude of their capital cost, the Board has granted an ICM for these exceptional spending requirements.⁴
10. None of the evidence provided in the Substation Condition Report undertaken by Costello Associates goes to the requirement that fall outside the scope upon which rates were

² SEC IR #2

³ SEC IR #2, Application Tab 1, Managers Summary at page 3.

⁴ The Board has granted ICM funding for transformer stations to both Oakville Hydro (EB-20-10-0104) and Guelph Hydro (EB-2008-0205)



derived. There are no external factors or reasons why the Applicant could or did not undertake such an asset condition study to identify these issues during its previous rebasing application. It is not enough for an Applicant to request an ICM on the basis that the work is non-discretionary.

11. The Applicant provides additional reasons for why the Board should grant approval for the replacement Fergus MS-2 Substation by way of ICM rather than through its rebasing application set for 2013. None of these reasons - a rate smoothing⁵, avoids pushing long-term capital plan timelines out,⁶ and the rise in labour and metal costs⁷ - are relevant to the criteria set out by the Board in its 3GIRM Report.
12. **Capital Plan:** Regardless of the outcome of the ICM application, the Board should clearly indicate to the Applicant that in no way is this an explicit or implicit approval of the long-term capital plan contained in the Application. An IRM application is not the proper place for parties to the prudence of capital plans; the Applicant will have the opportunity to seek approval next year in its 2013 rebasing application. This is especially important with respect to future SCADA Project expenditures that are tied to new substations contain in the Applicant's capital plan.
13. **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.

Originally signed by

Mark Rubenstein

cc: Applicants and Intervenors (by email)

⁵ Board Staff IR #9(b)

⁶ Board Staff IR #9(a)

⁷ Board Staff IR3#9(a)