Oshawa PUC Networks Inc.
Reply to
Board Staff Interrogatories
2009 Incentive Regulation Mechanism Rate Application
Oshawa PUC Networks Inc.
EB-2008-0205

Revenue to Cost Ratios

Ref.: 2009 3rd Gen. IRM Supplementary Filing Model, Sheet C2.1

1. *In EB-2007-0710, the Board directed Oshawa PUC Networks Inc. ("Oshawa"),to adjust its revenue to cost ratios and the methods to adjust them up to the boundaries of the target ranges set out in the Board Report, Application of Cost Allocation for Electricity Distributors, issued on November 28, 2007 (the "Cost Allocation Report").*

In column A of Table 3 on page 11 of the Board Decision (re: EB-2007-0710), the Unmetered Scattered Load rate class ("USL") was shown as having a revenue to cost ratio of 132%. Based on the methodology set out on page 13 of the Decision, Board staff understands that the USL revenue to cost ratio was expected to be adjusted to 126% in 2008. However, the 3rd Generation IRM Supplementary Filing Model indicates (Sheet C2.1, cell K27) that the actual 2008 revenue to cost ratio for the USL increased to 161.6%.

a) Please explain why this increase occurred.

The figure of 132% resulted from the application of the Cost Allocation model using data collected prior to 2006. Since that time there have been adjustments to the parameters used in the calculations. For example, the 2008 Cost of Service application applied a load forecast which was higher than the load used to calculate the original number. The class itself is small enough that small increases in load result in large changes when the Cost Allocation model is applied with the new figures.

The Rate Order made by the Board in proceeding EB-2007-0710 was based on information filed with the Draft Rate Order submitted after the Decision was rendered. In that Draft Rate Order the unadjusted ratio for the class is identified as 1.62. This amount was accepted by the Board when the Rate Order was issued.

b) Please explain how this result is consistent with the Board's directions in EB-2007-0710.

The adjustments on page 13 of the Decision were to be applied to specific rate classes: GS < 50 kW; GS> 1,000 to 5,000 kW; Large Use; Streetlighting; and Sentinel Lighting. The Unmetered Scattered Load class was not one of those classes identified in the Decision. After some discussion with Board staff, including a technical conference attended by Oshawa, Board staff and one of the intervenors, Oshawa was advised that it was necessary to follow the Decision as written and could not adjust the USL rates for the 2008 Cost of Service Rate Application.

Ref.: 2009 3rd Gen. IRM Supplementary Filing Model, Sheet C3.1

2. *Sheet C3.1 of the 3rd generation IRM Supplementary Filing Model indicates a decrease in the expected 2009 revenue to cost ratio for the USL from 161.6% to 141.0%. The Cost Allocation Report indicates that the target range for the USL is 80% to 120%.*

a) Please explain Oshawa's methodology to determine the magnitude of the proposed 2009 adjustment for the USL's revenue to cost ratio.

Although the Varied Decision dated May 8, 2008 was silent on the adjustment of the USL rate class, Oshawa seeks with this application to apply the Board's accepted methodology to adjust the USL rates beginning with the 2009 Incremental Rate adjustment. For this reason we have proposed adjusting the ratio to 141%. This is one-half of the difference between the ratio reflected in the 2008 rates and the upper limit of the target range for the class.

b) Does Oshawa intend to make further adjustments to the USL revenue to cost ratio? If so, when does Oshawa plan to make these adjustments and what will be their magnitude? If not, please explain why.

Oshawa intends to apply to adjust the cost ratio for the USL class once more in the 2010 Incremental Rate adjustment to bridge the remaining gap between the ratios of 141% and 120%, the upper limit of the range approved by the OEB for this rate class. When this further adjustment is made all rate classes will be within the approved range in the 2010 rate year.

Total Revenue After Revenue to Cost Ratio Adjustments
Ref.: 2009 3rd Gen. IRM Supplementary Filing Model, Sheet C4.3

3. *The difference between the estimated total revenues before the proposed revenue to cost ratio adjustments and after those adjustments is $13,873 (cell H43 in the Supplementary Filing Model, Sheet C4.3).*

Were Oshawa's proposed revenue to cost ratio adjustments derived in a way that minimized this difference? If so, please provide an explanation for the size of this difference. If not, please submit new revenue to cost ratios adjustments that would minimize this difference.

Currently, Oshawa's revenue shows a shortfall of $13,873 which was created after the cost allocation changes were applied to the model. Oshawa noted this difference and attempted to adjust the model to clear the variance. Our attempts to have the model clear this minimal difference were unsuccessful in that they resulted in even larger variances. Oshawa sought guidance from Board staff in this matter and was advised to leave the variance as it was calculated.

Retail Transmission Service Rates (RTSR)
Ref.: Manager's Summary, page 2 and 3

4. *Oshawa proposes to increase its RTSR – Network Service Rates by 11.3% and its RTSR – Line and Transformation Connection Service Rates by 19.2%.*

Please provide a detailed explanation on how the proposed adjustments were calculated.

On October 22, 2008 the Board issued *Guideline G-2008-0001: Electricity Distribution Retail Transmission Service Rates.* Page 4 of the Guideline contains instructions for distributors filing Incentive Regulation applications. Specifically, the Guideline states that the rates will be adjusted by the inclusion of a module in the application module. OPUCN has used the approved rate model.

Rural or Remote Electricity Rate Protection ("RRRP")

5. *By letter dated December 17, 2008, the Board informed the electricity distributors of the approval it has given to the IESO regarding the level of charge the IESO may apply to its Market Participants for the Rural or Remote Electricity Rate Protection (RRRP) program. In that letter, the Board stated: "Distributors that currently have a rate application before the Board shall file this letter as an update to their evidence along with a request that the RRRP charge in their tariff sheet be revised to 0.13 cents per kilowatt-hour effective May 1, 2009."*

If Oshawa has not done so, please file the required addition to the evidence as outlined in the December 17th letter.

Oshawa was not aware that the letter had been issued as it was not received here for some reason. We have since obtained a copy of the letter from the Board and filed the additional evidence using the RESS system.