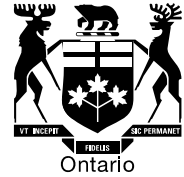


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By Email

October 9, 2007

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: PUC Distribution Inc.
Application to Amend 2007 Distribution Rates (Recovery of 2007 PILs
Expense)
Board File No. EB-2007-0723**

In accordance with Procedural Order No. 1, please find enclosed interrogatories prepared by Ontario Energy Board technical staff on the evidence submitted by PUC Distribution Inc. in its application.

Yours truly,

Original signed by

Neil Mather
Project Advisor - Applications

Encl.

cc. Applicant and Counsel
Intervenors of Record

PUC Distribution Inc.
EB-2007-0723
Board staff Interrogatories

Amount of PILs in 2007 IRM revenue

1. Using the 2006 EDR PILs model that supports the Board's Decision (RP-2005-0020/EB-2005-0412), and eliminating the loss carry-forward, please provide an estimate of the PILs expense.
2. Reference: Sheet 8 'Price Cap Adjustment to Basic Distribution Rates'.
Please confirm that the final Price Escalation (GDP-IPI) approved by the Board for PUC's 2007 IRM filing was 1.9%, less a factor for productivity gain of 1.00%, whereas the Price Escalation (GDP-IPI) used on Sheet 8 of this Application is 1.00% with no factor for productivity gain.

3. Reference: pp 1-2 of the Application.

The Applicant requests "the following relief from the Board:

- 1) Confirmation that an immediate adjustment effective September 1, 2007 will be made to PUC Distribution's 2007 distribution rates whereby the required PILs adjustment will be granted resulting in new distribution rates as are detailed in Sheet 7 of the Model which is attached;
 - 2) Confirmation that PUC Distribution's incremental PILs expense (including 2007 PILs) together with carrying charges thereon, will be recoverable through rates by way of an adjustment mechanism commencing in 2008, subject to verification of the amount of the expense; or
 - 3) Confirmation that PUC Distribution will be permitted to establish a deferral account immediately, by which it will track its incremental PILs expenses for 2007."
- a) Please indicate whether the Applicant considers that Method 1 would necessarily be used alone, or whether it could be combined with the other method(s), such that part of the relief sought would be by means of a 2007 rate adjustment (i.e. prior to May 1, 2008) and part of the relief would be by means of an adjustment after May1, 2008.
 - b) Noting that PUC's distribution rates have been declared interim as of September 1, 2007, and considering only Method # 1 for this interrogatory, does the Applicant propose to charge final rates on the

- c) billing quantities established by its customers based on their consumption starting at September 1, or alternatively does the Applicant propose to calculate a different set of higher final rates to be applied to consumption from some particular date after the Board's decision? If the latter, please describe how the recalculation would be done.

Loss Carry-Forward

- 4. For each of the years 2005 and 2006, please provide the following:
 - a) PUC's actual Federal T2 tax returns and supporting schedules;
 - b) PUC's actual Provincial CT23 tax returns and supporting schedules;
 - c) PUC's financial statements that were submitted together with its tax returns for each tax year to the Ministry of Finance; and
 - d) Notices of Assessment, and any Notice(s) of Re-assessment, including Statement of Adjustments, received from the Ministry of Finance for each tax year.
- 5. Reference: p. 2 of the Application.
In what year did the amount of \$255,942 loss carry-forward disclosed in the "Detailed Calculations for 2007 PILs" arise?

Taxation of Income Related to Regulatory Asset Recovery

- 6. Reference: Decision and Order RP-2005-0020/EB-2005-0412, p. 5:
"PUC included as an addition to its net income the amount of \$1,486,250, which is the amount of Regulatory Asset Recovery in 2006. The Board does not accept that this is a component of net income in 2006. Rather, it is a delayed recovery of costs in previous years that would have already been expensed for tax purposes."

Given the Board's Decision, please explain the regulatory basis for requesting a similar addition to regulatory net income in this Application.