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Please reply to the TORONTO OFFICE

March 5, 2009

BY COURIER

Ontario Energy Board
2300 Yonge Street
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ONTARIO ENERGY BD

EB-2008-0250

OEB BOARD SECRETARY	
File No:	Sub File: 8
Panel	PS, CCID
Licensing	TA
Other	
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File No. 2080672

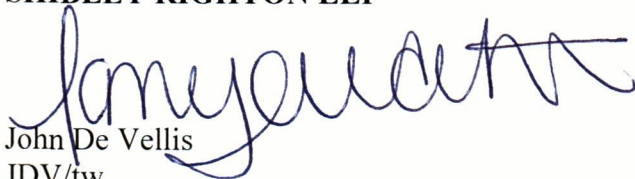
Dear Ms. Walli:

Re: Westario Power Inc. EB- 2008-0250

Please find enclosed a copy of School Energy Coalition submissions in respect of the above captioned matter. An electronic copy has already been sent to the parties.

Yours very truly,

SHIBLEY RIGHTON LLP

per 
John De Vellis
JDV/tw
Enclosure

IN THE MATTER of the *Ontario Energy Board Act 1998*,
Schedule B to the *Energy Competition Act*, 1998, S.O. 1998, c.15;

AND IN THE MATTER OF an Application by Westario Power Inc. for
an Order or Orders approving just and reasonable rates and other service
charges for the distribution of electricity, effective May 1, 2009.

**SUBMISSIONS
OF THE
SCHOOL ENERGY COALITION**

Overview

1. These are the submissions of the School Energy Coalition ("SEC") in the application by Westario Power Inc. ("WPI") for an order fixing just and reasonable rates for the distribution of electricity effective May 1, 2009.

Rate Base and Capital Expenditures

2. After adjusting for a single large expenditure in 2007, forecasted 2009 capital expenditures are in line with past years. It appears that, in order to achieve that continuity with past expenditures, WPI has balanced increased expenditures in the area of Public Safety (the Pole Line Replacement and Copper Replacement projects- see Ex. 2-3-1, p. 12) with reduced

expenditures in other areas. WPI appears to have appropriately prioritized projects using its Capital Projects Scoring Matrix. SEC therefore has no objection to WPI's capital plan.

3. With respect to the new operations centre, SEC notes Board Staff's concerns about the cost of the facility versus the costs of continuing to lease. SEC agrees with the applicant, however, that a single year comparison is not appropriate. In SEC's submission, the net present value calculation provided in response to response Board Staff supplementary IR#6 demonstrates that owning a single facility is more cost effective than leasing. In addition, although the applicant has acknowledged not having done a thorough analysis of the issue, intuitively one would expect operational efficiencies to result from having one facility versus leasing eight separate facilities.

4. However, SEC shares Board Staff's concerns regarding the apparent lack of offsetting expense savings resulting from the new operations centre in Walkerton. This issue will be addressed under OM&A, below.

Load Forecast

5. SEC concurs with the submissions of Board Staff and VECC regarding WPI's load forecasting methodology, specifically, the fact that the regression equation used by WPI does not include number of customers as an explanatory variable. As VECC points out, the resulting average use by customer class are lower than the two comparator values. Although that variation may be explained by declining average use generally or other factors, it does appear that the

regression analysis including customer count produces a robust model with a higher R2 value than the existing model.¹

OM&A

6. As demonstrated in the Board Staff submissions, WPI's OM&A 2009 expenses are almost over 11% greater than normalized 2007. However, 2007 actuals included \$221,250 in rent for the previously leased facilities, which were replaced with a new facility owned by the utility. The applicant's occupancy costs have, therefore, now been capitalized. In order to more accurately compare 2009 OM&A with 2007, an additional adjustment should be made to 2007 OM&A to remove leasing, cost as follows:

	2007	2009
OM&A	\$4,321,739 ²	\$4,811,825
Less: leasing costs	\$ 221,250	0
Adjusted OM&A	\$4,100,489	\$4,811,825
% Difference		17.4%

7. The above table shows that the proposed 2009 OM&A costs represent a 17.4% increase over 2007 OM&A once 2007 expenses are normalized to remove major non-recurring items such as 3rd Tranche CDM spending, meter exit fee credit and leasing costs.

¹ The adjusted R2 value in the existing model is 0.958778 [Exhibit 3, Tab 2, Schedule 1, Attachment pg. 5] versus an adjusted R2 value in the model including customer count of 0.96119 [Board Staff IR#34(b)].

² Equals 2007 OM&A (\$4,534,739) less adjustments for CDM 3rd Tranche spending (\$467,450) and Meter Exit Fee Credit (\$263,400).

8. SEC points out that the above represents a more accurate comparison of 2009 vs. 2007 OM&A since the amount that ratepayers are paying in 2009 is under-stated in that ratepayers will be paying for the new facility, only the costs are now in ratebase rather than in operating expenditures. Comparing 2009 OM&A *excluding* occupancy costs (which are in fact being paid by ratepayers, although they do not appear in OM&A) to 2007 OM&A *including* occupancy costs, therefore, does not give a true picture of the total increase in expenditures ratepayers are facing in 2009.

9. In addition, the Applicant has stated that it expects there to be operational efficiencies arising out of the fact that its operations are now run out of a single amalgamated facility rather than eight separate locations. Since WPI acknowledged that it did not do a detailed analysis of what those savings would be [Board Staff supplementary IR#6], in SEC's submission they likely have not been factored into 2009 OM&A forecasts.

10. For those reasons, SEC believes 2009 OM&A should be \$4,495,088. That amount is equivalent to the 2007 adjusted OM&A set out above (\$4,100,489) indexed by 4% for each of 2008 and 2009, plus an additional \$60,000 for 2009 representing one quarter of the cost of the 2009 EDR application. The resulting decrease from the as-filed OM&A is \$315,825, or 7%. SEC believes, however, that a 4% per year increase is generous given the operational efficiencies that we would expect the applicant to achieve as a result of its facilities amalgamation and that provision has been made for the 2009 EDR costs.

Cost Allocation

11. SEC has consistently argued that applicants should strive to end cross-subsidization by moving towards a revenue to cost ratio of one for all rate classes.

12. In the current application, other than a change to the Streelighting class, WPI is making no movement towards equal cost recovery among the remaining rate classes. The GS>50kW rate class, with an R/C ratio of 166.28% (down just 1.75% from 168%) continues to subsidize all other rate classes in the amount of \$728,448³. This represents an over-contribution by these customers of \$2,961 each⁴. SEC believes the level of over-contribution on the part of GS>50kW customers is unacceptable.

13. WPI may point out that the revenue to cost ratio for this class, at 168%, is within the acceptable range set out in the Board's Cost Allocation Report⁵, albeit near the top end of that range. However, the Board's report pointed out that the range approach simply sets out minimum requirements and that the ultimate goal is to move revenue cost ratios closer to one:

The ranges established by the Board are set out in section 3, and are intended to be minimum requirements. To the extent that distributors can address influencing factors that are within their control (such as data quality), they should attempt to do so and to move revenue-to-cost ratios nearer to one.

[EB-2007-0667, p. 4]

³ Taken from columns two and three on table at Exhibit 8, Tab 1, Schedule 2, pg. 2, which show the revenues allocated to the GS>50kW rate class (\$1,827,527) versus the allocated costs (\$1,099,079). The difference between these two numbers \$728,448.

⁴ Equals \$728,448 (the total over-contribution by the GS>50kW rate class) divided by the projected number of customers, 246 (found at Exhibit 3, Tab 1, Schedule 3, Attachment 1, pg. 1).

⁵ EB-2007-0667.

14. In addition, WPI points out in its evidence that it reviewed its existing cost allocation study and concluded that it did not need to be updated, on the basis that its "underlying infrastructure and operations have been quite stable through the intervening years." [Exhibit 8, Tab 1, Schedule 1, pg. 3] In SEC's submission, if WPI believes that its cost allocation study does not need to be updated then is no reason to begin addressing the significant cross-subsidization that exists among rate classes.

15. WPI also states that the use of smart meters in the near future "will provide a significantly improved basis...for quantifying the allocators used in the cost allocation study..." [Ex. 8-1-1, pg. 4]. In SEC's submission, however, the fact that there may exist, at some point, better tools to determine revenue to cost ratios, that does not excuse failing to address significant cross-subsidization that exists today.

16. Accordingly, SEC submits that WPI be directed to begin eliminating the existing cross-subsidies by reducing the revenue to cost ratio for the GS>50kW rate class to 134% in 2009. This is one half the distance from 168% (the existing level) and 100%.

17. Finally, SEC points out that it has members in both of the general service rate classes, and that its proposal, if accepted would necessarily mean an increase for its members in the GS<50kW rate class, whose revenue to cost ratio for 2009 is projected to be 81.2%. SEC has always, however, taken a principled approach towards cost allocation, and that is that, as a matter of both efficiency and fairness, cross-subsidization among rate classes should be eliminated.

Costs

18. SEC participated responsibly in this proceeding and sought to minimize its costs by cooperating with other ratepayer groups and by reviewing Board Staff's submissions prior to commencing its own. SEC respectfully requests that it be awarded 100% of its reasonably incurred costs.

All of which is respectfully submitted this 4th day of March, 2009.

John De Vellis
Counsel to the School Energy Coalition