



PUC Networks Inc.

100 Simcoe Street South, Oshawa, Ontario L1H 7M7 • Tel. (905) 723-4623 • Fax (905) 723-7947 • E-mail contactus@opuc.on.ca

January 11, 2010

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)
Response to Interrogatories (EB-2009-0240)**

Please accept the enclosed Oshawa PUC Networks Inc. response to interrogatories provided by Ontario Energy Board's Board Staff.

Yours truly,

Philip Martin
VP, Finance and Regulatory Compliance
(905) 723-4626 ext 5250
pmartin@opuc.on.ca

Information Requests of the OEB Board Staff

1. Ref: 2010 IRM Deferral Variance Account WorkForm

Can Oshawa PUC explain why these entries are different?

2. Ref: 2010 IRM Deferral Variance Account WorkForm

Can Oshawa PUC explain why these entries are different?

3. Ref: 2010 IRM Deferral Variance Account 1588 -Power

- a) Has Oshawa PUC reviewed the Regulatory Audit & Accounting Bulletin 200901 dated October 15, 2009, and ensured that it has accounted for its account 1588 and sub-account Global Adjustment in accordance with this Bulletin?
- b) Has Oshawa PUC made adjustments subsequent to filing the 2010 IRM3 application and need to re-file an updated 2010 IRM Deferral Variance Account workform?

4. Ref: 2010 IRM Deferral Variance Account 1588 – Global Adjustment

On November 13, 2009 Board Staff prepared a submission in the Enersource EB-2009-0193 2010 IRM3 Application. The following is an excerpt from the submission in respect to Board staff concerns with the current proposal for handling the disposition of the USoA 1588 – Global Adjustment.

The EDDVAR Report as well as the Board's Decision in EB-2009-0113 adopted an allocation of the GA sub-account balance based on kWh for non RPP customers by rate class. Traditionally this allocation would then be combined with all other allocated variance account balances by rate class. The combined balance by rate class would then be divided by the volumetric billing determinants (kWh or kW) from the most recent audited year end or Board approved forecast, if available. This process hence spreads the recovery or refund of allocated account balances to all customers in the affected rate class.

This method was factored on two premises; a) that the recovery/refund of a variance unique to a subset of customers within a rate class would not be unfair to the rate class as a whole and b) that the distributors' billing systems would not be able to bill a subset of customers within a rate class, without placing a significant burden to the distributor.

For these reason the Board's original Deferral Variance Account workform was modeled on this basis. However based on Enersource's evidence, there could be material unfairness to RPP customers within the affected rate classes.

Therefore Board staff suggests that a separate rate rider be established to clear the GA sub-account balance to Non-RPP customers within rate classes.

What remains unclear to Board staff is whether Enersource's billing system could accommodate that change within a reasonable timeframe."

While Enersource's response to the Board staff's submission is still pending Board staff would like to poll Oshawa PUC on the above issue.

- a) Board staff is proposing that a separate disposition rate rider be applied prospectively to Non-RPP customers for 1588 – Global Adjustment. Does Oshawa PUC agree that this proposal would be fair to all customers? Why or why not?

Response

Oshawa PUC accepts this proposal. As we understand it, the proposal effectively reverses the original amounts recorded in the *Non-RPP customers for 1588 – Global Adjustment* account based on the similar calculations used to allocate the originating transactions.

- b) If the Board were to order Oshawa PUC to provide such a rate rider, would Oshawa PUC's billing system be capable of billing non-RPP the separate rate rider? What complications, if any, would Oshawa PUC see with this rate rider?

Response

We believe our system can accommodate the proposed changes. If not, Oshawa PUC uses a third-party provider for its billing system and would expect them to facilitate all regulated billing requirements.

- c) If Oshawa PUC were to be unable to bill in this fashion what would Oshawa PUC consider proposing in the alternative?

Response

No alternative.

5. Ref: 2010 IRM Deferral Variance Billing Determinants

- a) Please identify if these values estimated values or actual values and specify the applicable period.
- b) If the above values are estimated please explain why Oshawa PUC is unable to determine actual.
- c) As discussed in question 12 above Board staff have proposed a non-RPP customer rate rider for disposition of the 1588 – Global adjustment. If accepted would Oshawa PUC support using the numbers above as the most reasonable denominator to be used for rate determination.
- d) If Oshawa PUC were to establish a separate rate rider to dispose of the balance of the 1588 – Global adjustment sub-account, does Oshawa PUC believe that the rider be applied to customers in the MUSH sector? If not, would Oshawa PUC have the billing capability to exclude customers in the MUSH sector if a separate rate rider were to apply for the disposition of the 1588 – Global adjustment sub-account?

6. Ref: 2010 IRM Deferral Variance Total Claim

- a) Please complete the amended Deferral Variance Account Workform V4 as found on the Board's website under the 2010 Electricity Distribution Rates update December 7, 2009. Note that Board staff can assist in converting your most recent model (either the one filed with your application or a more recent version if available). Please contact your case manager to assist you if need be.
- b) Please confirm if these are the final balances for disposition. If not the final balances please provide amended workform to support final balances for disposition.
- c) Please reconcile final balance for disposition to the 2008 year end account balance reported in the RRR filing. Please identify the source and reasons for variances.
- d) Please confirm that Oshawa PUC has complied with and applied correctly the Boards accounting policy and procedures for calculation of the final disposition balance. If Oshawa PUC has used other practices in the calculation please explain where in the filing and why.
- e) Please confirm that Oshawa PUC has used the simple interest calculation as required by the Board using the Boards prescribed interest rates. If Oshawa PUC has used other calculations please explain where in the filing and why.

- f) Please confirm that Oshawa PUC has complied with the requirement to apply recoveries to principal first as outlined in the 2006 Regulatory Assets Transactions document issued September 4, 2009 (included in the Updated IRM Deferral and Variance Account Work Form zip file). If Oshawa PUC has not complied with this requirement please explain why not?

Response

In response to Board Staff questions 1, 2, 3, 5 and 6, please refer to the attached letter requesting the Board withdraw OPUCN's request for a Disposition Rider until further notice.

OPUCN has made the request as of December 15, 2009, in order to facilitate a complete review and reconciliation of the accounts referred to in the Disposition Rider.

As a result of this request, OPUCN would prefer to respond to the noted questions upon completion of its initiative to review all accounts implicated.

7. Ref: Supplemental Module – Revenue Cost Ratio

Can Oshawa PUC explain why these entries are different?

Response

The amounts found in *Supplemental Module Sheet "C1.10 Adjust To Proposed Rates"* are accurate and were transposed incorrectly to the *Rate Generator Sheet "D1.2 Revenue Cost Ratio Adj"* worksheet.

We will need to correct accordingly.

8. Ref: Supplemental Module - Z-Factor Tax Changes

Please review and advise of the correct amount.

Response

The \$1,599,660 is the correct amount. This is consistent with the 2009 amount submitted in the 2009 IRM process.

The \$1,635,595 is the 2008 amount – it may be confusion between columns.

Summary - Sharing of Tax Change Forecast Amounts		
	2008	2009
2. Tax Related Amounts Forecast from Income Tax Rate Changes		
Regulatory Taxable Income	\$3,246,779	\$3,246,779
Corporate Tax Rate	33.50%	33.00%
Tax Impact	\$1,087,671	\$1,071,437
Grossed-up Tax Amount	\$1,635,595	\$1,599,160
Tax Related Amounts Forecast from Capital Tax Rate Changes	\$108,580	\$108,580
Tax Related Amounts Forecast from Income Tax Rate Changes	\$1,635,595	\$1,599,160
Total Tax Related Amounts	\$1,744,175	\$1,707,740
Incremental Tax Savings		(\$36,436)
Sharing of Tax Savings (50%)		(\$18,218)

HST Interrogatory

9. Harmonized Sales Tax

It is possible that the PST and GST may be harmonized effective July 1, 2010.

Response

Yes.

In the event that PST and GST are harmonized effective July 1, 2010:

- a) Would the Applicant agree to the establishment of a variance account to capture the reductions in OM&A and capital expenditures?
- b) Are there other alternatives that the Board might consider to reflect the reductions in OM&A and capital expenditures if this bill is enacted?

Response

The harmonization of sales taxes is expected to reduce our OM&A costs and capital expenditures in the long term. However, in the short term during the IRM period, our OM&A costs and capital expenditures are not likely to decrease significantly. Further, growth/reduction in capital expenditures is not incorporated into rates during the IRM period unless such growth/reduction exceeds the materiality threshold limit set by the OEB.

There are other elements of Oshawa PUC's costs (other than PST) embedded into distribution rates such as property taxes, employment Insurance rates, Canada pension plan rates, etc. Increases/decreases to all components of rates should be considered equally and simultaneously. In addition, harmonization of sales taxes (HST) may impact Oshawa PUC in other ways: for example, an increase in accounts receivable and a reduction to available working capital; and an increased exposure to bad debts.

Oshawa PUC does not agree to the establishment of a variance account to capture the reductions in OM&A and capital expenditures related to the impact of HST on its OM&A and capital expenditures.

LRAM/SSM

10. Ref: Manager's Summary, Page 9-11

Oshawa is applying for recovery of an LRAM amount of \$53,839.66 to recover revenue lost from programs implemented in 2008. In the LRAM/SSM Recovery Rate Adder section of the Manager's Summary, Oshawa made no mention of having a third party review conducted on the programs it is seeking recovery for. In the Board's Guidelines for Electricity Distributor Conservation and Demand Management (the "Guidelines") issued on March 28, 2008, section 9.2 outlines the information that is required when filing an application for LRAM. Please explain why the following has not been included in the application:

- a) An Evaluation Report, in accordance with the guidelines set out in section 7.4;
- b) An independent third party review, in accordance with the guidelines set out in section 7.5; and,
- c) If the above reports and reviews have been completed, but simply not included in the application, please include them in your response to this interrogatory and discuss why they were not included in the original application. If no third party review has been conducted, please discuss the rationale for not doing so.

Response

OPUCN currently participates in OPA programs only and relies on the analyses, evaluations and assessments performed by the OPA in their process of identifying program initiatives. Based on the materiality of the claims and all new 2008 programs are OPA, OPUCN believes their reliance on the OPA is appropriate and sufficient.

11. Ref: Manager’s Summary, Page 10

It appears that Oshawa has used the OEB Assumptions list when calculating its LRAM claim. On January 27, 2009, by way of letter to all licensed electricity distributors, the Board indicated that it would be adopting the OPA’s Measures and Assumptions list for use by distributors for the purposes of applications for new distribution rate-funded CDM programs, LRAM and SSM. Further, in the Board’s decision on LRAM to Horizon Utilities (EB-2009-0192/EB-2009-0158), dated October 8, 2009, the Board noted in its findings that “what is clear is the underlying principle of LRAM, which is that distributors are to be kept whole for revenue that they have forgone as a direct consequence of implementing CDM programs.” The Board goes on to state that “utilities should always use the most current input assumptions which have been adopted by the Board when preparing their applications because these assumptions represent the best estimate of the impact of the programs.”

- a) Please provide the rationale for why Oshawa has not used the most recently published OPA Measure and Assumption list when calculating its LRAM claim.

Response

The intent was to use the most recent assumptions and the latest OEB Inputs and Assumptions were used consistent with prior year applications. Calculations have been updated per the latest OPA assumptions per below.

- b) Please provide a revised LRAM claim using the most recently published OPA Measures and Assumptions List.

Response

An LRAM claim using the OPA’s “2009 Mass Market Measures and Assumptions” and “2009 Commercial and Institutional Measures and Assumptions” has been calculated. In the cases where there is no OPA measure provided, the latest assumption available has been used. The revised claim is below.

LRAM Total Amounts and Rate Riders by Class

Customer Class	Amounts	Billing Units		Rate Riders (One Year)		Proposed One Year
	LRAM	2008		LRAM	SSM	Total
	\$	Actual		\$/ unit (kWh)	\$/ unit (kWh)	\$/ unit (kWh)
RESIDENTIAL						
Residential	\$ 25,257.62	487,192,399	kWh	\$0.0001	\$0.0000	\$0.0001
Commercial	\$ 1,378.04	140,097,188	kWh	\$0.0000	\$0.0000	\$0.0000
GS >50KW-1000	\$ 2,070.31	893,941	kW	\$0.0023	\$0.0000	\$0.0023
Unmetered Scattered Load	\$ 14,780.17	3,841,944	kWh	\$0.0038	\$0.0000	\$0.0038
TOTALS	\$ 43,486.13					

12. Ref: Manager's Summary, Page 9-11

On March 15, 2005, Oshawa received approval from the Board for its Conservation and Demand Management ("CDM") plan and accompanying budget of \$1,476,737.

- a) Please confirm that the total approved CDM plan budget of \$1,476,737 has been completely expended on the components of the plan.
- b) If the CDM budget has not been spent according to the plan, please indicate what of the plan remains, the related amounts, and discuss why the funding has not been exhausted. Also, please discuss how Oshawa proposes to dispose of the approved funding.

Response

Oshawa PUC confirms the total approved CDM plan budget of \$1,476,737 has been completely expended on the components of the plan.