BY EMAIL and RESS

Jay Shepherd
jay@shepherdrubenstein.com
Direct: 416-804-2767

April 26, 2019
Our File No. 20190021

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

Attn: Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2019-0021 – Bluewater 2020 Rates

We are counsel for the School Energy Coalition. We are writing in response to the request by Bluewater Power for a further deferral of rebasing from 2020 to 2021, as set forth in their letter of April 9, 2019.

The Board will be aware that SEC does not generally object to rebasing deferrals, of which there have been many over the last few years.

This one, however, appears to us to be different, in three ways. First, it would result in Bluewater going eight years between rebasings, which is very long given the Board's normal parameters. While it is not unprecedented, normally those who defer for that long have clear reasons for doing so.

Second, the sole justification appears to be that Bill 87 involves changes to the governance of the Board, and somehow that means that it is not in the customers' interests to apply for a rate change right now. SEC does not believe that, speaking as customers, Bill 87 means that our interests favour delaying review of utility finances.

Third, and most important, Bluewater has been overearning at a level of about $500,000 per year, year after year (grossed up for PILs). In addition, it is one of the few utilities still using the 13% working capital, which has a further upward impact of about $350,000 on rates. Together, these mean that, all other things being equal, rates should be about 4.1% lower.

SEC believes that for some LDCs one or two extensions of rebasing can be helpful for everyone, if for no other reason than reducing regulatory costs. However, where as here it appears that Bluewater will have, if the current ROE pattern continues through to 2020, $5-6 million of overearnings – the equivalent of two years' earnings – this seems to be us to be outside the norm that should be acceptable to the Board. (We note that, although their letter is dated April, Bluewater did not disclose to the Board their 2018 ROE, nor any forecast of 2019 or 2020 ROE.)

Under the circumstances, SEC submits that Bluewater should not be allowed a rebasing deferral, or should be allowed a deferral only on condition that, before the price cap is applied, there be a one-time adjustment to rates to move to 7.5% working capital and bring down ROE to the current Board-approved level, thus reducing rates across the board by 4% or more (less the price cap increase).

All of which is respectfully submitted.

Yours very truly,
JAY SHEPHERD P. C.

Jay Shepherd

cc: Wayne McNally, SEC (email)
Interested Parties