

Oshawa



PUC Networks Inc.

100 Simcoe Street South, Oshawa, ON L1H 7M7 • Tel. (905) 723-4623 • Fax (905) 743-5220 • E-mail contactus@opuc.on.ca

February 26, 2019

BY COURIER & RESS

Ms. Kirsten Walli, Board Secretary
ONTARIO ENERGY BOARD
2300 Yonge Street, 26th Floor, P.O. Box 2319
TORONTO, ON M4P 1E4

**Re: Oshawa PUC Networks Inc. (ED 2002-0560)
2019 Cost of Service Delay**

Dear Ms. Walli:

Oshawa PUC Networks Inc. (Oshawa Power) last filed a Cost of Service (CoS) application with the Ontario Energy Board (Board) in January 2015. The application was filed under a Custom IR Rate Plan and resulted in distribution rates for the years 2015 through 2019 (EB-2014-0101).

In the Board's decision and order issued in November 2015, final rates for 2015 through 2017 were approved, and rates for 2018 and 2019 were set on an interim basis. The Board directed Oshawa Power to file a mid-term application in July 2017 to adjust and finalize revenue requirement and rates for 2018 and 2019. Oshawa Power filed the mid-term application as directed, and obtained Board approval for final 2018 and 2019 rates in February 2018.

On November 27, 2018, the Board issued a letter listing Oshawa Power as a distributor scheduled to submit a CoS application in 2019 for rates effective January 1, 2020. Oshawa Power is requesting to defer the setting of its rates on a CoS basis until January 1, 2021 in favour of using the Price Cap IR rate setting methodology for rates effective January 1, 2020.

The request to defer Oshawa Power's next CoS application is based on several key factors including:

1. Existing rates, if increased by the Price Cap IR formula, are sufficient to maintain the high quality of service that our ratepayers are receiving as evidenced in Oshawa Power's most recent scorecard performance:
 - a. Group 2 cost efficiency;
 - b. Among the highest Customer Satisfaction Survey Rating;
 - c. Low Total Cost per Customer; and
 - d. Targets Met in all applicable service categories.
2. A solid balance sheet and financial performance well within the Board's 300 basis point dead band.
3. A strong commitment to good corporate governance.
4. The desire to submit a high quality CoS application that is in conformance with the OEB's Renewed Regulatory Framework for Electricity Distributors.

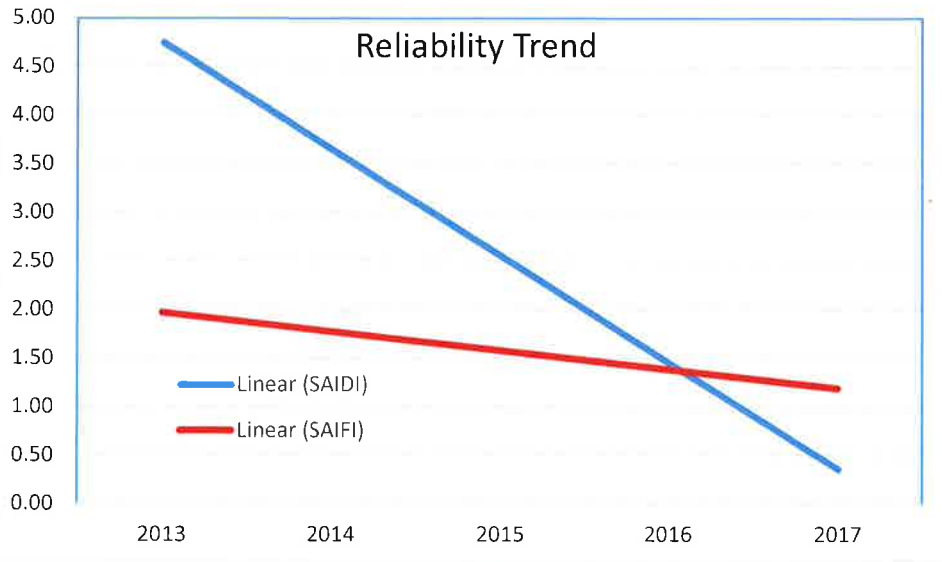
Scorecard results

As can be seen by the table below, Oshawa Power has performed reasonably well in relation to the Board's key scorecard metrics for financial performance since filing its Custom IR Rate Plan.

Year	Liquidity Ratio	Debt/Equity Ratio	Return on Equity	
			Achieved	Deemed
2013	1.19	0.77	6.47%	9.42%
2014	0.84	0.78	6.41%	9.42%
2015**	1.16	1.12	7.59%	9.30%
2016	1.16	1.04	9.97%	9.30%
2017	0.99	0.96	7.62%	9.19%

****Rates effective for three months, October through December resulting in lower expected ROE.**

Reliability has been satisfactory. The chart below illustrates the favourable trend in System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) from 2013 through 2017:



Oshawa Power also continues to maintain a cost Efficiency Assessment of 2, the most efficient being 1 and the least 5. In 2017, Oshawa Power met all of its prescribed targets per the Board's Scorecard, had high Customer Satisfaction Survey Results and operates at a relatively low cost per customer when compared to other utilities.

Oshawa Power anticipates it will continue to achieve solid results as defined under the Board's Scorecard and fully expects to meet its financial obligations within the parameters of its current approved rates and as adjusted under a Price Cap IR rate setting methodology.

Corporate Governance

Oshawa Power complies with corporate governance best practices. Oshawa Power currently has eight members on its Board of Directors, all of whom are independent of its shareholder. Of the eight members, four are also Directors of affiliates meaning the remaining four are fully independent as defined under the Board's *Corporate Governance Guidance for OEB Rate Regulated Utilities*.

Oshawa Power has a skills based Board of directors with a broad range of expertise. The Board of Directors has adopted corporate structures and protocols, including Audit, HR & Governance and Capital Committees.

Next Cos Application

Oshawa Power has reviewed the requirements for the next CoS application and associated costs and at this time, feels that the prudent decision is to delay rebasing to provide sufficient time to prepare a high quality rate application.

Oshawa Power continues to focus on preparing a quality application that will include:

- Business Plan
- Distribution System Plan
- Enhanced Customer Engagement
- Asset Condition Assessment
- Benchmarking analysis

While each of the requirements above informed Oshawa Power's Custom IR Rate Application filed in 2015, a number of changes have come into effect that must be considered in future CoS rate applications including the Board's expectations now that guidance under its Renewed Regulatory Framework for Electricity has evolved over a number of years. Oshawa Power is carefully reviewing the filing requirements and expectations of the Board to ensure it prepares a CoS application that will meet the Board's expectations.

Due to the reasons noted above, Oshawa Power respectfully requests a deferral of its CoS for rates effective January 1, 2020 to January 1, 2021. Should the Board have any questions regarding this matter please contact the undersigned.

Regards,



Phil Martin
VP, Finance and Regulatory Compliance