Board Staff Interrogatories
Oshawa PUC Networks Inc. - EB-2007-0710
2008 Electricity Distribution Rates Application

RATE BASE

1. Reference: Exhibit 1 tab 2 Schedule 1 Page 3

   "Capital expenditures since that time (2004) are not reflected in OPUCN's rate base …."

   a. What does this statement imply for the current application?
   b. Please confirm that all capital expenditures are reflected in the tables for 2006, 2007 and 2008 in the application on which the Board would base its decision.

2. Reference: Exhibit 2 Tab 2 Schedule 3 Page 1-7

   Regarding the Variance Analysis of Gross Assets for 2006, 2007 and 2008, please

   a. Explain the statement that "… variance in this account can be explained by the use of averaging in the calculation of the … amount" which appears in the explanation for 2006 approved compared to 2006 actual, account 1820.
   b. Provide the figures on customer numbers and classes and loads in the explanation for variances for:
      I) account 1820 Distribution Station Equipment
      II) account 1845 Underground Conductors and Devices
   c. Provide a single table incorporating all the individual account tables on pages 1 to 7, and add a column indicating the variance in each account as a percentage of the respective account amount, (rather than as % of "gross expenditures in any one year"). Provide the totals for each column. Provide a reconciliation line with below-materiality account numbers so that the column total reflects annual Capital Expenditures.

d. The text in the first paragraph at page 1 indicates that variances reflect gross expenditures in any one year. It appears that the base for the variance % calculation is gross expenditures. Please explain why the variance % is determined as a percentage of gross expenditures in any one year, rather than as a percentage of gross assets.

e. Please provide the calculations for each of the variances amount and percentages in the tables as provided e.g. for example at page 5, for account 1820 the variance amount is shown as 7%. Show how the 7% is derived.

f. Please provide an additional calculation of variance % for each asset account this time based on the change from the value of the amount in the first column e. page 5, for account 1820 the variance amount would be 27.5% (3,098,592/11,233,070x100=27.5%). Please provide detailed explanations for the variances in the individual accounts which exceed 10%.

3. <u>Ref: 2006 Filing requirement (EB-2006-0170) section 2.3</u>

For each of 2006, 2007 and 2008, please provide the total value, the number of capital projects and the average value of the capital projects that are under the materiality level (1% of total net fixed assets) and reconcile to total Capital Budget

4. <u>Ref: Exhibit 2, Tab 3, Schedule 3, page 8</u>

The project type for “Building a new Municipal Substation (MS9)” is indicated as “Expansion” and the associated cost is $2,000,000. However, the Total for Expansion projects in Exhibit 2, Tab 3, Schedule 2, page 3 only $900,001.

a. Please explain this apparent discrepancy for 2008 Expansion project(s).

5. Ref: Exhibit 2, Tab 3, Schedule 2, page 2 – 3

Under the Capital Budget by project type, the total of Special/Individual projects increased by 1145% from 2006 to 2008 (2006: $119,140, number of projects 14; 2008: $1,483,425, number of projects 21).

a. Please explain the reason for the increase in Special/Individual projects.
b. Please provide a detailed description of each of the amounts in the column of Special/individual projects including the nature and the benefit of these projects.

6. Exhibit 2 tab 2 Schedule 4.

Please provide a revised table showing also the depreciation for the historic year 2006.

7. Ref: 2006 Filing requirement (EB-2006-0170) section 2.3 Exhibit 2:

Please confirm that OPUCN has no projects for which a Leave to Construct under section 92 is required.

8. Reference: None

a. Please provide OPUCN's Code of Business Conduct.
b. For the years 2002 to 2008 inclusive, please provide a table listing the following (use actual dollars in years where available, or expected or planned or projected dollars, or % where indicated):
   I) Net income
   II) Actual Return on Equity (%)
   III) Allowed Return on Equity (%)
   IV) Retained Earnings;
   V) Dividends to shareholders;

VI) Sustainment Capital expenditures;

VII) Development Capital Expenditures;

VIII) Operations Capital Expenditures;

IX) Other Capital Expenditures (identify)

X) Total Capital Expenditures

9. Reference: Annual Report 2006, p13 review of Reliability Statistics.

Please provide the following:

a. A listing of all the Service Reliability Indicators used, and their actual values for each of the years 2002 through 2006, and indicate the target that the utility is seeking to maintain,;
b. Indicate whether there is any relationship between the indicators and the capital expenditure program;
c. Indicate which capital expenditure programs are responsive to the indices which are outside of the recent three year average.

10. Reference Exhibit 2-3-1

For each of the years 2006, 2007 and 2008, please provide:

a. A table of capital expenditures on a project basis, which exceed the materiality threshold, and a subtotal for these for each year;
b. The total of the capital expenditures which are beneath the materiality threshold;
c. The total capital expenditure (all projects in a) and b).
d. Please indicate, for each of the years 2006, 2007, 2008 of the Capital expenditures budgets summary produced according to a, b and c above,

I) How would the table be adjusted if the budget were required to be reduced by 25%?

II) What would be the consequences of the adjustment on each of the programs?

11. Ref: Exhibit 4, Tab 2, Schedule 7, page 2

The total Depreciation Expense for 2008 is shown as $6,489,170. However in Exhibit 7, Tab 1, Schedule 1, page 2, the amount for Depreciation & Amortization is shown as $ 4,395,489. Please reconcile the difference in the two values.

12. Ref 1): Exhibit 2, Tab 3, Schedule 1, page 3
Ref 2): Appendix D (Kinectrics' report) page 1, under point 4

Kinectrics has generally concluded that the capital replacement plan is keeping up with the ageing of equipment, but that in future it will need to be increased as more equipment reaches the end of its life

a. Please explain why the enhancement activity under Reliability and Safety is not increasing over the years 2006 through 2008 to deal with current replacements, but the enhancement activity under System Planning category increases very significantly (2006: $23,724, 2007: $2,706,942 and 2008: $3,484,526).
b. Discuss the timing of the capital investments being made in the area of enhancements over the years 2006 through 2008, and relate it to Kinetric's conclusion that "Over the next twenty years the budget is predicted to increase by three million dollars".

OPERATING REVENUE

13. Ref: Exhibit 3/ Tab 2/ Schedule 5/ Pages 3 and 4

In Schedule 5, page 3, the Applicant presents "kWh per Customer" for each of the years 2002 to 2006, and the average value for this five year period. In Schedule 5, page 4, the Applicant then multiplies the five year average value by the "HONI Factor for Normalization" to obtain the "Normalized kWh per Customer". If a weather normalization factor were used for years other than that for which the factor was developed, a significant error can result. Please:

a. Identify the source of the "HONI Factor for Normalization" utilized by the Applicant and provide a copy of the supplier's source documentation,
b. Clarify if the factor was specifically developed by the supplier as the average weather normalization factor for the 2002 – 2006 period or if the normalization factor was developed for one particular year (e.g. 2004),
c. If the Applicant modified the source factor in any way, explain fully the modifications that were made and the rationale employed, and
d. If the factor was developed for one particular year, explain the Applicant's rationale for using a factor developed in recognition of the unique weather conditions of one particular year, and applying it to other years which would likely have quite different weather characteristics.

14. Ref: Exhibit 3/Tab 2/Schedule 5/pp4-5 and Exhibit 3/ Tab 2/Schedule 6/ pp1-2

In Schedule 5, page 4, the Applicant determines "Normalized kWh per Customer" which is shown to be the arithmetic average kWh value for the 2002 – 2006 period. In Schedule 6, pages 1 and 2, the Applicant presents various data including "2008 Test (kWh)" (i.e. the 2008 energy forecast) and this appears to have been calculated by multiplying the "Normalized kWh per Customer" value by the forecasted number of customers in 2008.

a. Please verify that the above captures the essence of the Applicant's energy forecast calculation.

b. Please explain in detail why OPUCN has assumed 2008 use per customer to be the same as the average of 2002 to 2006 use per customer in preparing it's Load forecast?
c. In OPUCN's view, does this method of load forecasting ignore any changes in volume due to changes in use per customer? If yes, then please explain in detail, how OPUCN proposes to address this issue in its load forecast. If the answer is no, then please provide a detailed explanation supporting OPUCNs response.

15. <u>Ref: Exhibit 3/ Tab 2/Schedule 5/ pp 2-5 and Exhibit 3/ Tab 2/Schedule 6/ pp 1-2</u>

In Schedule 5, page 4, the Applicant presents the "Normalized kWh per Customer" which, as outlined in the previous interrogatories, did not appear to adequately weather-normalize the energy usage in historical years and did not allow for the possible change in energy usage per customer over the 2002 – 2008 period. The lack of details regarding the forecasting method employed by the Applicant does not permit an independent assessment of its forecast. Please file a data table:

a. Including customer count data for the historical years 2002 to 2006,
b. Including weather normalized kWh data for the historical years 2002 to 2006 (NB The annual weather normalization approximation factors published by the IESO would be adequate for the weather normalization calculation and may be used if desired),
c. Including 2007 and 2008 customer count forecasts based on the historic customer count trend indicated by the data provided in response to (a) above and supplemented by market analysis on customer count change, and

d. Including 2007 and 2008 kWh energy forecasts based on the historical energy usage trend indicated by the data provided in response to (a), (b) and (c) above.

Revenue Offsets

16. Ref: Exhibit 1, Tab 1, Schedule 17

The following table was prepared by Board staff to compare the tariff under Specific Service Charges to the final 2007 Tariff of rates and charges for Oshawa PUC Networks Inc.

a. In the 2007 Board approved tariff, Oshawa PUC has one charge labeled “Credit reference/credit check (plus credit agency costs)”. In its present application, Oshawa PUC is seeking two separate charges “Credit Check (plus credit agency charges) and Credit Reference Letter”. Please provide an explanation for this change.
b. In the 2007 Board approved tariff, Oshawa PUC has one charge labeled “Disconnect/Reconnect at meter – during regular hours”. In its present application, Oshawa PUC is seeking two charges “Disconnect/Reconnect at meter during regular hours including Load Limiters”. Please explain why Oshawa PUC is proposing to change the description of those charges to include the words “including Load Limiters”.
c. In the 2007 Board approved tariff, Oshawa PUC has one charge labeled “Disconnect/Reconnect at meter – after regular hours”. In its present application, Oshawa PUC is seeking two charges “Disconnect/Reconnect at meter after regular hours including Load Limiters”. Please explain why Oshawa PUC is proposing to change the description of those charges to include the words “including Load Limiters”.

d. Please explain the areas where "missing" is noted in the "Per Application" column. If the missing charges have not been excluded in error, please explain why Oshawa PUC wishes to discontinue these charges.

Specific Service Charges				
2007 Board Approved			**Per Application**	
Customer Administration			Customer Administration	
Credit reference/credit check (plus credit agency costs)	$15.00		Credit Check (plus credit agency charges)	$15.00
			Credit Reference Letter	$15.00
Non-Payment of Account			Non-Payment of Account	
Disconnect/Reconnect at meter - during regular hours	$65.00		Disconnect/Reconnect at meter during regular hours including Load Limiters	$65.00
Disconnect/Reconnect at meter - after regular hours	$185.00		Disconnect/Reconnect at meter after regular hours including Load Limiters	$185.00
Install/Remove load control device - during regular hours	$65.00		Missing	
Install/Remove load control device - after regular hours	$185.00		Missing	
Allowances			Allowances	
Primary Metering Allowance for transformer losses - applied to measured demand and energy	%(1.00)		Missing	
Loss Factors			Loss Factors	
Total Loss Factor - Secondary Metered Customer < 5,000 kW	1.0466		Missing	
Total Loss Factor - Secondary Metered Customer > 5,000 kW	1.0146		Missing	
Total Loss Factor - Primary Metered Customer < 5,000 kW	1.0361		Missing	
Total Loss Factor - Primary Metered Customer > 5,000 kW	1.0045		Missing	

OPERATING COSTS

Purchase of Service or Products

17. Ref: Exhibit 4/ Tab 2/ Schedule 5/ Pages 4 & 5

Pursuant to section 2.5 (Exhibit 4 Operating & Maintenance and Other Costs) of the Filing Requirements for Transmission and Distribution Applications, distribution expenses incurred through the purchase of services or products must be documented and justified if they are to be recovered as part of the revenue requirement:

For each service, please provide:

a. An annual dollar amount, in aggregate of transactions.
b. A detailed description of the specific methodology used in determining the price (summary of tendering process / summary of cost approach)

Shared Services

18. Ref: Exhibit 4/ Tab 2/ Schedule 3/ Page 1

Pursuant to section 2.5 (Exhibit 4 Operating & Maintenance and Other Costs) of the Filing Requirements for Transmission and Distribution Applications, please provide the following for shared services:

a. Type of service and total annual expense by service
b. Rationale and cost allocators used for shared costs, for each type of service

Please include a specific discussion as to how, based on the above information, the cost allocators used for shared costs result in the 3% cost allocation to affiliates referenced on this page.

19. Ref: Exhibit 4/ Tab 2/ Schedule 3/ Page 1

In this schedule, Oshawa PUC Networks Inc. briefly discusses its shared services pricing methodology. Please provide an overview of the impact of this methodology in the following format for each of the 2006 historical, 2007 bridge and 2008 test years by service:

I) $ amount of expenses paid to affiliates for services rendered and the percentage amount this represents of total expenses

II) $ amount of revenue received from affiliates for services provided and the percentage amount this represents of total revenue

III) $ amount of expenses incurred related to the provision of services to affiliates and the percentage amount this represents of total expenses

Corporate Cost Allocation

20. Ref: Exhibit 4/ Tab 2/ Schedule 3/ Page 1

Pursuant to section 2.5 (Exhibit 4 Part D) of the Filing Requirements for Transmission and Distribution Applications, Applicants are to file detailed description of the assumptions underlying the corporate cost allocation as well as provide documentation of the overall methodology and policy.

Please ensure that these filing requirements are met by providing the documentation described above.

21. Ref: Exhibit 4/ Tab 2/ Schedule 4/ Page 1

The second paragraph on Page 1 states that "Based on the level of activities expected in 2008 at OPUCN and the other two subsidiaries of OPUC (OPUC Energy Services and OPUC Services), OPUC is proposing to allocate 80% of its costs to OPUCN in the Test years, amounting to $480,000"

Please explain how it was determined that 80% should be allocated.

Employee Compensation

22. Ref: Exhibit 4 / Tab 2 / Schedule 1

Page 3 of the OM&A Detailed Cost Table, shows that injuries and damages are forecast to increase from $100,859 in 2006 to $175,190 in 2008. Please provide a justification for this two-year increase of 74%.

23. Ref: Exhibit 4 / Tab 2 / Schedule 6

Page 5 of 9, provides a comparison of total salary and wages for each employee category, from 2006 to 2008.

a. Please confirm that total salary and wages for management employees is forecast to increase from $1.39M in 2006 to $1.50M in 2008, and that expressed on a "per FTE" basis the average salary increases from approximately $92,821 in 2006 to approximately $106,905 in 2008.
b. In light of (a), please provide a justification for this two-year increase of 15%.
c. Please confirm that total salary and wages for non-unionized employees is forecast to increase from $293,517 in 2006 to $383,631 in 2008, and that expressed on a "per FTE" basis the

average salary increases from approximately $48,920 in 2006 to approximately $63,939 in 2008.

d. In light of (c), please provide a justification for this two-year increase of 31%.
e. Please confirm that total salary and wages for unionized employees is forecast to increase from $3.97M in 2006 to $4.67M in 2008, and that expressed on a “per FTE” basis the average salary increases from approximately $62,036 in 2006 to approximately $68,642 in 2008.
f. In light of (e), please provide a justification for this two-year increase of 11%.

24. Ref: Exhibit 4 / Tab 2 / Schedule 6

Page 6 of 9, provides a comparison of total benefits for management, non-unionized and unionized employees, from 2006 to 2008.

a. Please confirm that total benefits for management employees is forecast to increase from $211,416 in 2006 to $366,677 in 2008, and that expressed on a “per FTE” basis average benefits increases from approximately $14,094 in 2006 to approximately $26,191 in 2008.
b. In light of (a), please provide a justification for this two-year increase of 86%.
c. Please confirm that total benefits for unionized employees is forecast to increase from $1.53M in 2006 to $2.29M in 2008, and that expressed on a “per FTE” basis average benefits increases from approximately $23,889 in 2006 to approximately $32,625 in 2008.
d. In light of (c), please provide a justification for this two-year increase of 30%.

25. Ref: Exhibit 4 / Tab 2 / Schedule 6

Page 6 of 9, provides a comparison of total incentives for management employees, from 2006 to 2008.

a. Please confirm that total incentives for management employees is forecast to increase from $65,000 in 2006 to $125,000 in 2008, and that expressed on a "per FTE" basis the average incentive increases from approximately $5,417 in 2006 to approximately $8,929 in 2008.
b. In light of (a), please provide a justification for this two-year increase of 72%.

26. Ref: Exhibit 4 / Tab2 / Schedule 6

On Page 9 of 9, OPUCN indicates that in complying with CICA 3401 Projected Benefit Costs requirements, the defined post-retirement employee benefit costs net of benefits payments for 2007 and 2008 was determined to be $597,700. Please state why OPUCN is requesting recovery on the basis of complying with this CICA requirement, which makes use of the accrual method of accounting instead of the cash basis method.

OM&A Expenses

27. Ref: Exhibit 4 / Tab 1 / Schedule 1 / Page 3

a. Please confirm that OPUCN has not made changes to the companies accounting policies in respect to capitalization of operation expenses and/or has not made any significant changes to accounting estimates used in allocation of costs between operations and capital expenses post fiscal year end 2004. If any accounting policy changes or any significant changes in accounting estimates have been made post fiscal year end please provide all supporting documentation and a discussion highlighting the impact of the changes.

28. Ref: Exhibit 4 / Tab 1 / Schedule 1 / Page 3

Exhibit 4, Tab 1, Schedule 1, Page 3; the following table was modified by Board staff to review OPUCN OM&A expenses. Board Staff have agreed the 2006 OEB Board Approved values to the 2006 EDR. The record requires further clarification. Note rounding differences may occur, but are immaterial to this question.

OM&A Expenses	**2006 Board Approved**	**Variance**	**2006 Actual**
Operation (Working Capital)	$1,609,132	-$1,267,710 -79%	$341,422
Maintenance (Working Capital)	$212,721	$454,915 214%	$667,636
Operations and Maintenance	$1,821,853	-$812,795 -45%	$1,009,058
Billing and Collections	$1,218,533	$834,810 69%	$2,053,343
Community Relations *(note 1)*	$1,526,323	-$738,534 -48%	$787,789
Administrative and General Expenses	$4,135,697	$28,810 1%	$4,164,507
Total OM&A Expenses	$8,702,406	-$687,709 -8%	$8,014,697
	-		-
CDM - Energy Conservation *(note 1)*	$0	$222,319 100%	$222,319
Taxes Other than Income Taxes	$145,719	$241,985 166%	$387,704
Total Distribution Expenses	**$8,848,125**	**-$223,405** -3%	**$8,624,720**

Note 1 : The CDM amount of $222,319 was removed from Community Relations

a. Exhibit 4, Tab 2, Schedule 1, Page 1 under Operation expense OPUCN shows Miscellaneous Distribution expense decreasing by $440,282 in 2006 Actual. Please provide detailed explanation of the origin and nature of this account, and drivers to explain this increase.

b. From the table above the subtotaled Operations and Maintenance expenses in total is reported to have declined by $812,795. Per the OM&A Detailed Cost Table on Exhibit 4, Tab 2, Schedule 1, Page 1 and 2 the reported 2006 Actual value for Operations is $(58,578) and Maintenance is $1,067,636 which results in the same subtotaled value as in the table above and the same variance amount. However the variance analysis on Exhibit 4, Tab 2, Schedule 2, Page 1 the reported decline is $363,895. The 2006 OEB approved is reported here as $1,981,951 and the 2006 Actual is reported as $1,618,056. OPUCN explains in the variance analysis that “Overall figures were correct but some account transactions did not match exactly with a single USofA account”. Please prepare detailed reconciliations to account for the difference between the sub total values from the three referenced schedules.
c. Please provide verification as to which “Overall figures” OPUCN is referring to in their statement as referenced in c) above. For the correct values please specify the drivers which will explain the difference between 2006 OEB approved and 2006 Actual.
d. From the table above the Billing and Collections expense is reported to have increases by $834,810. This is the same value as per the OM&A Detailed Cost Table on Exhibit 4, Tab 2, Schedule 1, Page 2. However the variance analysis on Exhibit 4, Tab 2, Schedule 2, Page 1 the reported increase is $279,860. The 2006 OEB approved is reported here as $1,918,935 and the 2006 Actual is reported as $2,198,794. OPUCN explains in the variance analysis that “Overall figures were correct but some account transactions did not match exactly with a single USofA account”. Please prepare a detailed reconciliation to account for the

difference between the values from the table above and the last referenced schedule.

e. Please provide verification as to which “Overall figures” OPUCN is referring to in their statement as referenced in e) above. For the correct values please specify the drivers which will explain the difference between 2006 OEB approved and 2006 Actual.

f. From the table above the Community Relations Expense is reported to have declined by $738,534. Please note that Board staff re-allocated the Energy Conservation value of $222, 319 as this value is funded by third tranche MARR funds. This is almost the same value as per the OM&A Detailed Cost Table on Exhibit 4, Tab 2, Schedule 1, Page 2, subject to an immaterial difference and re-allocation of energy conservation expenses. No variance analysis was presented. Please prepare a detailed variance analysis to account for the $738,534. Please specify the drivers which will explain the difference between 2006 OEB approved and 2006 Actual.

g. From the table above the Administration and General Expenses are reported to have increases by $28,810. This is the same value as per the OM&A Detailed Cost Table on Exhibit 4, Tab 2, Schedule 1, Page 3 after removing Taxes other than Income Taxes. However the variance analysis on Exhibit 4, Tab 2, Schedule 2, Page 1 the reported decline is $363,895. The 2006 OEB approved is reported here as $1,981,951 and the 2006 Actual is reported as $1,618,056. OPUCN explains in the variance analysis that “Overall figures were correct but some account transactions did not match exactly with a single USofA account”. Please prepare a detailed reconciliation to account for the difference between the values from the table above and the last referenced schedule.

h. Please provide verification as to which “Overall figures” OPUCN is referring to in their statement as referenced in h) above. For the correct values please specify the drivers which will explain the difference between 2006 OEB approved and 2006 Actual.
i. From the table above the Taxes other than Income Taxes Expense is reported to have increases by $241,985. This is the same value as per the OM&A Detailed Cost Table on Exhibit 4, Tab 2, Schedule 1, Page 2. No variance analysis was presented. Please prepare a detailed variance analysis to account for the $516,215. Please specify the drivers which will explain the difference between 2006 OEB approved and 2006 Actual.

29. Ref: Exhibit 4 / Tab 1 / Schedule 1 / Page 2

Exhibit 4, Tab 1, Schedule 1, Page 2; please prepare a reconciliation comparing the 2006 Actual values for Total Operating Costs of $14,455,500 to the 2006 audited financial statements. Please explain reasons for all differences if they occur.

30. Ref: Exhibit 4 / Tab 1 / Schedule 1 / Page 2

Please confirm OPUCN’s Board of Directors final approval of the 2007 Forecast year values as presented on Exhibit 4, Tab 1, Schedule 1, Page 3.

31. Ref: Exhibit 4 / Tab 1 / Schedule 1 / Page 2

a. The 2007 IRM process provided OPUCN with a percentage rate adjustment. Please discuss what value OPUCN believes should be applied to the 2006 approved expense amount of $8,702,406 as a result of the 2007 IRM process to obtain a reasonable target for OPUCN’s 2007 expenses. Please identify the 2007 amount that would be calculated, with a detailed calculation.

b. Please reconcile the difference between the amount calculated for 2007 above and the 2007 forecast amount of $9,192,195 in the application. What does OPUCN's management see as the drivers of this difference?

32. Ref: Exhibit 4 / Tab 1 / Schedule 2 / Page 3

Exhibit 4, Tab 1, Schedule 2, Page 3; the following table was modified by Board staff to review OPUCN OM&A expenses. Note rounding differences may occur, but are immaterial to this question.

OM&A Expenses	**2006 Actual**	**Variance**	**2007 Bridge**
Operation (Working Capital)	$341,422	-$300,450 -88%	$40,972
Maintenance (Working Capital)	$667,636	$330,774 50%	$998,410
Operations and Maintenance	$1,009,058	$30,324 3%	$1,039,382
Billing and Collections	$2,053,343	$129,261 6%	$2,182,604
Community Relations *(note 1)*	$787,789	$96,377 12%	$884,166
Administrative and General Expenses	$4,164,507	$921,536 22%	$5,086,043
Total OM&A Expenses	$8,014,697 -	$1,177,498 15%	$9,192,195 -
CDM - Energy Conservation *(note 1)*	$222,319	-$222,319 -100%	$0
Taxes Other than Income Taxes	$387,704	$5,296 1%	$393,000
Total Distribution Expenses	**$8,624,720**	**$960,475** 11%	**$9,585,195**

Note 1 : The CDM amount of $222,319 was removed from Community Relations

a. Exhibit 4, Tab 2, Schedule 1, Page 1 under Operation expense OPUCN shows Miscellaneous Distribution expense increasing by $312,370 in 2007 Bridge. Please provide detailed explanation of the origin and nature of this account, and drivers to explain this increase.

b. From the table above OPUCN's Billing and Collections expenses are shown to increase by $129,261. On Exhibit 4, Tab 2, Schedule 1, Page 2 under Billing and Collections is the line item identified as Bad Debt Expense. Bad Debt Expense is shown increasing from $211,765 in 2006 Actual to $282,000 in 2007.
   I) Please provide details of the components (i.e. energy sales, work order recoveries etc.) that are included in Bad Debt Expenses.
   II) Please describe methodology(s) employed by OPUCN to calculate the value for Bad Debt Expense.
c. From the table above OPUCN's Administrative and General Expenses are increasing by $921,536. On Exhibit 4, Tab 2, Schedule 2, Page 4 OPUCN presents a variance analysis for Management Salaries and Expenses. In the explanation OPUCN includes references to other costs being system load study, membership in ESA, OEB regulatory costs. Please provide a detailed expense driver analysis in the format as described below to clarify the specific items that are affecting this account.
d. From the table above OPUCN's Administrative and General Expenses are increasing by $921,536. On Exhibit 4, Tab 2, Schedule 2, Page 5 OPUCN presents a variance analysis for Regulatory Expenses. In the explanation OPUCN includes references to "a new sub-account to comply with an OEB requirement in 2007 to record CDM operating expenditures of approximately $297,000"
   I) Please confirm the true value of the CDM expenditure that OPUCN has included in this account.

II) Please confirm origin of the CDM expenditure. Is the value originating from the Third Tranche MARR, an OPA funded program or some other form of program? If other form of program please provide details on program.

III) Please provide copies of all supporting documentation that OPUCN has obtained and used to support the establishment of the “new sub-account to comply with an OEB requirement”. Include with the submission a detailed discussion on OPUCN accounting process to record the CDM related transactions.

33. Ref: Exhibit 4 / Tab 1 / Schedule 1 / Page 2

Has OPUCN presented the 2008 OM&A budget as reported in Exhibit 4, Tab 1, Schedule 1, Page 3 to its Board of Directors and received final approval for the budget expenditures? If so, please confirm the approved OM&A expenditures. If not please provide information as to when OPUCN will be presenting the budget for approval by its Board.

34. Ref: Exhibit 4 / Tab 1 / Schedule 1 / Page 3

The following table was modified by Board staff to review OPUCN OM&A expenses. Note rounding differences may occur, but are immaterial to this question.

OM&A Expenses	2007 Bridge	Variance	2008 Test
Operation (Working Capital)	$40,972	$401,765 981%	$442,737
Maintenance (Working Capital)	$998,410	$30,261 3%	$1,028,671
Operations and Maintenance	$1,039,382	$432,026 42%	$1,471,408
Billing and Collections	$2,182,604	$65,741 3%	$2,248,345
Community Relations *(note 1)*	$884,166	$116,050 13%	$1,000,216
Administrative and General Expenses	$5,086,043	$640,601 13%	$5,726,644
Total OM&A Expenses	$9,192,195 -	$1,254,418 14%	$10,446,613 -
CDM - Energy Conservation *(note 1)*	$0	$0 0%	$0
Taxes Other than Income Taxes	$393,000	-$47,550 -12%	$345,450
Total Distribution Expenses	**$9,585,195**	**$1,206,868** 13%	**$10,792,063**

Note 1 : The CDM amount of $222,319 was removed from Community Relations

a. Exhibit 4, Tab 2, Schedule 1, Page 1 under Operation expense OPUCN shows Meter Expense increasing by $75,348 in 2008 Test. Please provide drivers to explain this increase.
b. Exhibit 4, Tab 2, Schedule 1, Page 1 under Operation expense OPUCN shows Miscellaneous Distribution expense increasing by $107,072 in 2008 Test. Please provide detailed explanation of the origin and nature of this account, and drivers to explain this increase.
c. Exhibit 4, Tab 2, Schedule 1, Page 3 under Administrative and General Expense OPUCN shows Regulatory expense increasing by $12,895 in 2008 Test. Confirm that OPUCN has included in this

account the $297,000 in CDM expense that was included in the 2007 Bridge year value.

35. Ref: Exhibit 4 / Tab 1 / Schedule 2 / Page 1

Exhibit 4, Tab 1, Schedule 2, Page 1; please prepare a comprehensive listing of all operational costs by work unit for smart meter included in the 2008 budgets. Include in this listing the work unit where the smart meter cost is accounted for in the budgets, description of activity, and amount budgeted. In particular please identify for each of the reported budget amount whether OPUCN considers the cost to be a component of minimum functionality or if the amount is incidental/incremental to minimum functionality.

Loss Factors

36. Ref: Exhibit 4, Tab 2, Schedule 8, Pages 1 and 2

The reference provides loss factor calculations in a table format for 2003 to 2006.

a. With respect to row H (Distribution Loss Adjustment Factor):
   - I) Please explain the purpose of this row.
   - II) Please confirm if this row has been titled incorrectly as "Distribution Loss Adjustment Factor".
   - III) Is the row H value (1.0466) for years 2003 to 2006 derived from the data, and if so, please explain the calculation?

b. With respect to row G (Loss Factor):
   - I) Please confirm if this row represents Distribution Loss Factor (DLF).

II) Please provide an explanation for the 17.9% increase in the row G value from 2005 (1.0402 i.e. 4.02%) to 2006 (1.0474 i.e. 4.74%).

c. Since DLF and Total Loss Factor (TLF) have not been explicitly provided for the test year 2008:

I) Please confirm if the 3-year average loss factor provided for 2006 (1.0440 i.e. 4.40%) is intended to be the forecast value for DLF for the test year 2008 – if it is not, please provide the forecast value.

II) Please provide the Supply Facilities Loss Factor (SFLF) used to convert DLF to the corresponding TLF. Please provide an explanation if the SFLF is other than the industry norm of 1.0045.

d. In the latter part of the table, after the sub-title “Total Utility Loss adjustment Factor”:

I) There are 6 rows labeled TLF. There should be 4 TLF rows at most (> and < 5,000 kW for each of Primary and Secondary). Please label rows “DLF” appropriately.

II) Of the 8 rows in total including the 6 rows addressed above, 2 rows are unpopulated. Please populate and label these as appropriate.

Taxes

37. <u>Ref: Exhibit 4/Tab 3/Schedule 1</u>

For the 2006 tax year, please provide the following:

I) Actual federal T2 tax return and supporting schedules – signed original and any returns that were subsequently amended and re-filed;

II) Actual Ontario CT23 tax return and supporting schedules – original and any returns that were subsequently amended and re-filed;

III) Financial statements that were submitted with the tax returns to the Ministry of Finance;

IV) Notices of Assessment, and any Notice(s) of Re-assessment, including Statement of Adjustments, received from the Ministry of Finance for the 2006 tax year; and

V) Any correspondence between the Ministry of Finance and OPUCN regarding any tax items, or tax filing positions that may be in dispute, or under consideration or review, that may affect the tax situation of the utility for 2006 or future years.

38. <u>Ref: Exhibit 4/Tab 3/Schedule 1/p1-2</u>

a. Depreciation and amortization shown in the tax calculations for each year 2006, 2007 and 2008 do not agree with the depreciation shown on E4/T2/S7/P2. Please explain why.
b. Non-deductible meals and entertainment expense are added back in the calculation. Please explain why these charges, which are not deductible for tax purposes, should true up to the ratepayers.
c. Interest expense for 2007 and 2008 are forecast. Why is OPUCN forecast to have higher interest expense than deemed in a forward test year application?
d. Please provide a table that describes the reserves, and explains all of the causes of the difference between the reserves added back and deducted in each year 2006, 2007 and 2008.
e. This exhibit shows an income tax rate of 34.5%. Please explain why a different tax rate, 36.12%, was used in table 1.3 on E7/T1/S1/P2 of 3 for the deficiency calculation.

f. Will Oshawa use the federal income tax rate of 19.5% for 2008, introduced by the federal government on October 30, 2007, to prepare its final draft rate order?

39. Ref: Capital Cost Allowance (CCA) E4/T3/S3/P2-5

a. Class 1 should have been used for capital additions up to February 22, 2005 as shown in Oshawa's table. On page 2, why has Oshawa shown capital additions of $2,378,712 for the 2006 tax year in Class 1 instead of Class 47 with an 8% CCA rate?
b. What is the Class 98 addition of $1,310,000 made in 2006?
c. Please explain why the total capital additions for 2006 of $4,002,985 do not agree with the capital projects shown on E2/T3/S2/P2.
d. For the 2008 Test Year, please explain why $3,098,592 has been shown as additions under Class 1 instead of in the correct Class 47?
e. On page 5, total additions are shown as $10,743,345 but in the capital project summary E2/T3/S2/P3 the total for 2008 is $9,871,844. Please explain the difference.
f. Oshawa has shown additions to capital leases of $70,000 in 2007, and $392,220 in 2008. Please explain what these leases are for, and provide any references to where the items are discussed elsewhere in the application.

40. Ref: Ontario Capital Tax E4/T3/S4/P1

In the 2008 Test Year, the exemption is shown as $12,500,000. The deduction allowed for 2008 is $15,000,000. Please explain why Oshawa used the lower deduction amount.

Retail Transmission Rates (RTR)

41. Ref: Retail Transmission Rates

The Wholesale Network Transmission Rate will decrease 28% effective November 1 2007.

I) For each rate class, please provide a revised RTR – Network Service Rate that would be revenue neutral over the 12 month period beginning May 1, 2008. (i.e. The amount collected by the revised RTR – Network Service Rate for each rate class should equal the amount paid for the Wholesale Transmission Rate.)

The Wholesale Connection Transmission Rate will decrease 18% and the Wholesale Transformation Connection Transmission Rate will increase 7% effective November 1 2007.

II) For each rate class, please provide a revised RTR – Line and Transformation Connection Service Rate that would be revenue neutral over the 12 month period beginning May 1, 2008. (i.e. The amount collected by the RTR - Line and Transformation Connection Service Rate for each rate class should equal the amount paid for the Wholesale Connection Transmission Rate and the Wholesale Transformation Connection Transmission Rate.)

Deferral and Variance Accounts 1584 & 1586

Utilities have been required to provide information on Account 1584 RSA NW and 1586 RSVA CN to the Board as part of the quarterly RRR filings. The Board may need confirmation of the actual balances in these accounts in order to set a rate rider for the RTS rates.

III) What are your current balances for Accounts 1584 RSA NW and 1586 RSVA CN?

IV) Please explain how your balances in Accounts 1584 RSA NW and 1586 RSVA CN have trended or fluctuated since January 1 2005.

V) Assuming your RTR – Network Service Rate for each rate class is revenue neutral, please provide the rate riders you would recommend beginning May 1 2008, and the duration in months for each rate rider, to reduce the balance in Account 1584 RSVA NW to a $0 balance. Please provide an explanation for the recommended duration of the rate riders.

VI) Assuming your RTR - Line and Transformation Connection Service Rate for each rate class is revenue neutral, please provide the rate riders you would recommend beginning May 1 2008, and the duration in months for each rate rider, to reduce the balance in Account 1586 RSVA CN to a $0 balance. Please provide an explanation for the recommended duration of the rate riders.

DEFERRAL AND VARIANCE ACCOUNTS

42. Ref: Exhibit 5/Tab 1/ Schedule 1/ p2 and Exhibit 5/Tab 2/Schedule 2/p1

In the description of account 1508, OPUCN states that ”this account is used to return an over collection as the result of using a Board approved rate adjustment, effective July 1,2005, to compensate for the loss of a major customer.”

I) Please provide the reference number for this decision and a copy of this decision.

II) Please provide the supporting calculation for the balance.

III) Why are carrying charges not being calculated on this account?

IV) If carrying charges were being calculated on this account, what would the total be?

43. Ref: Exhibit 2/ Tab 4/ Schedule 1

I) Is OPUCN using the Board-prescribed interest rate, as per the Board's letter to LDCs dated November 28, 2006, for construction work in progress (CWIP) since May 1, 2006?

II) If not, what interest rate has OPUCN been using for CWIP?

III) If not using the Board-prescribed interest rate since May 1, 2006, what would the impact on rate base, revenue requirement and CWIP be, if OPUCN did use the prescribed interest rate?

44. Ref: Exhibit 5/ Tab 1/ Schedule 2/ p1&2

I) What are the interest rates being used to calculate carrying charges for each regulatory deferral and variance account for the period from January 1, 2005 to present?

II) Is OPUCN using the Board-prescribed interest rate, as per the Board's letter to LDCs dated November 28, 2006, for Board-approved deferral and variance accounts since May 1, 2006?

III) If not, what interest rate has OPUCN been using for calculating carrying costs on deferral and variance accounts since May 1, 2006?

IV) If not using the Board-prescribed interest rate since May 1, 2006, what would the impact on deferral and variance accounts be if using the prescribed interest rate as of May 1, 2006?

V) How are the adjustments for the period ending December 31, 2006 of $499,155 for account 1563 and $100,890 for account

1555 reflected in the RRR trial balance and audited financial statements? What do these adjustments represent?

VI) What does the adjustment for the period ending April 30, 2008 for account 1590 of ($1,523,352) represent? How will this be accounted for in the RRR trial balance and the audited financial statements?

45. Ref: Exhibit 5/ Tab 1/ Schedule 2 Pg 1

I) Why does account 1508 Other Regulatory Assets, Sub-account OEB Cost Assessment have a zero balance?

II) Why does account 1508 Other Regulatory Assets, Sub-account Pension contributions have a zero balance?

III) Does OPUCN have a business relationship and service agreements with any retailers? If yes, why is there a zero balance in 1518 RCVA Retail and 1548 RCVA STR?

IV) Why does OPUCN have a zero balance in 1565 Conservation and Demand Management Expenditures and Recoveries? Why is account 1566 not listed?

46. Ref: Exhibit 5/ Tab 1/ Schedule

I) Is OPUCN tracking capital expenditures and incremental OM&A associated with smart meters in accounts 1555 and 1556 respectively? If yes, then please explain the reasons for these expenditures.

II) How is OPUCN accounting for its stranded meters?

47. Ref: Exhibit 5/Tab 1/Schedule 1

Please list and provide a description of all outstanding Deferral and Variance accounts. This applies to deferral and variance accounts that are not being requested for disposition.

48. Ref: Exhibit 5/ Tab 1/ Schedule 2

OPUCN is applying for disposition of regulatory variance accounts as per schedule Exhibit 5/Tab1/Sch2. These totals do not correspond to totals reported to the Board as per 2.1.1 of the Reporting and Record Keeping Requirements for the period ending December 31st, 2006 plus interest accrued on those balances to April 30th 2008. Please provide the information as shown in the attached continuity schedule for regulatory assets and provide a further schedule reconciling the continuity schedule with the amounts requested for disposition on Ex5/Tab1/Sch2. Please note that forecasting principal transactions beyond December 31, 2006 and the accrued interest on these forecasted balances and including them in the attached continuity schedule is optional.

49. Ref: Ex1/Tab3/Sch1/Pg12

The regulatory liabilities section of the balance sheet contains an “Acsys deferral” regulatory liability.

a. What does this “Acsys deferral” represent?
b. What are the journal entries used for accounting for this regulatory liability?
c. Please provide the regulatory precedent for this regulatory liability.

50. Ref: Ex1/Tab3/Sch2&3

A proforma income statement is provided for 2007 and 2008. Please provide a proforma balance sheet for the same periods.

51. Ref: Exhibit 5/ Tab 1/ Schedule 3/p1

OPUCN states on Ex5/Tab1/Sch3/Pg1 that carrying costs up to April 1, 2008 have been calculated and added to determine final total for disposal. Please recalculate the balances with interest up to April 30, 2008.

52. Ref: Exhibit 5/ Tab 1/ Schedule 3/p1

I) OPUCN states on Ex5/Tab/Sch3/Pg1 that OPUCN proposes to dispose of the balance over a two year period. Please explain in detail the reasons for proposing a 2 year recovery period.

II) Please identify the customer bill impacts of a 3 year recovery? Please explain in detail why 2 year recovery period is preferred over a 3 year recovery period?

III) Please identify the customer bill impacts of a 1 year recovery? Please explain in detail why a 2 year recovery period is preferred over a 1 year recovery period?

53. Ref: Exhibit 5/Tab 1/Schedule 2, Exhibit 5/Tab 1/Schedule 3

a. Please explain why the total and individual balances by account in Ex5/Tab1/Sch2 do not match the total and individual balances by account in Ex5/Tab1/Sch3, as at April 30, 2008. For example, the total on Ex5/Tab1/Sch2 is $2,383,321 and on Ex5/Tab1/Sch3 the total is $1,941,809 as at April 30, 2008. There are other discrepancies for different individual accounts. Please restate these schedules so that they match.

b. In Ex5/Tab1/Sch3 account 1592 is included with a balance of $59,208. However, there is no such account previously listed in Ex5/Tab1/Sch2 and Ex5/Tab1/Sch1. What does this represent? Please update Ex5/Tab1/Sch1, 2, 3 as necessary.

54. Exhibit 5/Tab 1/Schedule 1,2 and 3

a. Please indicate what PILs method OPUCN followed in calculating the balances in account 1562 (and 1563 if applicable) by reference to the Board's FAQ's dated April 2003.
b. Did OPUCN change PILs accounting methods at anytime from October 1, 2001 to April 30, 2006? If yes, please explain the impacts of the change.
c. Please provide a continuity schedule that shows how the transaction amounts in the PILs account 1562 (and 1563 if applicable) were recorded in the general ledger as at each year end since the period beginning October 1, 2001 until December 30th, 2006. Please separate the PILs proxy or allowance in rates, amounts billed or collected, adjustments, and interest. Please explain any adjustments.
d. Please provide an analysis for each year end from October 1, 2001 through December 31, 2006. The schedule should show:
    I) The PILs proxy or allowance approved in rates;
    II) The amounts billed to or collected from customers;
    III) Adjustments calculated by the Board's methodology for true-up and deferral account entries;
    IV) Any other adjustments recorded by OPUCN;
    V) The interest carrying charge calculations and an explanation of how the interest amounts were calculated;
    VI) Excess interest claw-back, if applicable.
e. Please explain any differences between the two analyses requested above.
f. Where OPUCN deviated from the Board's PILs and SIMPIL methodology, please provide a description of each deviation and the reasons for each.
g. What assumptions did OPUCN make for the following items in calculating its account balance to be disposed :

I) Interest and penalties on unpaid or under-paid taxes;
II) Non-deductible expenses like: meals, club dues, car expenses;
III) Donations paid to registered charities or municipal owners;
IV) Joint ventures, subsidiary companies, equity income;
V) Costs disallowed by the Board in any proceeding;
VI) Profit or losses on disposals of fixed assets for accounting purposes;
VII) Capital gains or capital losses on disposals of capital assets for tax purposes;
VIII) Regulatory asset write-offs and recoveries for tax purposes.

h. Are there Board precedents on which OPUCN has relied? Please provide the proceeding case docket references.
i. Should the expensing or recovery of regulatory assets be included in the calculation of regulatory PILs taxes? What Board precedents are being relied on in making this assertion? Please describe how OPUCN processed these transactions in the PILs calculations to determine the balance in account 1562.
j. If a regulatory asset amount is denied collection by the Board, how should the denial be treated in the PILs tax calculations and reconciliation of the 1562 account?
k. What assumptions has OPUCN made in recording transactions in 1562 subsequent to April 30, 2006?
l. Please provide the following tax-related documents for each tax year from 2001 through 2005:

I) Federal T2 tax return and supporting schedules – signed original and any returns that were subsequently amended and re-filed.

II) Ontario CT 23 tax return and supporting schedules – original and any returns that were subsequently amended and re-filed.

III) Financial statements for each year that were submitted with the tax returns.

IV) Notice of Assessment received from the Ontario Ministry of Finance, Corporations Tax Branch.

V) Notice of Reassessment from the Ontario Ministry of Finance Corporations Tax Branch.

VI) Correspondence between OPUCN and the Ministry of Finance concerning disputes or disagreements regarding the calculations of PILs income tax, Large Corporation Tax and Ontario Capital Tax in any tax return for any year.

55. Ref: Exhibit 11/Appendix B

In the Oshawa PILs Interest Improvement Schedule, please provide how each of the following was calculated for each year (2001, 2002, and 2003):

- Allowed Entitlement
- Actual Recoveries
- PILs Reconciliation Amount

COST OF CAPITAL

56. Ref: Exhibit 6 / Tab 1 / Schedule 2 – Capital Structure

In the Capital Structure table shown in this Exhibit, a total return, or weighted average cost of capital, component of 4.06% is shown for both the 2006 Board-approved and 2007 Bridge years, in comparison to a proposed weighted average cost of capital of 7.60% calculated for the 2008 Test year. The table does not also show the capital structure breakdown in dollars.

Please resubmit the Capital Structure table in the following format for each of the years:

a. 2006 Board-approved;
b. 2006 Actual;
c. 2007 Bridge; and
d. 2008 Test.

	Rate Base ($)	Ratio (%)	Rate (%)	Rate X Ratio /100 (%)
Debt				
Long-term				
Short-term				
Total Debt				
Equity				
Common Equity				
Preference shares				
Total Equity				
Rate Base		100	Weighted Average Cost of Capital	

57. Ref: Exhibit 6 / Tab 1 / Schedule 2 – Short-term Debt

In this table, Oshawa PUC Networks shows an interest rate for Short-term Debt of 4.77% for the 2008 Test year. However, there is no discussion or derivation of, or support for this rate in Oshawa PUC Networks' application, specifically in Exhibit 6 / Tab 1 / Exhibit 1, section 4.0 Cost of Debt.

The Board Report on Cost of Capital and 2nd Generation Incentive Regulation Mechanism for Ontario Electricity Distributors, issued

December 20, 2006 (the "Board Report") states the following in section 2.2.2:

"**The Board has determined that the deemed short-term debt rate will be calculated as the average of the 3-month bankers' acceptance rate plus a fixed spread of 25 basis points**. This is consistent with the Board's method for accounting interest rates (i.e. short-term carrying cost treatment) for variance and deferral accounts. The Board will use the 3-month bankers' acceptance rate as published on the Bank of Canada's website, for all business days of the same month as used for determining the deemed long-term debt rate and the ROE.

For the purposes of distribution rate-setting, the deemed short-term debt rate will be updated whenever a cost of service rate application is filed. The deemed short-term debt rate will be applied to the deemed short-term debt component of a distributor's rate base. Further, consistent with updating of the ROE and deemed long-term rate, the deemed short-term debt rate will be updated using data available three full months in advance of the effective date of the rates." [Emphasis in original]

a. Please provide a derivation of the proposed rate of 4.77%, showing the calculations, data used and the data sources.
b. Is Oshawa PUC Networks proposing that the 4.77% should be used for setting its 2008 revenue requirement and distribution rates, or is it proposing that the short-term debt rate should be updated in accordance based on January 2008 data from Consensus Forecasts and the Bank of Canada, in accordance with the methodology documented in Section 2.2.2 of the Board Report?

c. If the answer to b) is that Oshawa PUC Networks is not proposing to update the short-term debt rate in accordance with the methodology documented in the Board Report, please state the rationale for departing from the methodology in the Board Report.

58. Ref: Exhibit 6 / Tab 1 / Schedule 3 – Long-term Debt

a. Please provide details on the long-term debt labelled as “Original Debt – Nov. 1, 2000” with a principal of $23,065,665 and a calculated cost rate of 7.25%. Such documentation should identify the debt holder, whether that party is affiliated with Oshawa PUC Networks, the term of the debt instrument, and whether the rate is fixed or variable, and any conditions on negotiability or on the allowed rate.
b. The Balance Sheet and Note 11 of Oshawa PUC Networks Audited Financial Statements for 2006, filed as Exhibit 1 / Tab 3 / Schedule 1, indicate that the principal of the note payable to the shareholder is $23,064K. Please reconcile this with the principal of $23,065,665 shown in Exhibit 6 / Tab 1/ Schedule 3.

59. Ref: Exhibit 6 / Tab 1 / Schedules 1 and 4 – Return on Equity

Oshawa PUC Networks states that it is “proposing an 8.79% return on equity return for the 2008 test year”.

a. Please confirm if Oshawa PUC Networks is seeking a fixed return of 8.79%, or is proposing that, for purposes of finalizing Oshawa PUC Networks’ revenue requirement for the 2008 rate year, the ROE be updated using January 2008 Consensus Forecasts and Bank of Canada data when these become available, as documented in Appendix B of the Board Report.

b. If Oshawa PUC Networks is proposing a fixed ROE of 8.79%, please provide an explanation from departing from the Board's Cost of Capital guidelines.

c. Please provide the derivation of the proposed ROE of 8.79%, showing the calculation and the source data, and identifying the sources for the data and time period used.

REVENUE REQUIREMENT

60. Ref: Exhibit 7/Tab 1/Schedule 1

Board Staff have prepared the following table which shows the calculation of OPUCN's Revenue Requirement from Distribution Rates and Revenue Requirement from Rate Riders from the 2006 EDR. Revenue Requirement from Distribution Rates can be confirmed by applying the 2006 EDR distribution billing determinants time the Board approved May 1, 2006 distributions rates. Note some differences may be the result of rounding.

Revenue Requirement - 2006 OEB Approved

Oshawa PUC Networks Inc

EB-2005-0402

	2006 EDR Model Reference		2006 OEB Approved			
Applicants Rate Base	*Worksheet*	*Cell*				
Net Fixed Assets	*3-1 RATE BASE*	*F12*			$ 39,335,572	A
Working Capital Allowance Base			$ 90,896,054	B		
Working Capital Allowance	*3-1 RATE BASE*	*F16*	15%	C	$ 13,634,408	D
Rate Base	*3-1 RATE BASE*	*F21*			**$ 52,969,980**	E
Return on Rate Base						
Deemed Debt %	*3-2 COST OF CAPITAL (Input)*	*C18*	50.0%	F	$ 26,484,990	H
Deemed Equity %	*3-2 COST OF CAPITAL (Input)*	*C19*	50.0%	G	$ 26,484,990	I
Interest	*3-2 COST OF CAPITAL (Input)*	*C25*	7.25%	J	$ 1,920,162	M
Return on Equity	*3-2 COST OF CAPITAL (Input)*	*E32*	9.00%	K	$ 2,383,649	N
Return on Rate Base	*5-1 SERVICE REVENUE REQUIREMENT*	*F15*	**8.13%**	L	**$ 4,303,811**	O
Distribution Expenses						
OM&A Expenses	*See Note 1 below*		$ 8,848,124	P		
Transformer Allowance	*6-3 Trfmr Ownership (Input)*	*R120*	$ 289,348	Q		
Amortization	*See Note 1 below*		$ 3,383,711	R		
PILs	*5-1 SERVICE REVENUE REQUIREMENT*	*F21*	$ 2,075,321	S	**$ 14,596,504**	T
Variance / Deferral Account Rate Adders						
Low Voltage	*7-2 ALLOCATION - LV-Wheeling*	*L120*	$ -	U		
Smart Meters	*See Note 2 Below*		$ 156,751	V		
Incremental CDM	*5-1 SERVICE REVENUE REQUIREMENT*	*F17*	$ -	W	**$ 156,751**	X
Revenue Offsets						
Specific Service Charges	*5-5 BASE REVENUE REQUIREMENT*	*D19*	-$ 406,857	Y		
Late Payment Charges	*5-5 BASE REVENUE REQUIREMENT*	*D20*	-$ 200,532	Z		
Other Distribution Income	*5-5 BASE REVENUE REQUIREMENT*	*D21*	-$ 42	AA		
Other Income and Deductions	*5-5 BASE REVENUE REQUIREMENT*	*D22*	-$ 667,896	AB	**-$ 1,275,327**	AC
Revenue Requirement from Distribution Rates					**$ 17,781,739**	AD
Variance / Deferral Account Rate Riders						
Regulatory Assets	*Reg Asset Model 2. Rate Riders Calculation*	*C53*			$ 1,172,604	AE
LRAM & SSM					$ -	AF
Revenue Requirement from Rate Riders					**$ 1,172,604**	AG
Revenue Requirement from Distribution Rates					N/A	
2008 Forecast Billing Determinants Time Current Rates					N/A	
Revenue Sufficiency/Deficiency					**N/A**	

Note 1: Proof Distribution Expenses

OM&A Expenses	*P*	*$ 8,848,124*
Amortization	*R*	*$ 3,383,711*
Low Voltage	*U*	*$ -*
5-1 SERVICE REVENUE REQUIREMENT	***F17***	***$ 12,231,835***

Note 2: Proof Smart Meters

2006 EDR Metered Customers	*48,380*
Monthly Smart Meter Rate	*$ 0.27*
Months	*12*
Smart Meter Rate Adder	***$ 156,751***

a. Please confirm that OPUCN agrees with the values in the table above. If OPUCN does not agree please prepare an amended schedule with supporting details.

b. Please use the following format from the table below as a guide for preparing a similar schedule for OPUCN's 2008 application. Please ensure that application references are accurate. Note the values entered are for example purposes only and may or may not be correct for this application.

Revenue Requirement - 2008 EDR Application

Oshawa PUC Networks Inc

EB-2007-0710

	2008 Application Reference	2008 Application Amount			
Applicants Rate Base					
2007 Net Fixed Assets		$ 43,870,524	A		
2008 Net Fixed Assets		$ 49,510,690	B		
Average Net Fixed Assets *(2007 Plus 2008 Divided by 2)*				$ 46,690,607	C
Working Capital Allowance Base		$ 101,650,320	D		
Working Capital Allowance		15%	E	$ 15,247,548	F
Rate Base				**$ 61,938,155**	G
Return on Rate Base					
Deemed ShortTerm Debt %		4.00%	H	$ -	K
Deemed Long Term Debt %		49.33%	I	$ 30,554,092	L
Deemed Equity %		46.67%	J	$ 28,906,537	M
Short Term Interest		0.00%	N	$ -	Q
Long Term Interest		6.70%	O	$ 2,047,124	R
Return on Equity		8.79%	P	$ 2,540,885	S
Return on Rate Base				**$ 4,588,009**	T
Distribution Expenses					
OM&A Expenses		$ 10,792,063	U		
Transformer Allowance		$ 4,920,553	V		
Amortization		$ 4,395,489	W		
PILs		$ 1,935,917	X	**$ 22,044,022**	Y
Variance / Deferral Account Rate Adders					
Low Voltage		$ -	Z		
Smart Meters		$ -	AA		
Incremental CDM		$ -	AB	**$ -**	AC
Revenue Offsets					
Specific Service Charges		-$ 704,147	AD		
Late Payment Charges		-$ 198,733	AE		
Other Distribution Income		-$ 698,776	AF		
Other Income and Deductions			AG	**-$ 1,601,656**	AH
Revenue Requirement from Distribution Rates				**$ 25,030,375**	AI
Variance / Deferral Account Rate Riders					
Regulatory Assets					AJ
LRAM & SSM				$ 147,025	AK
					AL
					AM
Revenue Requirement from Rate Riders				**$ 147,025**	AN
Revenue Requirement from Distribution Rates				$ 25,030,375	AO
2008 Forecast Billing Determinants Time Current Rates				$ 17,905,146	AP
Revenue Sufficiency/Deficiency				$ 7,125,229	AR

c. Using the applicant prepared 2008 Revenue Requirement schedule as requested above please compare and contrast the 2008 Test

Year application values to the OEB Approved 2006 values in the Board staff table. Please identify application references that exist in the application where 2006 values have been compared to 2006 actual results (i.e. OM&A expenses). If no comparison schedule exists in the application please prepare complete supporting schedules in the format required by the minimum filing guidelines.

d. Please compare the prepared schedule from (b.) above to OPUCN's Revenue Sufficiency or Deficiency values as calculated on Exhibit 7/Tab 1/Schedule 1. If Revenue Sufficiency or Deficiency values are different please prepare a reconciliation to explain differences.

COST ALLOCATION

61. Ref: Exhibit 8/Tab 1/ Schedule 1

Please file Run 2 of the Informational Filing as an official part of the record in this Application.

62. Ref: Appendix E / Page 3

Please provide an alternative set of revenue to cost ratios, in which rates and revenues from Streetlighting are increased to yield a revenue to cost ratio of 70%, and revenue is decreased by an equal amount from one or more classes that have ratios above 200%.

RATE DESIGN

Regulatory Asset Recovery Rate Riders

63. Ref: Exhibit 5 / Tab 1 / Schedule 3 / Pages 3 – 4

The columns for Streetlighting, Sentinel Lights, and USL appear to be missing from the table. If so, please complete the table by adding the missing information.

64. Ref: Exhibit 9 / Tab 1 / Schedules 5 and 6

a. Please provide a detailed explanation for why the rate rider for the I2 - Intermediate Class is proposed to increase from $0.0820 per kW to $0.3682, an increase of approximately 350%.
b. Please provide a detailed explanation of why the rate rider for Sentinel Lights is proposed to decrease from $0.1748 per kW to $0.0023 per kW, and also for why it is proposed that the rate rider for Unmetered Scattered Load should fall to $0.0000.

Streetlight Rates

65. Ref: Exhibit 9 / Tab 1

Please provide a justification for increasing the rates to Streetlights by the same percentage as all other classes, in view of the low revenue to cost ratio of 23% in the Cost Allocation Informational Filing.

General Service Classes > 1000 kW

66. Ref: Exhibit 9 / Tab 1

Please provide a justification for increasing the rates to the classes > 1000 kW by the same percentage as all other classes, in light of the comparatively high revenue to cost ratio of approximately over 300% (1000 – 5000 kW) and over 250% (>5000kW) in the Cost Allocation Informational Filing.

CONSERVATION AND DEMAND MANAGEMENT

67. Ref: Exhibit 10 /Tab 1/Schedules 1 – 3 and Exhibit 11 /Appendix F

The Board's "Filing Requirements for Transmission and Distribution Applications" issued on November 14, 2006, outlines on page 39 the information that is required when filing an application for LRAM or SSM. Please provide the following:

a. The kW or kWh impacts not adjusted for free riders. kW or kWh impacts net of free riders for each program and each rate class has been provided, however, the kW or kWh impacts not adjusted for free riders has not been provided ;
b. Verification of participation levels; and
c. Duration of the programs in years and months.

68. Ref: Exhibit 10 /Tab 1/Schedule 2

In the column titled "LRAM to December 31 06" the Residential amount claimed is $49,788 which matches the EnerSpectrum Assessment, however, the total for the column is only $47,788. Please clarify and provide a revised schedule if the total is incorrect. If the total is correct please explain why there is the difference of $2,000.

69. Ref: Exhibit 10 /Tab 1/Schedule 2

It appears that the proposed rate rider of 0.0001 includes only the LRAM impact and not the SSM impact. Please verify and, if it does not include the SSM impact, provide a new rate rider if required.

70. Ref: Exhibit 10 /Tab 1/Schedule 2

Please explain why Oshawa PUC Networks Inc. ("Oshawa PUC") has calculated the proposed rate rider based on the kW / kWh forecast for the 2008 test year and not based on the 2006 consumption and billing rates? Please provide a revised Schedule 2 that provides a proposed rate rider based on the 2006 consumption and billing rates.

71. <u>Ref: Exhibit 11 /Appendix F</u>

The table for the LRAM amounts is titled "2005 Residential Load Revenue Impacts". However, Exhibit 10 /Tab 1/Schedule 1 states that "both the LRAM and SSM relate to fiscal year 2006"? Please confirm whether the Load Revenue Impacts relate to 2005 or 2006.

72. <u>Ref: Exhibit 10 /Tab 1/Schedules 1 – 3 and Exhibit 11 /Appendix F</u>

Please identify any distribution rate funded residential, commercial, or industrial program(s) where load impacts were not calculated using the measure-specific values in the Board's Total Resource Cost ("TRC") Guide. For any program that did not use the measure-specific values in the TRC Guide, please provide the supporting documentation on how these load impacts were calculated.

a. Please provide the calculations, inputs and assumptions that were used to determine the LRAM amount.

73. <u>Ref: Exhibit 10 /Tab 1/Schedules 1 – 3 and Exhibit 11 /Appendix F</u>

a. Please provide the calculations, inputs and assumptions that were used to determine the SSM amount.

74. <u>Ref: Exhibit 10 /Tab 1/Schedules 1 – 3 and Exhibit 11 /Appendix F</u>

Please confirm if any programs were jointly sponsored with other regulated distributors. If so, please identify those programs, and confirm whether the apportioned savings are in accordance with the TRC Guide and the Board's EB-2005-0523 Decision. If the apportioned savings are not in accordance with the TRC Guide and the Board's EB-2005-0523 Decision please refile accordingly.

75. Ref: Exhibit 10 /Tab 1/Schedules 1 – 3 and Exhibit 11 /Appendix F

In its Report of the Board on the 2006 EDR Handbook, issued May 11, 2005, the Board stated:

"There has been considerable discussion in this proceeding as to whether CDM expenditures on the utility side should be differentiated from customer-side expenditures. The Board recognizes that conservation programs should have a balance between the two. It is important to recall however, the Board's earlier finding that the SSM incentive does not apply to utility-side investments. The Board previously ruled with respect to the 2005 SSM that the inclusion of capitalised assets into rate base provides sufficient incentives. The Board continues to hold that view."

a. Please confirm if Oshawa is claiming SSM amounts for any utility-side programs.
    I) If the answer to a) was yes, please provide a revised SSM amount with SSM amounts for utility-side programs removed.

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