EB-2007-0901

IN THE MATTER OF the Ontario Energy Board Act 1998, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an Application by Espanola Regional Hydro Distribution Corporation for an Order or Orders approving or fixing just and reasonable rates and other charges for the distribution of electricity commencing May 1, 2008.

SUBMISSIONS OF THE SCHOOL ENERGY COALITION

These are the submissions of the School Energy Coalition ("SEC") in connection with the application by Espanola Regional Hydro Distribution Corporation ("ERHDC") for an order approving just and reasonable rates for the distribution of electricity effective May 1, 2008.

Operating Expenses

For 2008, the applicant has forecast $36,700 in consulting costs for regulatory matters. In Board Staff interrogatory #7, the Applicant was asked to provide a breakdown of various of its regulatory costs. Included in this amount is $36,700 in consulting costs for 2008. Although the Applicant was asked to identify which of its regulatory costs are "on-time" costs unlikely to be incurred in the incentive regulation period, ERHDC stated that the 2008 forecast is the average annual costs expected to be incurred over the three year period [Board Staff IR#7(b)] It is unclear, however, whether the $36,700 in consulting costs is the 2008 cost amortized over three years or whether it represents costs expected to be realized each year. If the latter is the case, SEC questions whether regulatory consulting costs in non-rebasing years will be at the same level as during a year when a cost of service application is prepared.

Rate Base

2006 Gross Assets in Service

The 2006 actual gross assets at cost of $4,241,628 [Ex 2/pg3] is calculated as the average of 2006 actual closing balance and the 2006 Board Approved balance (which is the average of 2003 and 2004). SEC believes this is not correct and that the 2006 actual asset value at cost is overstated by $831,053 and accumulated depreciation overstated by $859,683.

<u>Asset Condition Assessment Study</u>

Board staff invited parties to comment on the issue of whether an Asset Condition Study is necessary for ERHDC.

In Board Staff IR#14(a) ERHDC indicated that its Distribution Asset Condition Assessment will not be initiated until 2008. According to ERHDC's plan, distribution poles will be tested in 2008 by qualified consultants to be hired in 2008. The need for construction of miscellaneous lines is based on "past experience" [Board Staff IR#14a], however, no past data (length and unit cost) has been provided. Underground primary cable will be inspected by field crew in 2008 when ERHDC initiates its condition assessment of the underground distribution system.

In addition, ERHDC has not used the equipment reliability statistics and/or Service Reliability Indicators to determine asset replacement needs (IRR Board Staff #14, 17).

SEC believes that the asset condition for major distribution asset classes should be quantified through the use of asset health indices, and an asset management plan is necessary to address reliability and asset condition problems.

Cost of Capital

SEC shares Board Staff's concerns with respect to the interest rate on ERHDC's long-term debt. It is not clear from either the promissory notes attached to Board Staff interrogatory #21 or from the pre-filed evidence why the cost rate changes from 5% to 5.82%. In the absence of a justification, the cost rate should be 5%.

Load Forecast

No submissions.

Deferral and Variance Accounts

SEC agrees with the submissions of VECC that the two new deferral accounts proposed by the applicant, the Late Payment Class Action Suit Deferral Account and the proposed Meter Demand Management Repository Deferral Account (MDMR) relate to issues common to all distributors and Ontario and should be considered on an industry-wide basis.

Cost Allocation

ERHDC proposes to increase the revenue to cost ratio for the GS>50kW rate class from 57% to 100%. SEC agrees that an increase is required, however, ERHDC's proposal results in significant distribution rate impacts for these customers: depending on volume, GS>50kW customers could see distribution rate impacts ranging from 69.4% -100%.[1]

SEC suggests that, in order to mitigate these distribution rate impacts, the transition for the GS>50kW be staggered over two years. In SEC's submission, the revenue lost by doing so should be made up from the Street Lighting class.

ERHDC proposes to increase the revenue to cost ratio of the StreetLighting rate class from 16% to 29%, which is still well below the Board's minimum range.

ERHDC has said that it is limiting the recovery from the StreetLighting class in order to mitigate rate impacts [Board Staff IR#31]. However, in SEC's submissions rate impacts should not be a consideration when dealings with a utility's affiliates are concerned. ERHDC is providing a service to an affiliate at a cost well below the actual cost of providing the service. Unless there is an exemption by the Board, it is SEC's submission that ERHDC is not entitled to charge an affiliate for any service at less than cost. Therefore, it is submitted that the rules relating to affiliate transactions should be applied, and the streetlighting rates should be set at 100% of cost.

Rate Design

SEC agrees with the Applicant's proposals to increase the GS<50kW fixed charge and maintain the existing fixed charge for GS>50kW customers.

Smart Meters

Although ERHDC is not yet authorized to commence smart meter activity, it has indicated that it will commence deploying smart meters in 2009. In order to alleviate some of the potential rate shock that can occur when smart meter expenses begin to be recovered, SEC believes it is prudent to continue the existing smart meter rate adder.

Costs

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

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[1] See Exhibit 1, pg. 157: a GS>50kW customer with 100kW Consumption faces a distribution rate impact of 69.4%. Using the fixed and volumetric charge provided therein, SEC calculated the distribution rate impact for customers with 200kW consumption to be a 87% increase, and for a customer with 400kW the increase is 100%.

All of which is respectfully submitted this 8th day of April, 2008.

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