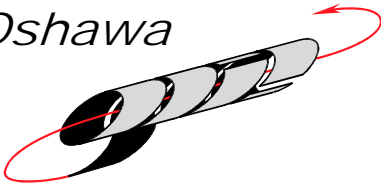


Oshawa



PUC Networks Inc.

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February 17, 2009

Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor 2300 Yonge Street
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: Oshawa PUC Networks Inc. (ED 2002-0560)
2009 IRM Rate Application (EB-2008-0205)

Please find enclosed Oshawa PUC Networks Inc.'s Submission for the above mentioned 2009 3rd Generation IRM rate case. The Submission is being submitted electronically using the OEB's RESS document filing system. Two (2) paper copies of this Submission have been sent to your office.

Copies of this submission have been sent electronically to the intervenors in this rate case.

Yours truly,

Vivian Leppard
Regulatory Analyst
Phone: (905) 743-5220
Email: vleppard@opuc.on.ca

Oshawa PUC Networks Inc.

Submission

2009 Electricity Distribution Rate Application

EB-2008-0205

February 17, 2009

INTRODUCTION

Oshawa PUC Networks Inc. (“Oshawa”) submitted an application for just and reasonable distribution rates for the 2009 rate year on November 7, 2008. The application is based on the 3rd Generation Incentive Regulation Mechanism. Interrogatories were submitted by Ontario Energy Board Staff (“Board Staff”) and the Vulnerable Energy Consumers Coalition (“VECC”) and Oshawa responded to them. The application is being considered in two parts. This document contains Oshawa’s Submission for Part I of the process which includes the consideration of the IRM model and requests for recovery of Lost Revenue Adjustment Mechanism (LRAM) and Shared Savings Mechanism (SSM) amounts.

This submission considers the IRM Model as it pertains to revenue to cost ratio adjustments, Retail Transmission Service Rates, and the calculation of PILs; Oshawa’s application for the standard smart meter funding adder of \$1.00 per meter; and, Oshawa’s application for Lost Revenue Adjustment Mechanism and Shared Savings Mechanism revenue recovery.

IRM APPLICATION MODEL

Revenue to Cost Ratio Adjustments

Board Staff and VECC have expressed reservations about the method used by the IRM model for calculating the amount of revenue to cost ratio adjustments which are ongoing as a result of the Board Decision in Oshawa’s 2008 cost of service application (file number EB-2007-0710). Both have recommended changes which should be considered for inclusion in the 3rd Generation IRM Model for 2010.

Oshawa believes that until such changes are made in the model the revenue to cost ratio adjustments calculated by the current version of the 3rd Generation IRM model should

remain unchanged. These adjustments are reasonable and comply with the Decision rendered by the Board in the 2008 cost of service application.

Retail Transmission Service Rates (RTSR)

On April 28, 2008, the Board issued rate order EB-2008-0013 which set new Uniform Transmission Rates for Ontario transmitters, effective January 1, 2009. These new rates increased the Network Service Rate by 11.3%, the Line Connection Service Rate by 18.6%, and the Transformation Connection Service Rate by 0.6%. Distributors combine the wholesale line and transformation connection rates into one retail connection service charge.

Oshawa has recalculated the increase in Line and Transformation Connection Service Rate by applying a weighted average price calculation to arrive at an increase of 5.424% and proposes replacing this amount with the one originally submitted in the Model.

Payments in Lieu of Taxes (PILs)

Board staff has submitted that in order to achieve consistency for all electricity distributors, Oshawa's 2008 Cost of Service approved Capital Tax calculation should be adjusted to reflect changes announced after the Decision of March 19, 2008. Board staff has calculated the impact of this change to \$28,954. Oshawa concurs with the calculations made by Board staff and will seek advice on including the new calculation in the model.

SMART METER RATE ADDER

Oshawa currently collects the standard Smart Meter rate adder of \$0.30 per meter for non-implementing distributors. Oshawa joined the London Hydro RFP and is planning to start installation of smart meters in 2009 and complete the installation in 2010. This means that Oshawa is now an implementing distributor. On October 22, 2008 the Board issued Guideline G-2008-0002: Smart Meter funding and Cost Recovery which details

the evidence required when implementing distributors wish to apply for the standard smart meter funding adder of \$1.00 per meter. Oshawa filed the evidence required for this application. VECC, while admitting that Oshawa has met the filing requirements, would like more cost information. Oshawa is currently in the process of finalizing a contract with the vendor identified as a result of the London RFP process but does not have specific details and has therefore followed the Guideline for applying for the standard smart meter adder. The Guideline provides for two different smart meter funding adders for implementing distributors. A distributor in the latter stages of planning the installation will have acquisition and cost information which is very detailed and stable. Such distributors can apply for utility-specific funding adders. A distributor can also apply for the standard adder which is designed to assist "... distributors [who] may be in the early stages of planning and may not yet have sufficient cost information to request a utility-specific rate adder" (*Guideline G-2008-0002, page 9-10*). Oshawa is in this category and has applied for the standard \$1.00 per meter adder. The implementation of this adder will allow Oshawa to build up funds for implementation and will also mitigate the rate shock which would result from applying a larger adder when installation is complete.

LOST REVENUE ADJUSTMENT MECHANISM AND SHARED SAVINGS MECHANISM

Oshawa PUC Networks Inc. has followed Board guidelines and applied for Lost Revenue Adjustment Mechanism (LRAM) and Shared Savings Mechanism (SSM) for 2006 and 2007.

VECC submits that all calculations should account for persistence of use of the technology and a factor for partial effectiveness of the technology. Oshawa respectfully submits that the Board has determined, in its *Guidelines for Electricity Distributor Conservation and Demand Management* issued March 28, 2008 that "...at this time, distributors should assume 100% persistence in assessing CDM cost effectiveness".

Oshawa has done so. Oshawa also submits that requiring a discount for partial effectiveness at this time is premature since no standard method of calculating it has been approved by the Board.

Oshawa respectfully submits that the LRAM and SSM calculations contained in our 2009 IRM rates application follow the guidelines issued by the OEB for such calculations and requests that they be accepted by the Board.