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MAY 28 2009

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Please reply to the TORONTO OFFICE

May 28, 2009

File No. 2080627

BY COURIER

Ontario Energy Board
2300 Yonge Street
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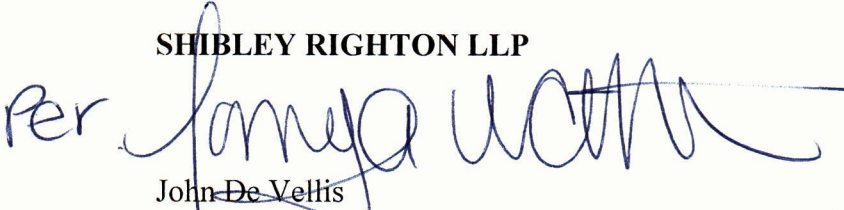
Dear Ms. Walli:

Re: Tilsonburgh Hydro Inc. EB-2008-0246

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

EB-2008-0246

OEB BOARD SECRETARY	
File No:	SubFile: 816
Panel	PV, KO
Licensing	Lee H.
Other	L.C.
00/04	TRIM

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 Tillsonburg Hydro 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 Tillsonburg Hydro Inc. ("THI") for an order fixing just and reasonable rates for the distribution of electricity effective May 1, 2009.
2. THI's requested Service Requirement for 2009 represents a substantial increase over existing level. Its revenue deficiency of \$818,000 on a total revenue requirement of \$3,240,000 represents a 25% increase in revenue requirement.
3. The resulting distribution increases are, in SEC's submission, unacceptable. Distribution rate impacts from this application range from 20% for residential customers to 33.7% for GS<50kW customers and 60% for GS>50kW customers [Ex. 1-1-6].¹ The total bill impacts for the general service classes are well above 10%.

¹ The increase for the GS>50kW class is also due to a change in cost allocation, which is discussed in greater detail below.

Load Forecast

4. No submissions.

OM&A

5. After being relatively stable during the historic period, THI's OM&A costs increase dramatically in the test year: a 31% increase in 2009 over 2008. THI's OM&A per customer will also increase by a similar rate in 2009:

THI OM&A/Customer, 2006-2009

	2006	2007	2008	2009
OM&A	1,614,146	1,620,270	1,626,967	2,135,500
# of Customers (excl. connections)	6,428	6,536	6,635	6,679
OM&A/customer	\$251.11	\$247.89	\$245.21	\$319.73
% Change (yr/yr)- OM&A/customer		-1.28%	-1.08%	30.4%

6. As the Board has stated on numerous occasions in the past, ratepayers have a right to expect relative stability in utility costs. A 30% increase in costs in a single year after several years of virtually no growth is, in SEC's submission, unacceptable. Beyond the overall increase, SEC has specific concerns with respect to a number of the drivers of THI's forecasted increase in OM&A. They are set out below:

Labour Costs

7. THI has stated that \$189,00 of the increase in OM&A is due to labour cost increases. Of this, \$27,00 is the result of cost of living adjustment, while the remaining \$162,000 results from increases in FTE in 2009.

8. SEC agrees with Board Staff's submissions regarding the appropriateness of the new hires.

9. In addition, SEC points out that, as of the date that THI provided answers to supplemental interrogatories, one of the new proposed hires, the Operations Regulatory Affairs Manager, has not been hired, and THI states that it is "unable to estimate when this position will be filled" [Ex. 10-3-38]. Under the circumstances, SEC believes it is inappropriate to include the cost of the position in THI's cost of service.

Changes to Capitalized Rate/Fleet

10. A sizeable portion of the increase in OM&A appears to be due to changes in capitalization rates for labour and fleet costs. The evidence, however, is not clear as to what the contribution is. In THI's Argument in Chief and in the updated evidence filed April 14, 2009, the increase related to changes in capitalized labour (\$86,200) plus capitalized fleet (\$47,400) total \$133,600. However, in response to Board Staff IR#18, the amount is \$111,000. There does not appear to be an explanation for the difference.

11. More importantly, SEC has not received a satisfactory answer to its inquiry seeking an explanation for the fluctuation of the capitalized labour/fleet amount. THI's reply was that "the fluctuations reflect changes in the level of capital spending and in the Operating costs eligible for capitalization." [Ex. 10-4-23(c)]. With great respect, that is simply stating the obvious and provides no guidance for the Board as to why capitalized costs appear to have fluctuated so significantly.

Regulatory Costs

12. THI has included in its regulatory expenses \$12,050 as a "Management Fee" [Ex. 10-1-47, p. 1]. SEC believes that this fee, along with similar fees applied to other third party costs, are not appropriate.

13. In addition, THI has included \$25,000 for "OEB Hearing Assessment" but has stated that THI is "aware that the Board's costs may be nil or much lower than the provision." [Ex. 10-1-47, p. 2] THI nonetheless seeks approval of the amount on the basis that it may offset other costs that are not in the application. SEC believes, however, that if the forecast is incorrect it should not be approved.

CIS

14. SEC has a number of concerns with respect to the CIS costs.

15. First, it is not clear why a three year amortization period (subsequently amended to a four-year amortization) was chosen. SEC twice tried to clarify this issue in interrogatories [Ex. 10-4-12(d) and Ex. 10-4-25(a)]. In response to a supplemental interrogatory from SEC asking for the estimated useful life of the new system, THI replied that it "does not have an estimate of the useful life of the new CIS because it is unable to predict or anticipate future electricity market changes that may be accommodated by the new CIS." [Ex. 10-4-25(a)]. Whether or not that is true, for accounting purposes all assets must have an estimated useful life, otherwise there would be no way of determining how to expense the cost of the asset in the current period. SEC was attempting to identify whether there is a difference between the Town of Tillsonburg's accounting treatment of the asset and THI's decision to amortize it over three (now four) years.

16. In a separate interrogatory response, THI states that it had changed the amortization period of the CIS to four years, apparently to coincide with the IRM period [see Ex. 10-4-25(b)]. With respect, the length of the IRM period has nothing to do with the appropriate period over which to amortize the cost of a capital asset. The appropriate period is the estimated useful life, which THI has for some reason refused to provide.

17. Under the circumstances, SEC agrees with Board Staff's submission that the appropriate amortization period is five years.

18. Secondly, SEC disagrees with THI's proposal to allocate 100% of the capital costs of the new system to the utility. THI's justification for doing so is that "the need for a new CIS was triggered by a decision of the vendor of the previous CIS to no longer support changes in the electricity market" [Ex. 10-4-25(c)]. THI's position is contrary to established regulatory policy, which is the costs of assets shared with affiliates are shared on a fully allocated basis. SEC believes the capital cost of the new system should be allocated in the same way that the operating costs are allocated.

19. Thirdly, THI proposes to recover in rates a management fee of 5% on top of the cost of CIS system. SEC agrees with Board Staff and other intervenors who have suggested that that fee, in relation to the CIS and other third-party costs, is inappropriate.

Cost of Capital

Long-Term Debt Costs

20. SEC agrees with the submissions of Energy Probe regarding the cost rate applied to THI's notional long-term debt.

Cost Allocation

21. THI has proposed moving the GS>50kW rate class from a revenue to cost ratio of 59% to 70%, which is approximately half way between the current level and the bottom of the Board's range for this rate class.

22. Although the proposal is consistent with previous Board decisions, SEC submits that an exception should be made in this case for rate mitigation purposes. As mentioned above, the GS>50kW customers are facing very high rate increases as a result of this application. Below are the rate impacts provided by THI in its supplemental evidence filed April 14, 2009:

General Service >50 l

Volume		RPP?	Distribution Charges		Total Bill	
kWh *	kW		\$ change	% change	\$ change	% change
15,000	60	n/a	\$69.75	43.1%	\$181.55	13.0%
25,000	100	n/a	\$116.75	59.9%	\$303.09	13.4%
100,000	500	n/a	\$586.79	>100%	\$1,361.52	15.0%
		n/a				
		n/a				
42,574	124	n/a	\$144.95	67.5%	\$448.65	12.5%

* Loss Factors (sheet F6) apply to certain pass-through charges (per sheet Y4)

23. As can be seen from the above table, customers in the GS>50kW rate class will be seeing distribution rate impacts as high as 68% and total bill impacts well above the Board's threshold level of 10%. Many of these customers are the same types of businesses THI cites throughout

its evidence as being responsible for the significant decrease in load forecast since the application was originally filed in August 2008.

24. In SEC's submission, it would be counter-productive for the utility and for other ratepayers to impose a 15% total bill increase on businesses already facing very difficult economic challenges as a result of the current economic climate.

25. SEC submits that the Board consider deferring the move towards the bottom of the Board's range until 2010. The benefit would be that the two very large rate impacts facing GS>50kW customers- one for the overall increase in the revenue requirement and the other due to the changes in revenue to cost ratios- could be split over two years, providing a much more reasonable (though still significant) increase for those customers in each year.

Implementation

26. SEC notes that THI's existing rates were declared interim effective May 1, 2009. In declaring the rates interim, the Board stipulated, as it often does when declaring rates interim, that the interim rate order "should not be construed as predictive, in any way whatsoever, of the final determination of this application with regards to the *effective date*." [Interim Rate Order and Procedural Order #3, p. 2; emphasis added]. In SEC's submission, the Application was delayed significantly as a result of the Applicant effectively not having filed until December 15, 2008- a four month delay from the initial filing. Under the circumstances, SEC submits that the effective date of the new rate order should be either September 1 or the first month after the Board's Decision in the matter is rendered, whichever is sooner. The effective date should not, in SEC's submission, be May 1, 2009.

27. If the Board determines that the effective date should be a date that is earlier than the implantation date, SEC submits that the lost revenue from the effective date to the implementation date of the new rate order should not be collected over the remainder of the year. If that were to occur ratepayers would face effective rate increases that are much higher than the increases set out in the application, which, as stated above, are already unacceptably high.

28. SEC suggests instead that the lost revenue for the period between the effective date and the implementation date be collected over a two-year period.

Costs

29. SEC participated responsibly in this proceeding and sought to minimize its costs by cooperating with other ratepayer groups. SEC respectfully requests that it be awarded 100% of its reasonably incurred costs.

All of which is respectfully submitted this 27th day of May, 2009.

John De Vellis
Counsel to the School Energy Coalition