

**IN THE MATTER OF the Ontario Energy Board
Act, 1998, S.O. 1998, c. 15, Sch. B, as amended;**

**AND IN THE MATTER OF an Application by
Chatham-Kent Hydro Inc. pursuant to section 78 of
the *Ontario Energy Board Act* for an Order or
Orders approving just and reasonable rates for the
delivery and distribution of electricity.**

**SUBMISSIONS OF THE
SCHOOL ENERGY COALITION**

General

1. The School Energy Coalition is a coalition established to represent the interests of all Ontario publicly-funded schools in matters relating to energy regulation, policy, and management. It is made up of all seven of the major school-related organizations, representing all of the school boards, and all levels of school management, and through them representing the approximately 5000 schools in Ontario.
2. SEC and its members have a significant interest in the activities of regulated electricity distributors and their affiliates in the province, including the applicant in this matter (the “Utility”) due to the severe financial implications those activities have on school boards, their students and the people of the province of Ontario.
3. SEC’s intervention in Chatham-Kent’s 2007 Distribution Rate Application (Application) is focused on the utility’s proposal for recovery through rate riders beginning May 1, 2007 of its proposed incremental Conservation and Demand Management (CDM) costs.

Determination of CDM Costs

4. 2007 CDM costs in the amount of \$200,000 are being claimed. This is composed of four programs that are being proposed in 2007:
 - Social Housing Programs, in the amount of \$100,000;
 - Commercial and Industrial Programs, in the amount of \$25,000;
 - Sub-metering Pilot Project, in the amount of \$34,000; and
 - Load Control Pilot Project, in the amount of \$41,000;

5. TRC studies have been performed to assess the proposed CDM investments based on the “Total Resource Cost Guide” issued by the Board and revised October 2, 2006.

Social Housing Program

6. A cost related to maintenance staff time in the amount of \$18,800 has been claimed under the social housing program, for the duties of replacing the lights and refrigerators performed by the maintenance staff in each social housing complex.
7. SEC submits that as duties to fix or replace appliances and fixtures in social housing complex are usually performed during regularly scheduled hours, the work should be covered by the regular wages and salaries of those maintenance staff. It should not be treated as an incremental program cost.
8. In performing the TRC analysis for refrigerator replacement, the Applicant has used \$70 as the unit incremental equipment cost (from the TRC Guide). However, the “contribution” amount is listed as \$250 per unit, meaning it appears that the Utility is proposing to pay an incentive greater than the incremental value of the efficient appliance. While the calculations may be correct, this implies that the program would not pass a conventional cost/benefit analysis, because the incentive is too high. The Utility should provide a justification for paying an incentive in excess of the value of the conservation benefits.

Commercial Program

9. The Applicant has provided funds for 15 commercial customers to budget for activities such as energy audits and light replacements.
10. In our view, the Applicant should provide criteria used and details as to how those 15 commercial customers are selected, as well as how the cost per audit is determined.

Sub-Metering

11. The Applicant has budgeted a unit cost of \$400 to provide sub-metering under this program.
12. SEC has concerns that two issues need to be addressed. The first issue is the proper unit cost to be budgeted for. The Applicant has estimated a unit cost of \$400 per meter. In the “Report of the Board on 2nd Generation Incentive Regulation for Ontario’s Electricity Distributors – Addendum for Smart Metering Rates”, it has been reported that the average smart meter capital cost (including purchase price and installation costs) is \$175 and the reported average incremental annual operations and maintenance costs is \$14. The Board may legitimately ask the Applicant to provide further explanation for the difference identified above. The second issue is the appropriateness of including these costs in the Applicant’s CDM budget. Approval of the sub-metering initiative will enable the Applicant to install sub-metering in apartment buildings to allow its customers to have information about their electricity consumption. The Applicant has been fully deploying smart meters to all metered customers and currently has \$0.38 per customer per month built into their rates. As the Applicant has a separate Smart Meter budget in place,

SEC suggests the Board consider whether it is appropriate to have the costs for sub-metering funded through CDM program rather than the Smart Meters budget.

Load Control

13. The Applicant has budgeted a unit cost of \$200 for water heaters and air conditioners under this program.
14. In our view, the Applicant should be required to identify any amount of capital expenditures in this program that will be owned by the Utility and added to rate base. If these expenditures are to be recovered from ratepayers through rate base, then they shouldn't be budgeted for separately under the CDM program.

Use of TRC Guide

15. SEC has also noted that the unit cost for Light Bulb Replacement in Common Area is \$30 (\$25 for ballasts and \$5 for lights). The Applicant has used \$75 as the unit incremental cost in the TRC analysis, relying on the TRC Guide. There are other examples of differences between known actuals and assumed actuals in the Application.
16. SEC suggests that when the actual equipment purchase cost is available, the actual cost instead of the cost in the TRC Guide should be used in performing the TRC test, to reflect a better measurement of the cost component. We understand the value of having every LDC rely on the values in the TRC Guide, but it is submitted that when the TRC Guide value is known to be wrong, it should be replaced with the correct figure.

Conclusion

17. We appreciate the opportunity to provide our comments, and hope that our input is of value.

Respectfully submitted on behalf of the School Energy Coalition this 23rd day of March, 2007.

SHIBLEY RIGHTON LLP

Per: _____
Jay Shepherd