



July 9, 2009

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge St, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Walli:

Re: Regulatory Treatment of Infrastructure Investments for Ontario Electricity Transmitters and Distributors EB-2009-0152

Chatham-Kent Hydro and Middlesex Power Distribution Corporation ("CK-MP") are pleased to be given the opportunity to provide comments on the Regulatory Treatment of Infrastructure Investments for Ontario Electricity Transmitters and Distributors.

Due to vacation time, this is a late submission if the board could please accept this submission it would be greatly appreciated.

If you have any questions or concerns, please call me.

Yours truly,

A handwritten signature in black ink, appearing to read "Cheryl Decaire".

Cheryl Decaire
Co-ordinator of Regulatory and Rates
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Email: cheryldecaire@ckenergy.com

CC: Mr. Dave Kenney, President Chatham-Kent Hydro
Mr. Jim Hogan, President and CEO Chatham-Kent Energy

**Regulatory Treatment of Infrastructure Investments for Ontario Electricity
Transmitters and Distributors
EB-2009-0152**

**Submission
from
Chatham-Kent Hydro Inc.
Middlesex Power Distribution Corporation**

July 7, 2009

Chatham-Kent Hydro and Middlesex Power Distribution Corporation (“CK-MP”) are providing the following comments on the Ontario Energy Board’s (“Board”) staff paper relating to The Regulatory Treatment of Infrastructure Investment for Ontario’s Electricity Transmitters and Distributors the Board file EB-2009-0152. CK-MP will only provide a few summary comments and answers to only some of the questions where we believe our comments will provide additional information for the Board.

Overall Support

CK-MP are in full support of the Board’s initiative to explore additional regulatory treatment for the infrastructure investments and the significant change in responsibilities for local distribution companies (“LDCs”). In order for LDCs to meet the requirements of Green Energy and Economy Act (“GEEA”) there is the need for alternatives in regulatory treatment for these types of investments which may have a different risk profile from our current business model.

Question 3

Q. Should the mechanisms identified in this Discussion Paper apply to the recovery of costs incurred by electricity transmitters or distributors for investments to accommodate renewable generation or to develop the smart grid, or both? Why or why not?

A. The mechanisms discussed in the paper should be available to both transmitters and distributors and should be for both renewable and smart grid investments. It is the belief of CK-MP that the goals of these investments are very similar in that they are designed to enable renewable generation, distributed generation, electric vehicles, replace the coal generation and reduce green house gases. These investments are not currently included in the regular business practices of LDCs and therefore require special regulatory treatment.

Question 4

Q. Should the mechanisms set out in this Discussion Paper be applied to infrastructure investment if the cost of the investment is potentially recoverable through a Province-wide cost recovery mechanism? Why, or why not?

A. The mechanisms in the discussion paper should be available if the recovery will be through the Province-wide cost recovery mechanism as the LDCs may require additional assurance of recovery, assist in cash management of the project and may assist the customers of the LDC by ensuring the LDC has some capital to continue to invest in the infrastructure of the system for items such as reliability.

Question 5

Q. Should the mechanisms set out in this Discussion Paper be applied to infrastructure investment in smart grid technology while it is at an early stage of development and where governing standards are yet to be developed? Why or why not?

A. The mechanisms set out in the paper should be eligible for smart grid investments as a number of LDCs, such as CK-MP, are ready to invest in smart grid infrastructure as their smart meter system is fully deployed and implemented. CK-MP believes that there are some smart grid investments that are a backbone to any system that can be made at this time, such as a high end SCADA system.

Question 9

Q. Should the Board permit applicants to request confirmation from the Board that prudently-incurred costs associated with any abandoned projects will be recoverable in rates if such abandonment is outside the control of management? Why or why not?

A. CK-MP believes that LDCs should be eligible to recover prudently incurred costs for investments made to projects that were abandoned which were outside the control of management. This is a reasonable since many of the investments are driven by outside

forces and can negatively impact LDCs if they are able to recover their costs. LDCs are required to make the investments as part of the GEEA and therefore we should have some assurance of cost recovery.

Question 10

Q. Should the Board allow for full or partial CWIP to be placed in rate base during the construction of transmission facilities to accommodate the connection of renewable generation and/or develop the smart grid? Why or why not? Should the Board allow this particular treatment for distribution investment? If so, on what basis?

A. CWIP should be available to transmitters and distributors where the investments are for renewable generation and smart grid, provided that the project is greater than 1 year. Some of the investments may be significant and will require early recovery through the CWIP option. This would allow LDCs some recovery early in the process which will ensure that they have enough capital to continue to make investments in the transmission and distribution systems to maintain reliability for the current customer base.

Question 11

Q. Should the Board allow depreciation to be adjusted to match a contract term or the useful life of the connecting renewable generation facility? Why or why not?

A. The Board should allow some flexibility in the depreciation rates in order to better reflect the risk profile and contract terms for the investments. This would better match the costs and benefits of the investments as well as protect the LDCs customers from having to pay for investments (depreciation) that were for renewable generation.

Question 14

Q. If the Board were to provide for incentives, should it allow project-specific capital structures?

A. The Board should allow for project-specific capital structures and other terms that better reflect the risk profile and partnership of the infrastructure investments. The objective should be to be fair to all parties involved (current customers, developers and LDCs), protect the rate payers and to ensure that the right renewable investments are made. By allowing for some flexibility on a case-by-case basis it should ensure that investments are made with creative partnerships such that the objectives of the GEEA are made.

Question 15

Q. What other alternative mechanisms, if any, might the Board consider be made available to applicants? Why?

A. While CK-MP does not have any specific other alternatives to provide at this time, we would just like to encourage the Board to be flexible in their treatment of the GEEA infrastructure investments and to allow LDCs to be creative while ensuring the Board meets their objectives.