Question #1
Reference: i) Exhibit 1, pages 31-32

a) Please indicate where in the Application PUCD has provided an explanation as to the reasons for each of the three new variance accounts it is requesting. If not provided as part of the current Application, please provide the following for each of the new accounts requested:
• A description as to the purpose of the account (i.e., why is it needed)
• An explanation as to precisely what costs/revenues will be recorded in the account
• A draft accounting order for the account.

Response
Please refer to response to OEB staff interrogatories 45, 46 and 47.

b) Please clarify whether PUCD is seeking approval of a deemed debt/equity structure of 53/47 as quoted here or 53.33/46.67 as set out in Exhibit 6.

Response
PUC Distribution is seeking approval for a deemed debt/equity structure of 53.33/46.67. In Exhibit 1 page 31-32 in the summary of approvals requested the debt/equity ratio is rounded and stated as 53/47.

c) Exhibit 5 sets out the December 31, 2006 balances for the deferral and variance accounts that PUCD is proposing to clear as part of this Application. Does PUCD have non-zero balances in any of the other deferral and variance accounts it is seeking to continue after May 1, 2008. If yes please provide:
• A continuity schedule that sets out the balance of the account and the annual changes from December 31, 2004 to December 31, 2006
• An explanation as to why PUCD is not seeking to clear the December 31, 2006 balances.

Response
PUC Distribution has the following deferral and variance accounts that have non-zero balances that will be continued but are not part of this application:
1555 – Smart meter capital variance account
1562 – Deferred payments in lieu of taxes
1563 – PILS Contra Account
1565 – CDM Expenditures and Recoveries

1566 – CDM Contra Account

OEB Account	Dec. 31 2004 Balance	Change in Balance	Dec. 31, 2005 Balance	Change in Balance	Dec. 31, 2006 Balance
	$	$	$	$	$
1555	0	0	0	(57,946)	(57,946)
1562	(144,201)	(169,057)	(313,258)	(16,699)	(329,957)
1563	0	166,473	166,473	163,484	329,957
1565	0	(371,580)	(371,580)	162,820	(208,761)
1566	0	0	0	208,751	208,751

PUC is not seeking to clear the above balances. The above accounts are variance/deferral accounts that the OEB has up to accumulate costs with the related contra account with the exception of smart meters account 1555. Account 1555 accumulates revenue from the OEB approved rate rider for smart meters.

Question #2

Reference: i) Exhibit 1, page 33

a) Please confirm whether or not PUCD has been authorized (as yet) to undertake Smart Meter installations by the provincial government. If it has, please provide a copy of the authorization. If not, does PUCD have any indication as to when such authorization will be provided?

Response

PUC Distribution has not been authorized to undertake smart meter installations. The utility is a member of the Northeast Ontario utilities working group(referred to in some documents as District 9) who are working together to meet the government mandate of smart meter installations by the end of 2010. The District group through its consultant is participating as an observer in the London Hydro Smart Meter RFP process. The Ministry of Energy has been informed of the status and approach by the Northeast utilities with respect to smart meters. The Assistant Deputy Minister, Consumer and Regulatory Affairs, has provided correspondence dated December 21, 2007, that the Ministry of Energy will recommend to Cabinet an amendment to O. Reg. 427/06 to accommodate London Hydro and consortium members as well as any other LDCs outside the consortium (PUC Distribution as part of the District 9 group) that have chosen to participate in the process. Subject to the evaluation process and negotiations with the AMI vendors and installation vendors, PUC Distribution is hopeful that implementation can commence in late summer or early fall of 2008.

Costs incurred with respect to the smart meter initiative are being collected in a variance account to be offset by the smart meter rate adder of $.26 per month subject to amendments to required regulations to allow PUC Distribution to proceed with full implementation.

Question #3

Reference: i) Exhibit 1, pages 42-43

a) Please provide a copy of the Service Agreement between PUC Distribution and PUC Services (per page 115). In doing so, please ensure any schedules describing the services to be provided by PUC Services and the pricing arrangements are also included.

Response
Please see below

MANAGEMENT, OPERATIONS AND MAINTENANCE AGREEMENT

THIS AGREEMENT made as of January 1st, 2001.

BETWEEN:

PUC SERVICES INC., a corporation incorporated under the laws of the Province of Ontario (hereinafter called the **"Manager"**),

OF THE FIRST PART;

-and-

PUC DISTRIBUTION INC., a corporation continued under the laws of the Province of Ontario (hereinafter called **"Distribution"**),

OF THE SECOND PART.

RECITALS

1. Distribution and the Manager have agreed to enter into this Agreement pursuant to which the Manager will assume responsibility for all aspects of the management operation and maintenance of Distribution's Business other than marketing and sales and subject to overall responsibility for management of Distribution by its senior officers and board of directors.

NOW THEREFORE THIS AGREEMENT WITNESSES THAT, in consideration of the covenants and agreements herein contained, the parties hereto agree as follows:

ARTICLE ONE

DEFINITIONS AND SCHEDULES

1.1 Definitions

In this Agreement, unless something in the subject matter is inconsistent therewith, all capitalized terms shall have the meanings set forth below:

"Affiliate Relationships Code" means the Affiliate Relationships Code of the Ontario Energy Board as the same may be amended from time to time.

"Agreement" means this Agreement and all amendments made hereto in accordance with the provisions hereof.

"Business" means owning a distribution system in order to distribute electricity to customers, as well as business activities incidental thereto.

"Business Day" means a day other than Saturday, Sunday or a legal holiday in the City of Sault Ste. Marie, Ontario.

"Emergency Management Powers" means the powers of the Manager described in Section 2.2 (1)(d).

"Event of Default" means any of the events described in Section 6.1.

"Force Majeure" means a cause which is unavoidable or beyond the reasonable control of a party hereto and which by the exercise of due diligence such party is unable to prevent or overcome, including, without limitation, acts of God, acts of a public enemy, war, hostilities, invasion, insurrection, riot, the order of any competent civil or military government, explosion, fire, strikes, lockouts, labour disputes, malicious acts, vandalism, failure of equipment beyond the reasonable control of a party hereto, accident to any facilities, storms, or other adverse weather conditions, or other causes of a similar nature which wholly or partially prevent the parties or either of them from carrying out the terms of this Agreement (other than for the payment of monies due hereunder); provided that either party shall have the right to determine and settle any strike, lockout and labour dispute in which that party may be involved in its sole discretion and provided further that Force Majeure shall exclude lack of funds or economic hardship.

"Insolvent" means, in relation to any Person, being insolvent, bankrupt, making a proposal under the *Bankruptcy and Insolvency Act* (Canada) or having a trustee or receiver or manager appointed in respect of its assets.

"**Prudent Industry Practice**" means any of the practices, methods and acts which, in the exercise of reasonable judgment in the light of the facts known to the Manager, at the time that a decision was made, could reasonably have been expected to accomplish the desired result at a reasonable cost, consistent with applicable laws, licensing and regulatory considerations, environmental considerations, reliability, safety and expedition. Prudent Industry Practice is not intended to be limited to the optimum practice, method or act, to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts employed by owners and operators of facilities similar in size, type and operational characteristics to Distribution's facilities, and having due regard for applicable electrical, safety and maintenance codes and standards, manufacturers' warranties, and applicable laws and shall, in any event, evidence the degree of care, diligence and skill that a reasonably prudent advisor and manager having responsibility for the management of a similar business would exercise in comparable circumstances.

"Term" shall mean the period from the date hereof to the tenth anniversary hereof or such earlier date as this Agreement may be terminated in accordance with its terms.

1.2 Headings

The division of this Agreement into Articles, Sections, paragraphs and subparagraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

1.3 Interpretation

Words importing the singular number only shall include the plural and vice versa, words importing gender shall include all genders. Where the word "including" or "includes" is used in this Agreement it means "including without limitation" or "includes without limitation", respectively. Any reference to any Document shall include a reference to any schedule, amendment or supplement thereto or any agreement in replacement thereof, all as permitted under the Documents.

1.4 Accounting Principles

Wherever in this Agreement reference is made to generally accepted accounting principles, such reference shall be deemed to be to the generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute, applicable as at the date on which such calculation is made or required to be made in accordance with generally accepted accounting principles. Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other accounting computation is required to be made for the purpose of this Agreement or any document, such determination or calculation shall, to the extent applicable and except as otherwise specified herein or as otherwise agreed in writing by the parties, be made in accordance with generally accepted accounting principles applied on a consistent basis.

1.5 Funds

All dollar amounts referred to in this agreement are in lawful money of Canada.

ARTICLE TWO

THE MANAGER'S FUNCTIONS AND POWERS

2.1 Appointment of the Manager

Distribution hereby appoints the Manager and the Manager hereby accepts its responsibility for all aspects of the operation, maintenance, management and management of the Business in accordance with Prudent Industry Practice and the terms of this Agreement throughout the Term including without limitation providing all necessary staff to operate the Business but excluding marketing and sales services.

2.2 General Management Services

(1) The Manager shall have authority during the Term to manage, control, administer and operate the Business in accordance with Prudent Industry Practice, subject to the overall responsibility for management of Distribution by its senior officers ("Distribution Management") and the Distribution Board of Directors (the "Distribution Directors") and subject to and limited by the provisions of this Agreement.

Without limiting the generality of the foregoing, the Manager shall be vested with the following powers which it shall exercise on behalf of Distribution:

(a) to report to Distribution Management and the Distribution Directors with respect to the business and affairs of Distribution and the Business as may be requested from time to time by Distribution Management and the Distribution Directors;

(b) to provide all administrative services for the Business and Distribution including accounting and bookkeeping services;

(c) to negotiate, execute, amend, administer, perform and carry out the terms of all agreements and commitments, the performance of which by or on behalf of Distribution in respect of the Business and the Business is necessary or advisable; and

(d) to exercise emergency management powers in respect of any aspect of the operation and management of Distribution's facilities ("Emergency Management Powers") in order to take such action as a prudent owner of such facilities would normally take in the circumstances provided that (i) the Manager reasonably believes that immediate action is necessary to safeguard life or property or to prevent or minimize an interruption in the delivery of electricity, (ii) such action does not involve expenditures exceeding $1 million per occurrence in respect of any emergency unless the Manager has first received the approval of Distribution, and (iii) upon the exercise of Emergency Management Powers, the Manager shall forthwith notify Distribution Management and Distribution Directors in writing of the nature of the Emergency Management Powers exercised by it, the reasons for exercising Emergency Management Powers and the costs incurred or to be incurred by it in the exercise of the Emergency Management Powers.

2.3 Operations and Maintenance Services

Without limiting the generality of Section 2.2, the Manager shall provide or arrange for all of the operations and maintenance services necessary to prudently and efficiently operate and maintain Distribution's facilities, including but not limited to:

(a) co-ordinate the purchase and sale of electricity under applicable contracts and pay on behalf of Distribution and collect all amounts payable and receivable thereunder;

(b) operate and maintain the Business in accordance with Prudent Industry Practice, applicable laws and all Distribution agreements, to minimize unscheduled outages and to provide maintenance for Distribution's facilities in the most cost-effective manner to prevent deterioration beyond normal wear and tear; provided that such efforts shall be necessarily limited by the operating life, capacity and maintenance requirements of Distribution's facilities and by the requirements of all applicable laws;

(c) use all reasonable care necessary to keep Distribution's facilities clean, orderly and free from debris, rubbish or waste to the extent consistent with the operation of the Business;

(d) use all reasonable care not to generate, store, transport, accumulate, dispose, discharge or release any hazardous substance on, in or from any property in connection with Distribution's facilities, except in compliance with all applicable environmental laws and regulations;

(e) assist Distribution in obtaining and maintaining all necessary regulatory approvals including those required from the Ontario Energy Board for the Business and renewals therefor including preparing and submitting all associated applications and filings;

(f) use its reasonable efforts to secure and maintain from vendors, suppliers and subcontractors the best indemnities, warranties and guarantees as may be commercially available in accordance with Prudent Industry Practice regarding supplies, equipment and services purchased for the Business and assist Distribution in preserving and enforcing such indemnities, warranties or guarantees;

(g) provide administrative services for the Business and for Distribution in respect of the Business including:

(i) arrange insurance for the Business and Distribution consistent with Prudent Industry Practice;

(ii) maintain and preserve equipment maintenance, accounting, banking and other necessary records, reports, documents, data and the like for the Business and Distribution;

(iii) perform cash management services for the Business and Distribution;

(iv) on a timely basis prepare monthly and annual financial statements and deliver them to the Distribution Directors;

(v) assist in the administration of all agreements to which Distribution is a party or by which it is bound, including negotiations and communications with third parties in connection therewith; and

(vi) make all banking and financing arrangements;

(h) employ, and ensure adequate training and testing of all qualified personnel (duly licensed where required) required for the operation and maintenance of Distribution's facilities consistent with Prudent Industry Practice;

(i) implement an inventory control system to identity, catalogue and disburse spare parts for the maintenance of Distribution's facilities and procure, as agent for Distribution, initial and replacement spare parts and refurbish, where practical or economical, spare parts to allow their reuse;

(j) perform for Distribution such other services as may from time to time be reasonably requested or are reasonably necessary or appropriate in connection with the operation and maintenance of Distribution's facilities;

(k) promptly provide Distribution with such other information relative to the Business as Distribution may reasonably request;

provided that in the conduct of its duties hereunder, the Manager shall not, without first obtaining the written approval of the Distribution Directors undertake any activity which by the terms of the Shareholders' Agreement between Distribution and PUC Inc. requires the approval of PUC Inc.

2.4 <u>Covenants of the Manager</u>

The Manager covenants and agrees that in the performance of its services under this Agreement it shall:

(a) perform all services at all times in accordance with Prudent Industry Practice and in compliance with applicable laws and the Affiliate Relationships Code;

(b) comply with all instructions of Distribution Management of the Distribution Directors in relation to the performance of its services under this Agreement;

(c) observe and perform or cause to be observed and performed on behalf of Distribution in every material respect the provisions of (i) the agreements from time to time entered into in connection with the Business, and (ii) all applicable laws including the Affiliate Relationships Code;

2.5 No Liability of Manager

The Manager shall have no liability as a result of this Agreement to make or arrange for payments on account of operating expenses of Distribution or any other expenses relating to this Agreement out of its own funds.

ARTICLE THREE

TERM

3.1 Term of Agreement

This Agreement shall become effective as of the date hereof and shall continue in full force and effect until January 1st, 2011 unless sooner terminated in accordance with the provisions of this Agreement. This Agreement shall be automatically renewed for successive periods of five years unless either party provides the other with written notice to the contrary at least one hundred and eighty (180) days prior to the end of the then incumbent term.

ARTICLE FOUR

MANAGEMENT FEES

4.1 Management Fees

The parties shall negotiate, acting reasonably, the fees to be paid by Distribution to the Manager for the services hereunder. Such fees shall be determined annually and in compliance with the Affiliate Relationships Code. Any change in fees shall not be effective unless ratified by the Distribution Directors.

ARTICLE FIVE

FINANCIAL STATEMENTS, BUDGETS AND RECORDS

5.1 Books and Records

The Manager shall keep proper books, records and accounts in which full, true and correct entries in conformity with generally accepted accounting principles and all requirements of applicable laws will be made of all dealings and transactions in relation to the Business and the performance of the Manager's services under this Agreement at the Manager's head office.

5.2 Examination of Records

The Manager shall make available to Distribution and its authorized representatives at any time during normal business hours on a Business Day all records, documents or information related to the Business, wherever maintained. The Manager shall permit Distribution and its authorized representatives at any time during normal business hours on a Business Day to examine the books, records, drawings, computer-stored data, correspondence, accounting procedures and practices, cost analyses and any other supporting financial data, including invoices, payments or claims and receipts pertaining to the Business maintained by the Manager at its head office. Distribution's examination of records at the Business or at the Manager's head office shall be conducted in a manner which will not unduly interfere with the conduct of the Business or of the Manager's business in the ordinary course. The Manager shall furnish to Distribution such financial and operating data and other information with respect to the Business as Distribution shall from time to time reasonably request.

5.3 Confidentiality

The manager shall ensure that, unless required in connection with applicable laws, the books, records and accounts of Distribution (i) shall not be made available to any other person for whom the Manager provides services, and (ii) are not used by the Manager itself for any improper purpose, in compliance with the Affiliate Relationships Code.

ARTICLE SIX

DEFAULT AND TERMINATION

6.1 Event of Default

The Manager shall be in default under this Agreement upon the happening or occurrence of any of the following events, each of which shall be deemed to be an Event of Default for the purposes of this Agreement:

(a) the Manager breaches or fails to observe or perform any of the Manager's material obligations, covenants, or responsibilities under this Agreement, and, within thirty (30) days after notice from Distribution specifying the nature of such breach or failure, to the satisfaction of Distribution Management and the Distribution Directors, the Manager fails to cure such breach or failure or to take steps to remedy such breach or failure and give reasonable assurances to Distribution that such default shall be cured within a period of time satisfactory to Distribution Management and the Distribution Directors;

(b) the Manager:

(i) becomes Insolvent;

(ii) is subject to any proceeding, voluntary or involuntary, under the provisions of the *Bankruptcy and Insolvency Act* (Canada), the *Companies Creditors Arrangement Act* (Canada), or any other Act for the benefit of creditors;

(iii) goes into liquidation;

(iv) winds up either voluntarily or under an order of a Court of competent jurisdiction;

(v) makes a general assignment for the benefit of its creditors; or

(vi) otherwise takes any corporate action that acknowledges its Insolvency; or

(c) gross negligence, wilful default or fraud by the Manager in the performance of any of its obligations, covenants, or responsibilities under this Agreement.

6.2 Termination by Distribution

Upon the occurrence of an Event of Default of the Manager but subject to section 6.3, Distribution may without recourse to legal process but without limiting any other rights or remedies which it may have at law or otherwise, terminate this Agreement by delivery of written notice of termination to the Manager.

6.3 Restriction on Termination during Force Majeure

During the occurrence of an event of Force Majeure, the obligations of the party affected by such event of Force Majeure, to the extent that such obligations cannot be performed as a result of such event of Force Majeure, shall be suspended, and such party shall not be considered to be in default hereunder, for the period of such occurrence except that the occurrence of an event of Force Majeure affecting Distribution (but not affecting the performance of the Manager's obligations hereunder) shall not relieve it of its obligation to make payments to the Manager hereunder. The non-performing party shall give the other party prompt written notice of the particulars of the event of Force Majeure and its expected duration, shall continue to furnish regular reports with respect thereto on a timely basis during the continuance of the event of Force Majeure and shall use its best efforts to remedy its inability to perform. The suspension of performance is to be of no greater scope and of no longer duration than is required by the Force Majeure condition. No obligations of either party that arose before the

Force Majeure causing the suspension of performance are excused as a result of the Force Majeure.

6.4 Post-Termination Arrangements

In the event of termination of this Agreement:

(a) the Manager shall deliver to Distribution all books, records, accounts, systems and manuals which it has developed and maintained relating to Distribution, Distribution's facilities and the Business pursuant to this Agreement;

(b) the parties shall take all steps as may be reasonably required to complete any final accounting between them and to provide, if applicable, for the orderly transfer of insurance and completion of any other matter contemplated by this Agreement; and

(c) title to all materials, equipment, supplies, consumables, spare parts and other items purchased or obtained by the Manager for the Business shall pass to and vest in Distribution upon the passage of title from the vendor or supplier thereof and payment or reimbursement of costs by Distribution.

ARTICLE SEVEN

GENERAL MATTERS

7.1 Governing Law

This Agreement shall be conclusively deemed to be a contract made under, and shall for all purposes be construed and interpreted in accordance with the laws of the Province of Ontario, and the laws of Canada applicable in such Province.

7.2 Benefit of the Agreement

This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

7.3 Severability

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. In respect of any provision so determined to be unenforceable or invalid, the parties agree to negotiate in good faith to replace the unenforceable or invalid provision with a new provision that is enforceable and valid in order to give effect to the business intent of the original provision to the extent permitted by law and in accordance with the intent of this Agreement.

7.4 Amendments and Waivers

No modification of or amendment to this Agreement shall be valid or binding unless set forth in writing and duly executed by both of the parties hereto and no waiver of any breach of any term or provision of this Agreement shall be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided, shall be limited to the specific breach waived.

7.5 Further Assurances

Each of Distribution and the Manager shall from time to time execute and deliver all such further documents and instruments and do all acts and things as the other party may reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

7.6 Time of the Essence

Time shall be of the essence of this Agreement.

7.7 No Partnership

It is understood and agreed that nothing contained in this Agreement nor any acts of the parties shall be deemed to constitute the Manager and Distribution as partners of each other.

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto as of the day of February, 2001.

PUC SERVICES INC.

Per: ______________________

Per: ______________________

PUC DISTRIBUTION INC.

Per: ______________________

Per: ______________________

b) Is PUC Energy considered to be a “customer” of PUCD? If so, what customer class is it included in and is it treated as a single customer for purposes of establishing customer counts by class? If not, are the individual sentinel light customers considered to each be customers of PUCD?

Response
PUC Engeries is included in PUC Distribution’s sentinel light class. It is treated as one customer with several connections for purposes of customer counts by class.

c) Please explain why PUC Energy Inc. is not considered a retailer if it purchases energy from PUDC and resells it to sentinel light customers.

Response
PUC Energies provides a bundled sentinel light service to customers at a monthly rate which includes equipment and energy.

d) Does PUC Telecom provide services to PUCD? If yes, please provide a copy of the Service Agreement.

Response
PUC Telecom does not have any service agreements with PUCD. PUC Telecom provides telecommunication services to PUC Services Inc. which has an operating and maintenance agreement with PUCD. This agreement would include telecommunication services to be provided as required.

e) Does PUCD provide any services (for example, facilities, office space, etc.) to any of its affiliates? Note: The 2006 Financial Statements (page 12) indicate that it does. If so, please provide the following:
• A list of the services provided and the affiliates receiving them
• The revenues received for such each of such services for 2006 (actual), 2007 and 2008.
• Copies of the relevant Service Agreements
• A description of how the charges for each of the services was determined.
• An indication of where the revenues are accounted for in this Application (i.e., are they part of Other Revenue in Exhibit 3 and, if so, precisely where are they included?)

Response

As indicated in the 2006 Financial Statements PUC Distribution receives pole rental income from PUC Telecom at the rate set by the OEB. The only other service provided by PUC Distribution to affiliates is electric distribution services at rates approved by the OEB.

Question #4

Reference: i) Exhibit 1,page 118

a) Please confirm that the Distribution Revenue value ($12,091,138) was calculated by applying the approved 2007 rates (excluding any smart meter rate adder) to the forecast 2008 billing quantities for each class.

Response
The distribution revenue of $12,091,138 was calculated by applying the 2007 rates to the forecast 2007 billing quantities for each class.

b) If the response to part (a) is yes, please provide a schedule setting out the detailed calculation, including:
• The 2007 rates used for each customer class
• The 2008 billing quantities for each customer class
• The total revenues by customer class

Response
N/A

c) If the response to part (a) is no, please explain what the value is based on and then recalculate the schedule per part (b).

Response
Please refer to response a) and the recalculated amounts below using the 20008 forecast quantities.

2008 project billing quantities				
Class	Charge Type	Billing Quantity	Rate	Revenue
Residential	Customer	28,675	$7.34	$2,525,694.00
Residential	kWh	352,377,221	$0.0112	$3,946,624.87
GS <50	Customer	3,294	$11.20	$442,758.05
GS <50	kWh	96,197,960	$0.0187	$1,798,901.86
GS>50-Regular	Customer	426	$150.33	$768,486.96
GS>50-Regular	kW	675,865	$3.6781	$2,485,898.96
Unmetered Scattered Load	Customer	26	$10.94	$3,413.28
Unmetered Scattered Load	kWh	755,305	$0.0187	$14,124.21
Sentinel	Connection	436	$1.32	$6,909.25
Sentinel	kW	759	$8.5992	$6,523.70
Street Light	Connection	8,753	$0.47	$49,367.68
Street Light	kW	21,706	$2.6014	$56,465.50
				$12,105,168.33

d) Please confirm that the $992,559 value for Other Operating Revenues is the 2007 anticipated revenues and not the anticipated revenues for 2008.

Response
The $992,559 other operating revenue is the 2007 Bridge year forecasted revenue.

e) Please confirm that the calculation of required return ($3,516,476) is arithmetically consistent with the reported Rate Base and Weighted Average Cost of Capital.

Response
PUC Distribution confirms that the required return calculation is arithmetically consistent with the reported rate bas and weighted average cost of capital.

f) Based on the results of parts (d) and (e), please re-do the Deficiency Schedule as necessary.

Response
Please see below.

	2008 Test at 2007 Existing Rates
Revenue	
Distribution Revenue	12,105,168
Other Operating Revenue (Net)	992,659
Total Revenue	13,097,827
Costs and Expenses	
Distribution Costs	
Operation & Maintenance & Administration	8,506,469
Depreciation & Amortization	3,310,977
Taxes	170,151
PILS	1,687,136
Total Costs and Expenses before Interest	13,674,733
Utility loss	-576,906
Utility proposed rate base	49,406,580
Required Return @7.12%	3,516,478
Required Return	3,516,478
Utility loss	576,906
Revenue Deficiency	**4,093,384**

Question #5

Reference: i) Exhibit 2, pages 3 and 14

a) The average net fixed asset balances reported on the two pages are slightly different for 2006 (actual) and 2007. Please explain why.

Response
The rate base summary table in Exh2/pg3 should have the net fixed asset balance of$ 35,552,463 and not $35,495,806 in the 2006 Actual. The difference is $56,657. The difference in the 2007 Bridge year is $21 which is due to rounding.

Question #6

Reference: i) Exhibit 2, pages 3 and 167

a) Please explain the basis for the 2007 and 2008 forecast values for Power Purchased Expenses. What were the wholesale purchases (MWh) and average cost of power used in each case? What was the basis for the 2007 and 2008 average cost of power value used?

Response

2007 and 2008 forecast values were based on 2006 actual expense.
A detailed calculation was not done to determine cost of power.
Below is revised information for 2007 based on 2007 IESO invoices and 2008 projections by expense type.

	2007 IESO Invoices	2008
Cost of Power	$42,029,841	$41,062,669
WMS	$3,659,852	$3,418,654
Transmission - NW	$3,611,590	$3,477,942
	$49,301,283	$47,959,264
kWhs	738,093,576	746,593,973
Cost per kWh	$0.067	$0.064

b) Please explain why there are no Transmission Charges or WMS Charges included for 2008 (i.e., #4708 and #4714).

Response

Transmission and WMS were included with energy expense. See above for breakdown.

Question #7

Reference: i) Exhibit 2, pages 14 and 28

a) Please reconcile the 2006 actual capital addition figure reported on page 14 ($2,920,785) with the 2006 capital expenditure figure reported on page 28 ($3,356,044).

Response

The continuity schedule on page 14 includes account 1995 – Capital contribution for ($422,758) in 2006. Also, Computer software additions of $12,500 are included in continuity schedule on page 12 in the opening balance in account 1925 and should be a current year addition.

Question #8

Reference: Exhibit 2, pages 25-27 and pages 70-71

a) Please provide the actual values for the last five years for the reliability performance measures shown graphically on page 71.

Response
Please note, the chart of Figure 20 on page 71 Exhibit 2 portrays Q3 results since the year-end 2007 data was not available at time of writing. The data below relates to year-end results for each year, excluding Loss of Supply.

Year	SAIDI	SAIFI	CAIDI
2002	2.06	1.78	1.16
2003	2.77	1.80	1.54
2004	3.61	2.65	1.36
2005	4.04	3.97	1.02
2006	2.38	3.29	0.73
2007	3.10	2.77	1.12

b) Please re-state the value on page 71, excluding impacts of any outages upstream on Brookfield's transmission system.

Response
The reliability indices shown on page 71 already exclude impacts of outages due to Loss of Supply.

Question #9

Reference: i) Exhibit 2, pages 28-33

a) How many new service connections are associated with the spending on Services in 2006, 2007 and 2008?

Response
The amounts identified for Services capital includes all costs associated with providing new, upgraded or replacement services for customers in response to customer demand. This includes service lines installed in subdivisions within the municipal right-of-way to provide for future service connections that will materialize at some point in the future when a lot is finally built on.

PUC annual customer count noted in the table below provides the net addition of customers to the system each year as follows:

Year	2006	2007	2008
Total Customers at Year End	32,394	32,381	32,421

b) How many wood poles are replaced in each of the three years as a result of the spending shown for “Replace Wood Poles”?

Response
PUC tracks total number of wood poles replaced each year. This includes poles replaced through voltage conversion, poles replaced to accommodate new or upgraded services, poles replaced due to vehicle accidents, poles replaced due to capital works for system enhancement or to accommodate road re-construction, or poles replaced due to condition assessment. We do not have a breakdown of number of poles replaced solely under the allocation “Replace Wood Poles”.

The table below summarizes the total number of wood distribution poles replaced each year.

Year	**2006**	**2007**	**2008**
Total Replaced	**152**	**214**	**Target is 200**

The allocation for 2008 Test Year in the amount of $700,929 under the specific item "Replace Wood Poles" is targeting replacement of 150 poles. The other 50 poles is expected to come from the other activities noted above.

Question #10

Reference: i) Exhibit 2, page 33 and pages 34-36, ii) Exhibit 1, page 31

a) Why is PUCD including the capital cost of smart meters in its Rate Base for 2008 as opposed to recording the revenue requirement impacts in Accounts #1555 and #1556 (both of which it is seeking to continue)?

Response
PUCD has treated the smart meter implementation as a regular capital project pending further direction from the Board.

b) Why is PUCD proposing to have all its required Smart Meters installed by year-end 2008, as opposed to over a longer period?

Response
PUCD is participating with other Northeastern Ontario utilities on the smart meter initiative to take advantage of benefits from participating jointly. We are evaluating third party installers for a significant portion of the required smart meters. From a planning perspective for the District working group, with PUCD being the largest, we are scheduled for installation first with the remaining utilities in 2009 and 2010. This will allow a sufficient transition period for customer education, software upgrades, testing, integration with various applications, staff training and time of use pricing in 2009. The demand for smart meters to meet the 2010 deadline will increase in Ontario, as well there appears to be an increasing demand for smart meters throughout North America which may result in supply and installation issues if commitments are not made in a timely manner.

c) Is it realistic for PUCD to receive the necessary approvals, undertake the necessary procurement, take delivery of and then physically install all its required Smart Meters by year-end 2008? Please provide a detailed timeline for the project.

Response
Smart meter activities planned for 2008 include:

- **regulatory approval to proceed with smart meter initiative. (April/May subject to participation in London Hydro Smart Meter RFP process)**

- **evaluation of approved AMI vendors and selection(May/June subject to participation in London Hydro Smart Meter RFP process)**
- **evaluation of installation vendors and selection (April)**
- **upgrades to CIS system as required, installation of field management applications as required, (May/June)**
- **evaluation and installation of customer presentment applications as required (June/July)**
- **implementation of AMI infrastructure, component testing and validation of data collection (September to December)**
- **integration with CIS and MDMR and related testing**
- **staff education and training (December)**
- **preparation of customer education program (July, December)**

d) Please indicate the number of Smart Meters PUCD will be required to install and reconcile this number with its forecast number of metered customers for 2008.

Response
PUCD will install all the smart meters as required by regulation by the end of 2008. Total estimated meters at the end of 2008 is estimated at 32,700 of which 32,150 will require smart meters.

e) Please reconcile the number of Smart Meters PUCD will be required to install with the cost per meter of $215 and the total capital cost of $6,737,612.

Response
In the preparation of the smart meter capital budget PUCD estimated that 30,587 residential and 935 general service <50kW would require smart meters.

$6,737,612 / (30,587 + 935) = $214

Question #11

Reference: i) Exhibit 2, page 55

a) Please provide the in-service date for PUCD's SCADA System.

Response
PUCD's SCADA system first went on line in the Fall of 2002.

b) What is the basis for the $1.5 M Average Annual Plant Addition figure?

Response Please refer to Exhibit 2 pages 52 through 55 for detailed explanation. The $1.5 million average is based on the average expenditure over the years 2000 to 2005 inclusive for "plant additions" triggered by activities related to customer demand.

c) Are the various dollar values quoted on page 55 all in 2006 $ or quoted on some other basis?

Response
The dollars quoted on page 55 of Exhibit 2 are 2006 dollars.

Question #12

Reference: i) Exhibit 2, page 75

a) What is PUCD's current level of spending on Vegetation Management? What is the annual spending that would be required to support an appropriate vegetation management cycle and what would an appropriate vegetation management cycle be (i.e., # of years)?

Response
Spending in 2007 is estimated at $350,000 on Vegetation Management. The current maintenance cycle is 3 years and this cycle is not expected to change. However, due to rising contractor costs and the addition of a Forestry Technician/Powerline Arborist to support increased efforts in expanding the right-of-way for tree clearances from power lines, the 2008 allocation is $606,002. This allocation also includes an allowance of $100,000 for contractor costs to clear the 115 kV right-of-way (ROW).

Question #13

Reference: i) Exhibit 2, pages 78-79

a) With respect to Figure 24, please indicate the number of existing staff that were in each area in 2005.

Response

Staffing numbers shown in table below include only non-management LDC full-time-equivalents (FTE's) and exclude temporary overlap of succession planning staff.

Department	2005 Year-end Staff Count (FTE's)
Engineering Department	4.5
Line Department	19
Stations Department	4

b) Please confirm that since the staffing needs "ramp-up" during the six years (Figure 25), the annual incremental OM&A cost in the earlier years (i.e., 2008 and 2009) will be less than $700,000. If not, please explain.

Response

The table below summarizes additional O&M costs related the "ramp-up" of operations staffing during the six years identified. As a note of explanation, the "Associated A/P costs" have been estimated at $25,000 per year to support the Vegetation Management activities. This annual cost has been mistakenly spread over the six years as an annual cost of $4,167.

	2008	2009	2010	2011	2012	2013
Added Labour	$ 538,701	$ 538,701	$ 660,132	$ 660,132	$ 668,805	$ 677,479
Support Equipment	$ 73,053	$ 73,053	$ 73,053	$ 73,053	$ 73,053	$ 73,053
Associated A/P costs	$ 4,167	$ 4,167	$ 4,167	$ 4,167	$ 4,167	$ 4,167
Overal Total by Year	$ 615,921	$ 615,921	$ 737,352	$ 737,352	$ 746,025	$ 754,699
Avg.Total Per Year	$ 701,212					

However, it is important to note that costs for materials required to carry out repairs or to perform preventive maintenance are not included in the

table above or in Figure 25 shown on page 79 of Exhibit 2. These costs cannot be determined in advance. We can only confirm there will be additional O&M costs for materials and consumables related to the increased level of O&M activities identified in the PUC report. These costs will also be significant.

Question #14

Reference: i) Exhibit 3, page 3

a) Please provide a schedule that sets out the calculation of the 2008 Test Year revenues by customer class, showing both the fixed and variable billing quantities and rates.

Response

2008 project billing quantities

Class	Charge Type	Billing Quantity	Rate	Revenue
Residential	Customer	28,675	$8.65	$2,976,465
Residential	kWh	352,377,221	$0.0172	$6,060,888
GS <50	Customer	3,294	$15.40	$608,792
GS <50	kWh	96,197,960	$0.0212	$2,039,397
GS>50-Regular	Customer	426	$150.07	$767,158
GS>50-Regular	kW	675,865	$5.0514	$3,414,064
Unmetered Scattered Load	Customer	26	$10.94	$3,413
Unmetered Scattered Load	kWh	755,305	$0.0320	$24,170
Sentinel	Connection	436	$1.93	$10,102
Sentinel	kW	759	$14.4757	$10,982
Street Light	Connection	8,753	$1.56	$163,859
Street Light	kW	21,706	$10.3836	$225,384
				$16,304,675
	Transformer Allowance			$86,864
				$16,217,811

b) Did the rates used to calculate the 2007 and 2008 revenues for each class include the Smart Meter rate adder? If so, please recalculate excluding the adder.

Response
There is no rate adder for smart meters - projected smart meter installations are included in the rate base.
One half of approximately $6.2 million at a return of 7.12% = $221,000
This represents 1.4% of the $16.2 in the above rates.

Question #15

Reference: i) Exhibit 3, pages 6-8
ii) Exhibit 2, pages 49 and 56

a) The discussion on both pages 49 and 56 regarding new services suggests that growth in 2007 and 2008 will be greater than that experienced in the preceding years. Please reconcile these comments with the forecasts for 2007 and 2008 customer additions which are based on historical growth rates over the 2002-2006 period.

Response
The relevant passages from Exhibit 2 that appear to be referenced in the question above include the following excerpts from page 49 and page 56:

Page 49:
In 2007, system demand is expected to increase slightly due to several significant commercial and institutional developments including the East End Water Pollution Control Plant upgrade and the new Events Centre. These developments will add several megawatts of new load to the system. Also, with the new Sault Area Hospital planned to come on line in 2009, demand is expected to increase in the range of an additional 6 MW. Offsetting these increases will be the impact from concerted efforts to promote energy conservation.

This paragraph does identify a couple of new or increased commercial loads that are of unusual size compared to typical developments in the past. However, please note the new Hospital is now scheduled for completion in 2010. Furthermore all three developments are upgrades/replacement of existing facilities. Net increase in demand load is about 1 MW combined for the Events Centre and the East End Plant. The new Hospital will add about 4 MW of new load, assuming the existing facilities continue to be used for some other purpose.

Nonetheless, the additional energy consumed by these developments is expected to be offset by an overall reduction due to energy conservation. Consequently there is no net increase in energy consumption anticipated due to these three customers alone.

Page 56:
The table identifies an annual allowance for new services to meet customer demands. Actual expenditures for this item will vary over time depending on economic conditions within the City. Historically expenditures have varied from $400,000 to $1,500,000. More recently this area has seen costs significantly greater than this upper limit.

The opening sentence in this paragraph inaccurately talks about an allowance for “new services”. This paragraph actually identifies past

budgeted amounts for "plant additions". This includes new services and upgrades to existing services as well as additions to the distribution system to improve or maintain system reliability and security. The allowance of $1.5 million identified in the table of Figure 9, page 57 as "Install services to meet customer demand" should more accurately read "Install additions to the system to meet customer demand and improve reliability".

The last paragraph on page 53 (Exhibit 2) reads as follows:
The column, "Plant Additions", identifies the component of total capital that is primarily related to extensions and upgrades required to meet new and existing customer demands. This also includes allocations for system security improvements and similar internally driven additions. From 1987 to 2004 this has averaged $1,687,697. The average for 2000 to 2005 was $1,509,020.

This paragraph identifies the origin of the $1.5 million allowance for "plant additions". As indicated in this paragraph, this allowance has varied since 1987. More significantly, the purpose of this analysis is to establish a target for the long-term capital spending budget.

b) Please specifically address why there is a negative growth rate for the GS<50 class for 2007.

Response
The 2007 projection was based on actual customers when the rate application was being completed in 2007.

c) Please specifically explain the decrease in customer count in 2007 for the GS>50 class and why the associated growth rate is positive.

Response
The 2007 projection was based on actual customers when the rate application was being completed in 2007.
The growth rate should be negative.

Question #16

Reference: Exhibit 3, pages 9-12

a) Please explain why the loss factors are different for the residential and GS<50 classes (page 9).

Response
The 2004 Weather Actual Retail kWh is an actual number but the 2004 Weather Actual Wholesale kWh was an estimated number as required by Hydro One in order to provide the weather normalized kWhs for the cost allocation informational filing. At the time the cost allocation informational filing were prepared Hydro One was only prepared to provide weather normalized wholesale information at the rate class level. As a result, Hydro one needed wholesale kWh information by rate class. Distributors were instructed by Hydro One to take their 2004 billed retail kWhs by rate class, add on unbilled kWh, add on an estimate of losses and then ensure the resulting 'Wholesale kWhs' by rate class added to the total kWhs purchased in 2004. As this process was not a perfect science the resulting so called "loss factors" by rate class could be significantly different across the classes. In order to determine a retail weather normalized kWh forecast for this application the wholesale weather normalized kWhs from the Hydro One study were adjusted to the retail level using these "loss factors" but this is the only place they are used. If Hydro One had provided weather normalized data at the retail level there would be no need for the "loss factors".

Question #17

Reference: Exhibit 3, page 15

a) Please explain the reduction in STR revenues for 2008.

Response
The reduction of $950 is due to the expected reduction in retailer activity in 2008.

b) Where is the revenue from the SSS Admin charge reported and how much is it forecast to be for 2008?

Response
The Distribution Services Revenue line on page 15 is the SSS Admin charge.

Question #18

Reference: Exhibit 4, pages 10-16

a) Please provide a schedule that lists all of the OM&A accounts and show the impact on each one in 2008 as a result of implementing the Full Absorption Cost Allocation Study.

Response

	2008				2008 using 2007 Allocations			
	Admin Allocation	Cost of Capital	Asset Charge	Total	Admin Allocation	Cost of Capital	Asset Charge	Total
Fixed Assets	$394,771	$212,561	$353,099	$960,431			$222,087	$222,087
Load Dispatching		$4,520	$7,868	$12,388				$0
Transmission		$2,306	$4,014	$6,320				$0
Stations		$25,136	$43,758	$68,894				$0
Overhead Lines		$57,754	$100,545	$158,299				$0
Underground Lines		$13,019	$22,665	$35,684				$0
Transformers		$6,149	$10,704	$16,853				$0
Meters		$12,740	$22,180	$34,920				$0
Misc. Distribution Expenses		$8,479	$14,761	$23,240				$0
Engineering Operations		$8,809	$15,335	$24,144				$0
Billing & Collecting	$618,561	$9,300	$16,190	$644,051	$620,107			$620,107
Customer Service	$342,629	$3,417	$5,949	$351,995	$343,486			$343,486
Administrative Expenses	$528,786	$4,696	$8,175	$541,657	$979,093		$373,835	$1,352,927
Facilities	$289,054			$289,054	$530,812			$530,812
Miscellaneous	$46,691	$12,506	$21,772	$80,969	$3,751			$3,751
	$2,220,492	$381,392	$647,015	$3,248,899	$2,477,249	$0	$595,922	$3,073,171

b) Please provide a schedule that lists all of the OM&A accounts and shows the 2007 and 2008 impacts of implementing the staffing strategy set out in Exhibit 2, page 79. Please provide a cross reference between the cost increases in the various accounts and the specific new positions identified in Figure 25.

Response

The staffing strategy impacts capital and OM&A. Following is the projected allocations to the OM&A accounts in 2008.

Account	Position	$
4830	Forestry Tech	$8,821
	4830 Total	$8,821
5005	Electric Engineering Tech	$84,040
	P & C Eng	$45,432
	5005 Total	$129,472
5020	Co-op placement	$6,194
	Electric Engineering Tech	$250
	Forestry Tech	$8,821
	Mtce. Crew - P/L maintainer	$31,949
	Mtce. Crew - P/L maintainer	$15,975
	Planning Tech	$11,873
	5020 Total	$75,062
5035	Electric Engineering Tech	$192
	5035 Total	$192
5040	Electric Engineering Tech	$1,703
	5040 Total	$1,703
5055	Electric Engineering Tech	$2,391
	5055 Total	$2,391
5120	Electric Engineering Tech	$1,625
	5120 Total	$1,625
5125	Co-op placement	$5,865
	Electric Engineering Tech	$5,107
	Forestry Tech	$8,821
	Mtce. Crew - P/L maintainer	$38,150
	Mtce. Crew - P/L maintainer - succession	$15,126
	Planning Tech	$18,985
	5125 Total	$92,055
5130	Co-op placement	$4,539
	Electric Engineering Tech	$1,204
	Forestry Tech	$3,528
	Mtce. Crew - P/L maintainer	$23,415
	Mtce. Crew - P/L maintainer -	$11,707

	succession	
	5130 Total	**$44,394**
5135	**Electric Engineering Tech**	**$4,285**
	Forestry Tech	**$45,869**
	5135 Total	**$50,154**
5145	**Electric Engineering Tech**	**$616**
	Planning Tech	**$31,114**
	5145 Total	**$31,731**
5150	**Electric Engineering Tech**	**$4,737**
	5150 Total	**$4,737**
5160	**Electric Engineering Tech**	**$1,316**
	5160 Total	**$1,316**
	Total	**$443,653**

c) What is the overall impact on 2008 OM&A of implementing the staff plan set out in Figure 25?

Response
See response to Question #13 (b) above for a breakdown by year of the additional O&M costs related to implementing the staffing plan of Figure 25.

Figure 24 (page 78, Exhibit 2) identifies all additional positions required to meet infrastructure renewal and increased O&M needs over the next 6 years. This table identifies the phased-in addition of these staff over the period 2008 to 2013 in order to build the capacity required within the utility.

Figure 25 provides a breakdown of the annual labour costs including overhead for each position identified in Figure 24 along with the percentage of time each position will be performing O&M activities. The table also includes costs for supporting equipment and third party costs (A/P's) related to each position.

It is important to note that costs for materials required to carry out repairs or preventive maintenance are not included in the PUC internal report of Exhibit 2. These costs cannot be determined in advance. We can only confirm there will be additional O&M costs for materials and consumables related to the increased level of O&M activities identified in the PUC report. These costs will also be significant.

d) With respect to Account #5136, what are the incremental line clearing contractor costs in 2008?

Response
The incremental contractor costs are $140,000.

e) With respect to Account #5315, please reconcile the 2008 Smart Metering costs ($413,390) with the number of Smart Meters installed and PUDC's assumption regarding the increased operating cost of Smart Meters ($1.00 / month).

Response
The additional Smart Meter costs in account 5315 are $365,000.
$365,000 / 31,522 meters / 12 months = $.96 per month

f) What is the basis for the $1.00 / month increase operating cost for Smart Meters?

Response
See part e) and OEB interrogatory # 43 and # 44

g) Why is there no reduction in Meter Reading costs (Account #5310) as result of the installation of Smart Meters in 2008?

Response
Smart meters will not be operational until December of 2008, therefore meter reads will be required.

h) Why are the incremental OM&A costs associated with Smart Meters recorded as an OM&A expense as opposed to being recorded in Deferral/Variance Account #1556?

Response
The smart meters are expected to be operational prior to end of 2008. Capital expenditures included in rate base.

i) Please calculate what the Smart Meter Rate Adder for 2008 would be based on:
• The incremental 2008 operating costs associated with the 2008 Smart Meters in-service

• The incremental 2008 depreciation, return and PILs associated with the 2008 Smart Meters in-service
• Using the 2007 Smart Meter adder revenues as a cost offset.
• The number of metered customers in 2008.

Response

Estimated 2008 Rate Adder				
additional op costs	**$365,000**			**$365,000**
	Smart Meter Capital	**Deprec. %**	**Half Year**	
additional deprec.	**$6,737,612**	**4%**	**0.5**	**$134,752**
	Smart Meter Capital	**Return %**	**Average**	
additional return	**$6,737,612**	**0.0712**	**0.5**	**$239,859**
	Additonal Return	**Tax %**		
additional PILs	**$239,859**	**0.335**		**$128,564**
				$868,176
	Monthly $	**Customers**		
current rate adder	**$0.26**	**32,421**		**$101,154**
				$767,022
	Estimated rate adder increase			**$1.97**

Question #19

Reference: Exhibit 4, pages 18-20

a) Please confirm that for 2008, 31% of the Administrative charges from PUC Services were capitalized (per page 19). If this is not the case, please explain.

Response
To be filed at a later date.

b) Are the Administrative expenses shown on page 20, the total Administrative expenses allocated to PUCD by the Service Company or just the portion that was expensed?

Response
To be filed at a later date.

c) Please indicate in which OM&A accounts each of the cost items reported on page 20 is included.

Response
To be filed at a later date.

d) Please provide a schedule that indicates how much of change in shared costs allocated to PUCD in 2008 vs. 2007 (see page 20) was due to the change in allocation methodology as opposed to a change in the level of service received from PUC Services.

Response
To be filed at a later date.

Question #20

Reference: i) Exhibit 4, pages 63 & 66

a) Page 66 indicates that actual interest expense will exceed deemed interest expense in 2008. Please explain why the 2008 tax calculation (page 63) did not use deduct the difference between actual and deemed interest expense in determining Net Income for Tax Purposes similar to what was done in the 2006 EDR (see Board Report RP-2004-0188, pages 59-59).

Response
Other additions on page 63 of $1,984,620 is the projected actual interest paid and other deductions on page 63 of $1,512,734 is the deemed interest. However, these amounts should be excluded from the tax calculation because the Income before PILs/Taxes on page 62 is net of deemed interest. Refer to OEB interrogatory- PILs #2 d).

Question #21

Reference: Exhibit 4, page 67

a) Is any of the planned smart meter investment for 2008 related to computer software or equipment? If so, how much and please confirm which CCA class(es) it has been assigned to.

Response
To be filed at a later date.

b) The March 2007 federal budget introduced new CCA classes for computer equipment and buildings (after March 2007). Do any of PUCD's capital additions in 2007 and 2008 qualify and, if so, please adjust the CCA calculation accordingly.

Response
To be filed at a later date.

Question #22

Reference: Exhibit 5, page 4

a) For each of the deferral/variance accounts listed on page 4 please provide a continuity schedule that sets out the annual balance of the account and the reasons for the annual changes from December 31, 2004 to December 31, 2006.

Response
Please refer to OEB question #50.

b) Please explain what the costs in the "Other Regulatory Assets" account are based on (i.e., is it OEB assessments or something else?).

Response
The costs in account 1508 "Other Regulatory Assets" is the 2005 and 2006 OMERS and OEB costs and associated carrying charges.

c) Please explain how the residual balance in Account #1590 as of April 30, 2008 was determined. Why is PUCD proposing to clear this "forecast" balance now as opposed to waiting until after April 31, 2008 and dealing with the "actual" balance at that time?

Response
The residual balance in Account #1590 was determined by taking the December 31, 2006 closing balance and forecasting recovery based on the 2007 approved rate riders to April 30, 2008. Please see schedule below.

		Jan1/07 to Apr30/07			May1/07 to Dec31/07			Jan1 to Apr30/08		
		Interest	Other	Balance	Interest	Other	Balance	Interest	Other	Balance
Recovery of Regulatory Asset Balances (acct #1590)										
Approved Balance	**2,369,891**									
Less Period Disposals			476,050			952,101			498,346	
Plus Period Interest		33,612			45,768			12,171		
Balance to (Refund) or Recover from 2006	**2,369,891**			**1,927,453**			**1,021,120**			**534,945**

Bridge Year (2007) Forecast

Customer Class	Metric	kW	kWhs	# Customers	EDR 2006 Approved Rates*	EDR 2007 Approved Rates**	Jan1/07 to Apr30/07 Disposal	May1/07 to Dec31/07 Disposal
Residential	KWhs		335,840,087	28,645	0.0024	0.0024	268,672	537,344
GS < 50 KW	KWhs		94,833,371	3,338	0.0020	0.0020	63,222	126,444
GS > 50 Non TOU	KW	665,171	261,540,862	436	0.6301	0.6301	139,708	279,416
GS > 50 TOU	KW						-	-
Intermediate	KW						-	-
Large Users	KW						-	-
Small Scattered Load	KWhs		813,406	28	0.0020	0.0020	542	1,085
Standby Power	KW						-	-
Sentinel Lighting	KW	767	276,343	1	0.6160	0.6160	157	315
Street Lighting	KW	21,629	7,026,565	5	0.5199	0.5199	3,748	7,497
Totals		**687,567**	**700,330,634**	**32,453**			**476,050**	**952,101**

Test Year (2008) Forecast

Customer Class	Metric	kW	kWhs	# Customers	Dx Revenue	EDR 2007 Approved Rates	Jan1/08 to Apr30/08 Disposal
Balance to (Refund) o			352,377,221	28,675	6,006,649	0.0024	281,902
0			98,047,397	3,358	2,139,991	0.0020	65,365
#REF!		698,076	274,479,260	440	2,919,585	0.6301	146,619
Bridge Year (2007) Fo						0.0000	-
Customer Class	Metric					0.0000	-
Residential	KWhs					0.0000	-
GS < 50 KW	KWhs		94,833,371	28	19,611	0.0020	542
GS > 50 Non TOU	KW					0.0000	-
GS > 50 TOU	KW	759	273,329	1	13,445	0.6160	156
Intermediate	KW	21,706	7,051,649	5	110,204	0.5199	3,762
Large Users	KW						-
Small Scattered Load	KWhs						-
Standby Power	KW						-
Sentinel Lighting	KW						-
Totals		**720,541**	**827,062,227**	**32,507**	**11,209,485**		**498,346**

d) Please explain why # of customers is the appropriate allocator for Account 1584 – Retail Transmission Network charges when the charges to customers are based on volumes? Why isn't kWhs a more appropriate allocator?

Response
In Exhibit 5/pg 5 the allocator for account 1584-Retail Transmission Network charges is listed as the number of customers incorrectly. In preparing this schedule PUC Distribution listed account 1584 as having a number of customers allocator and 1548 as having a KWh allocator. This is a transposition error and in fact the allocators used when calculating the rate rider was KWhs for account 1584 and the number of customers was used for account 1548.

Question #23

Reference: Exhibit 8, pages 2-8

a) Please provide a copy of PUCD's Cost Allocation informational filing Run 1.

b) Please provide an alternative version of the Cost Allocation informational filing where:
• Revenues by customer class are net of any transformer ownership allowance discount.
• The transformer ownership allowance discount is not included as a cost to be allocated to customer classes.
In conjunction with this Run please indicate the total cost of for the transformer ownership allowance included in PUCD's Run #1 and whether all of it is associated with the GS > 50 class.

Response

a) A copy of PUCD's Cost Allocation informational filing Run 1 is provided in the OEB interrogatory responses as Appendix C (PUCDistribution_IRR_OEB_AppendixV_20080229)

b) A copy of an alternative version of PUCD's Cost Allocation informational filing Run 1 is provided as PUCDistribution_IRR_VECC_AppendixA_20080303 attached with these responses.
The alternative version assumes:
- Revenues by customer class are net of any transformer ownership allowance discount.
- The transformer ownership allowance discount is not included as a cost to be allocated to customer classes

The total cost of transformer ownership allowance included in PUCD's Run #1 is $86,864 and it is only associated with the GS > 50 class.

Question #24

Reference: Exhibit 8, pages 9-11

a) Please explain why PUCD is proposing each of the following Revenue to Cost ratio changes for 2008:
• Why is the Sentinel Light ratio only increasing from 38% to 40%?
• Why is the USL ratio not be increased at all?

b) Please explain plain how the revenue proportions set out in the table on page 9 under the columns "Cost Allocation" and "Existing Allocation" were determined.

c) If the response to part (b) indicates the revenue proportions are based on the revenues and costs from the Cost Allocation Informational filing then please explain why these percentages are appropriate for 2008 when the customer count and loads forecast for each customer class have changed between 2006 (the year used in the Informational filing) and 2008.

d) Please recalculate the revenue proportions associated with the "Existing Allocation" as follows:
• Determine the revenue by customer class based on 2007 approved rates (excluding the Smart Meter Rate Adder) and forecast 2008 billing parameters
• Determine the revenue proportions based on the results of the preceding step.
Please provide a schedule that sets out the associated input data and calculations.

Response
To be filed at a later date.

Question #25

Reference: Exhibit 9, pages 1-2

a) The Base Revenue Requirement ($16,218,490) derived by PUCD (see pages 2-3) does not appear to provide for the recovery of the transformer ownership allowance discount:
• What is the forecast “cost” of the discount for 2008?
• Please provide a breakdown of the forecast “cost” by customer class – i.e. is it all associated with the GS > 50 class.

Response
PUCD has provided for the transformer ownership allowance in the Base Revenue Requirement. The amount of the forecasted discount in 2008 is $86,864 and is all associated with the GS>50 class.

Question #26

Reference: Exhibit 9, pages 4-9

a) Please provide a schedule that sets out the calculation of the "Percentage of Current Class Revenue from Current Monthly Fixed Charge Table" on page 4.

Response

	Load Forecast for 2008	Forecast # of customers 2008	Existing Rates Variable	Existing Rates Fixed	Revenue from variable rates	Revenue from Fixed Rates	Total Revenue	% of Revenue from Fixed rates
	A	B	C	D	E	F	G	H
					(A*C)	(B*D*12)	(E+F)	(E/G)
Residential	352,377,221	28,675	0.0112	7.34	3,946,625	2,525,694	6,472,319	39.02%
GS<50	96,197,960	3,294	0.0187	11.2	1,798,902	442,714	2,241,615	19.75%
GS>50	675,865	426	3.6781	150.33	2,485,899	768,487	3,254,386	23.61%
Streetlights	21,706	8,753	2.6014	0.47	56,466	49,367	105,833	46.65%
Sentinel Lights	759	436	8.5992	1.32	6,527	6,906	13,433	51.41%
USL	755,305	26	0.0187	10.94	14,124	3,413	17,537	19.46%

b) If not done so in the Application, please recalculate the “Percentage of Current Class Revenue from Current Monthly Fixed Charge” basing the fixed charge revenue on the 2007 approved monthly fixed charge (excluding the Smart Meter Rate Adder).

Response

	Load Forecast for 2008	Forecast # of customers 2008	Existing Rates Variable	Existing Rates Fixed	Revenue from variable rates	Revenue from Fixed Rates	Total Revenue	% of Revenue from Fixed rates
	A	B	C	D	E	F	G	H
					(A*C)	(B*D*12)	(E+F)	(E/G)
Residential	352,377,221	28,675	0.0112	7.08	3,946,625	2,436,228	6,382,853	38.17%
GS<50	96,197,960	3,294	0.0187	10.94	1,798,902	432,436	2,231,338	19.38%
GS>50	675,865	426	3.6781	150.07	2,485,899	767,158	3,253,057	23.58%
Streetlights	21,706	8,753	2.6014	0.47	56,466	49,367	105,833	46.65%
Sentinel Lights	759	436	8.5992	1.32	6,527	6,906	13,433	51.41%
USL	755,305	26	0.0187	10.94	14,124	3,413	17,537	19.46%

c) Please recalculate Table shown on page 5 based on the results of part (b) above.

Response

Monthly Fixed Charges Using % of
Current Fixed Charge Revenue Applied to Proposed Class Revenue

Rate Class	Monthly Fixed Charges Using Existing % of Fixed Charge Revenue
Residential	$10.03
GS <50 kW	$12.96
GS>50 kW	$188.88
Street Light	$1.73
Sentinel	$2.07
Unmetered Scattered Load	$16.69

Question #27

Reference: i) General

a) Please provide copies of all Board Decisions pertaining to PUCD's rates issued since December 31, 2004.

Response
Please see below

Ontario Energy Board | Commission de l'Énergie de l'Ontario

Ontario

RP-2005-0013
EB-2005-0071

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an Application by **PUC Distribution Inc.** for an order or orders approving or fixing just and reasonable rates.

BEFORE: Gordon Kaiser
Vice Chair and Presiding Member

Paul Vlahos
Member

Pamela Nowina
Member

DECISION AND ORDER

Background and Application

In November 2003 the Ontario government announced that it would permit local distribution companies to apply to the Board for the next installment of their allowable return on equity beginning March 1, 2005. The Government also indicated that the Board's approval would be conditional on a financial commitment to reinvest in conservation and demand management initiatives, an amount equal to one year's incremental returns.

Also in November 2003, the Government announced, in conjunction with the introduction of Bill 4, the *Ontario Energy Board Amendment Act, (Electricity Pricing), 2003*, that electricity distributors could start recovering Regulatory Assets in their rates, beginning March 1, 2004, over a four year period.

In February and March, 2004, the Board approved the applications of distributors to recover 25% of their December 31, 2002 Regulatory Asset balances (or additional amounts for rate stability) in their distribution rates on an interim basis effective March 1, 2004 and implemented on April 1, 2004.

On December 20, 2004 the Board issued filing guidelines to all electricity distribution utilities for the April 1, 2005 distribution rate adjustments. The guidelines allowed the applicants to recover three types of costs. These costs concern (i) the rate recovery of the third tranche of the allowable return on equity (Market Adjusted Revenue Requirement or "MARR"), (ii) the 2005 proxy allowance for payments in lieu of taxes ("PILs") and (iii) a second installment of the recovery of Regulatory Assets.

A generic Notice of the proceeding was published on January 25, 2005 in major newspapers in the province, which provided a 14 day period for submissions from interested parties. On February 4, 2005, the Board issued Procedural Order No. 1, providing for an extension for submissions until February 16, 2005 and also providing for reply submissions from applicants and other parties.

The Applicant filed an application for adjustments to their rates for the following amounts:

MARR: $ 886,854
2005 PILs Proxy: $ 123,292
Regulatory Assets Second Tranche: $ 1,242,073

The Applicant also applied for recovery of amounts and/or items outside of the guidelines. Specifically, the Applicant requested:

- A 2005 PILs proxy amount of $123,292 which is based on the Capital Tax portion of PILs, instead of the total amount of $1,969,693, in anticipation of no taxable income in 2005 as a result of high interest expense.

- The use of December 31, 2004 balances (instead of December 31, 2003) for its Regulatory Asset accounts due to a large increase in its power cost variance account.

Submissions

The Board received one submission which addressed the 2005 rate setting process in general. This submission was made by School Energy Coalition (SEC). SEC objected to the guideline which caused the recovery of the 2005 PILs proxy to be reflected only on the variable charge. SEC was also concerned that monthly service charges and overall distribution charges varied significantly between utilities across the province. SEC also raised concerns regarding the consistency of, and access to, information on the applications as filed by the utilities.

Reply submissions to SEC's general submissions were received from the Coalition of Large Distributors, the Electricity Distributors Association, Hydro One Networks, and the LDC Coalition (a group of 7 distributors). These parties generally argued against the recommendations put forward by SEC, by and large indicating that the Board's existing processes for 2006 and 2007 have been planned to address these issues going forward and that these issues should not be added to the 2005 rates adjustment process.

SEC also made a specific submission in regards of the Applicant's request to use December 31, 2004 balances for its Regulatory Asset accounts in order to recover the significant increase in its power cost variance. Specifically, it stated that:

- The utility notes that some portion of the power cost variance may be paid back to the utility after an arbitration with Great Lakes Power. Waiting until that amount is determined is the prudent course, since the rate impact is potentially significant.

- This is a major change in the Regulatory Assets balances of the utility. The appropriate process to deal with that is in Phase 2 of the Regulatory Assets proceeding, when it can be reviewed properly by the Board. Therefore, this request for a non-standard adjustment is premature.

In response to SEC, the Applicant stated that:

- The issue with Great Lakes Power has been arbitrated and the parties are awaiting a decision. The amount of power which is subject of the arbitration represents less than 5% of the power distributed by PUC Distribution Inc.

- The December 31, 2004 Regulatory Asset balance of $3.7 million represents approximately 36% of the utility's total annual distribution revenue as a result of a major addition from the power cost variance account. The inclusion of a portion of the 2004 power cost variance in rates commencing 2005 would spread the impact over three years rather than two.

The full record of the proceeding is available for review at the Board's offices.

Board Findings

The Board first addresses the general submission of SEC. While SEC raises important issues regarding electricity distribution rates, the Board has put in place a process which will address most of the issues raised by SEC on a comprehensive basis with coordinated cost of service, cost allocation and cost of capital studies for all distributors in 2006, 2007 and 2008. The Board does agree that unless there are compelling reasons to diverge from the Board's original filing guidelines for the 2005 distribution rate adjustment process, distributors should follow the guidelines in their applications.

The Board finds PUC Distribution Inc.'s deviation from the guidelines of using December 31, 2004 balances for its Regulatory Asset balances is justifiable due to the unique nature of the utility's power contract with Great Lakes Power and the significance of the balance of the power cost variance amount. The Board also notes that the Applicant applied only for a portion of the 2005 PILs proxy based on the Capital Tax amount instead of the total PILs amount, mitigating the impact of the power cost variance. Therefore, the Board finds PUC Distribution Inc.'s request to use December 31, 2004 balances for its Regulatory Asset balances reasonable.

The Board finds that, otherwise, the application conforms with earlier decisions of the Board (including approval for the Applicant's Conservation and Demand Management plan), directives and guidelines.

The Board will issue a separate decision on cost awards.

THE BOARD ORDERS THAT:

1) The rate schedule attached as Appendix "A" is approved effective March 1, 2005, to be implemented on April 1, 2005. All other rates currently in effect that are not shown on the attached schedule remain in force. If the Applicant's billing system is not capable of prorating to accommodate the April 1, 2005 implementation date, the new rates shall be implemented with the first billing cycle for electricity consumed or estimated to have been consumed after April 1, 2005.

2) The Applicant shall notify its customers of the rate changes, no later than with the first bill reflecting the new rates and include the brochure provided by the Board.

DATED at Toronto, March 28, 2005

ONTARIO ENERGY BOARD

Peter H. O'Dell
Assistant Board Secretary

Appendix "A"

RP-2005-0013
EB-2005-0071

March 28, 2005

ONTARIO ENERGY BOARD

PUC Distribution Inc. RP-2005-0013
Schedule of Changed Distribution Rates and Charges EB-2005-0071
Effective Date: March 1, 2005
Implementation Date: April 1, 2005

RESIDENTIAL

Monthly Service Charge	(per month)	$6.51
Distribution Volumetric Rate	(per kWh)	$0.0120

GENERAL SERVICE < 50 KW

Monthly Service Charge	(per month)	$10.08
Distribution Volumetric Rate	(per kWh)	$0.0189

GENERAL SERVICE > 50 KW (Non Time of Use)

Monthly Service Charge	(per month)	$138.17
Distribution Volumetric Rate	(per kW)	$4.0722

SENTINEL LIGHTS (Non Time of Use)

Monthly Service Charge	(per connection)	$1.22
Distribution Volumetric Rate	(per kW)	$8.5357

STREET LIGHTING (Non Time of Use)

Monthly Service Charge	(per connection)	$0.44
Distribution Volumetric Rate	(per kW)	$2.9789

Unmetered Scattered Loads

Unmetered scattered loads, such as cable amplifiers and traffic lights will be billed on estimated kWh usage which in turn is based on connected load estimates. Accounts with multiple sites will be billied as one customer rather than treating each site as if it were a separate account.

Monthly Service Charge	(per connection)	$10.08
Distribution Volumetric Rate	(per kWh)	$0.0189

The rates on this schedule include an interim recovery of Regulatory Assets.

Ontario Energy Board | **Commission de l'Énergie de l'Ontario**

Ontario

RP-2005-0020
EB-2005-0412

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an Application by PUC Distribution Inc. for an order or orders approving or fixing just and reasonable distribution rates and other charges, effective May 1, 2006.

BEFORE: Paul Vlahos
Presiding Member

Bob Betts
Member

DECISION AND ORDER

PUC Distribution Inc. ("PUC" or the "Applicant") is a licensed distributor providing electrical service to consumers within its defined service area. PUC filed an Application (the "Application") with the Ontario Energy Board (the "Board") for an order or orders approving or fixing just and reasonable rates for the distribution of electricity and other matters, to be effective May 1, 2006.

PUC is one of over 90 electricity distributors in Ontario that are regulated by the Board. To streamline the process for the approval of distribution rates and charges for these distributors, the Board developed and issued the 2006 Electricity Distribution Rate Handbook (the "Handbook") and complementary spreadsheet-based models. These materials were developed after extensive public consultation with distributors, customer groups, public and environmental interest groups, and other interested parties. The

Handbook contains requirements and guidelines for filing an application. The models determine the amounts to be included for the payments in lieu of taxes ("PILs") and calculate rates based on historical financial and other information entered by the distributor.

Also included in this process was a methodology and model for the final recovery of regulatory assets flowing from the Board's decision dated December 9, 2004 on the Review and Recovery of Regulatory Assets – Phase 2 for Toronto Hydro, London Hydro, Enersource Hydro Mississauga and Hydro One Networks Inc. In Chapter 10 of the decision, the Board outlined a Phase 2 process for the remaining distributors. By letter of July 12, 2005, the Board provided guidance and a spreadsheet-based model to the distributors for the inclusion of this recovery as part of their 2006 distribution rate applications.

In its preliminary review of the 2006 rate applications received from the distributors, the Board identified several issues that appeared to be common to many or all of the distributors. As a result, the Board held a hearing (EB-2005-0529) to consider these issues (the "Generic Issues Proceeding") and released its decision (the "Generic Decision") on March 21, 2006. The rulings flowing from that Generic Decision apply to this Application, except to the extent noted in this Decision. The Board notes that pursuant to ss. 21 (6.1) of the *Ontario Energy Board Act, 1998*, and to the extent that it is pertinent to this Application, the evidentiary record of the Generic Issues Proceeding is part of the evidentiary record upon which the Board is basing this Decision.

In December 2001, the Board authorized the establishment of deferral accounts by the distributors related to the payments that the distributors make to the Ministry of Finance in lieu of taxes. The Board is required, under its enabling legislation, to make an order with respect to non-commodity deferral accounts once every twelve months. The Board has considered the information available with respect to these accounts and orders that the amounts recorded in the accounts will not be reflected in rates as part of the Rate Order that will result from this Decision. The Board will continue to monitor the accounts with a view to clearing them when appropriate.

Public notice of the rate Application made by PUC was given through newspaper publication in its service area. The evidence filed was made available to the public. Interested parties intervened in the proceeding. The evidence in the Application was tested through written interrogatories from Board staff and intervenors, and intervenors and the Applicant had the opportunity to file written argument. While the Board has considered the entire record in this proceeding, it has made reference in this Decision only to such evidence and argument as is necessary to provide context to its findings.

PUC has requested an amount of $15,781,047 as revenue to be recovered through distribution rates and charges. Included in this amount is a debit of $1,486,250 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that PUC has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

Notwithstanding PUC's general compliance with the Handbook and associated models, in considering this Application the Board reviewed the following matters in detail:

- Adequacy of the information provided in support of the Application;
- Unmetered Scattered Load;
- Administrative and General Expenses;
- PILs;
- Specific Service Charges;
- Allocation of Account 1508 "Other Regulatory Assets"; and
- Impact of the Generic Decision (EB-2005-0529).

Adequacy of the information provided in support of the Application

PUC Distribution Inc. acquires all of its services from an affiliate. The Board notes that the Application includes no information on staff compensation levels paid by PUC, which is provided in Schedule 6-4 of most applications. The response to an interrogatory on this subject does not break the information down by group of employee. The Application includes little information on how costs are assigned or shared with unregulated affiliates. While PUC provided a study conducted by its auditors, the scope of the study and the statistics that it uses do not provide the detailed picture that would be desirable. In response to another interrogatory, PUC provided the Service Level Agreement that governs PUC's costs, but the Board notes that it is signed for both parties by the same individual.

In this and similar situations, the Board is concerned that the Applicant has not met its burden of proof in demonstrating the reasonableness of its costs. This is not a finding that the costs are necessarily unreasonable, but rather a finding that the Applicant has not provided sufficient information to make that determination. In this case, the Board will approve the costs claimed by PUC, with the exceptions noted in this decision. However, the Board reminds the Applicant that the burden of demonstrating reasonableness of costs rests with an applicant, including costs associated with transactions with affiliates. In its next rate case, the Applicant must provide detailed financial information on its operations, and details of costs incurred by its affiliates in providing services to the applicant.

The Applicant can refer to the Board's decision on rates for Enbridge Gas Distribution Inc. dated December 13, 2002 (RP-2001-0032) for an indication of the information that the Applicant should provide in its next application for rate approval. In that decision, the Board found that, while it is not inherently opposed to unregulated affiliates profiting from their relationship with the regulated affiliate, it is essential that the applicant utility be able to establish that outsourcing arrangements also provide tangible benefits to the applicant utility and its ratepayers. The Board also stated that the applicant must demonstrate not only that the arrangements will not harm ratepayers, but also that there will be a significant and tangible benefit to ratepayers.

Unmetered Scattered Load

Currently the Applicant does not have a separate USL sub-classification, but includes the accounts in its General Service < 50 kW sub-class. The billing is on a per customer basis. To ensure consistency with the rate schedules of other electricity distributors, the Board finds that a separate sub-class for USL should be created. This will be billed in the same manner as the General Service < 50 kW sub-class, including the billing on a per customer basis. This rate design change will not affect the revenue requirement of the Applicant. Details of the new rate are included in the Tariff of Rates and Charges.

Administrative and General Expenses

The Applicant acknowledged that its Administrative and General Expenses had increased during the period 2002 – 2004 by over 40%. The costs that had increased include items that might continue into 2006 but are not of a recurring nature, others that may be shared with affiliates, and yet others that arguably are properly included as capital expenditures rather than expenses. The documentation was not adequate to assure the Board that an increase in cost of this magnitude was necessary.

The Board will allow one-half of the increase proposed in the Revenue Requirement for Administrative and General Expenses. The approved level of Administrative and General Expenses is set at the 2002 amount plus one-half of the difference between the 2002 and 2004 amounts.

PILs

The Applicant included in the Revenue Requirement an amount of $1,055,925 for its PILs cost in 2006. In making this calculation, 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. The Board has calculated an allowance for PILs cost at $164,831.

Specific Service Charges

The Applicant substituted its own formula instead of the standard amount in the Handbook for some seventeen Specific Service Charges. The School Energy Coalition argued that a greater degree of standardization is desirable across the province and further, that the differences from the standard charges are very small. The Board accepts this argument, and finds that the service charges not consistent with the standard amounts in the Handbook should be changed so they are the same as those in the Handbook. The Board believes that the standard schedule of specific service charges provides adequate flexibility to charge for the services applied for.

Similarly, the Applicant is diverging from the Handbook for other unique charges. The Board considers that the following services can be captured within the list of service provided in the Handbook and therefore are denied:

- arrears certificate
- statement of account; pulling post dated cheques
- duplicate invoices for previous billing
- request for other billing information
- easement letter
- income tax letter
- notification charge
- account history
- credit reference / credit check
- charge to certify cheque.

In addition, the Applicant does not expect any requests for certain services, and has forecast no revenue from these services. There are two explanations given for these situations. For some services, PUC intends to provide the service as part of its standard service, and charge separately for the service in a discretionary way, such as when the customer exceeds some customary or reasonable limit. For other services, the requirement is infrequent and varies amongst customers to the extent that a revenue forecast is unreliable.

The Board accepts that some of services in the Handbook list are difficult to forecast accurately or that PUC has indicated the charges would be waived. These factors have understated the contribution to revenue for PUC. While it is within the control of the Company to waive fees, that discretion should not be exercised to the detriment of ratepayers. Therefore, based on the information available the Board estimates and deems a revenue contribution of $20,000.

Allocation of Account 1508 "Other Regulatory Assets"

The Applicant allocated its balance in the regulatory asset account 1508 based on number of customers. The Vulnerable Energy Consumers Coalition ("VECC") argued that distribution revenue would be a more appropriate allocator.

The Board notes that the account balance in question is not large, so the financial impact is minimal even though there is a large difference in the proportions allocated to the residential class in the respective allocators. In fact, the Board notes that the difference disappears in rounding of the rate rider for some classes. Nevertheless, the Board does agree with VECC's argument, and notes that this allocator was suggested in the instructions for the regulatory asset model. The rate riders in the tariff sheet accompanying this Decision reflect the allocation of Other Regulatory Assets by distribution revenue.

Consequences of the Generic Decision on this Application

The Generic Decision contains findings relevant to funding for smart meters for electricity distributors. PUC has included amounts related to Smart Meters in its PILs model, but has not include a Smart Meter plan explicitly in its rate Application. Absent a specific plan or discrete revenue requirement, the Generic Decision provides that $0.30 per residential customer per month be reflected in the Applicant's revenue requirement. The Board finds that this increase in the revenue requirement amount will be allocated equally to all metered customers and recovered through their monthly service charge. This increment is reflected in the approved monthly service charges contained in the Tariff of Rates and Charges appended to this Decision. Pursuant to the Generic Decision, a variance account will be established, the details of which will be communicated in due course.

Resulting Revenue Requirement

As a result of the Board's determinations on these issues, the Board has adjusted the revenue requirement to be recovered through distribution rates and charges to $14,639,998, including a debit amount of $1,486,250 for the recovery of Regulatory Assets.

In its letter of December 20, 2004 to electricity distributors, the Board indicated that it would consider the disposition of the 2005 OEB dues recorded in Account 1508 in this proceeding. However, given that the final 2005 OEB dues are not available because of the difference in fiscal years for the Board and the distributors, and given that the model used to develop the Application does not incorporate this provision, the Board will review and dispose of the 2005 OEB dues at a later time.

Cost Awards

This Application is one of a number of applications before the Board dealing with 2006 rates chargeable by distributors. Intervenors may be parties to multiple applications and, if eligible, their costs associated with a specific distributor may not be separable. Therefore, for these applications, the matter of intervenor cost awards will be addressed by the Board at a later date, upon the conclusion of the current rate applications. If an intervenor that is eligible to recover its costs is able to uniquely identify its costs associated with this Application, it must file its cost claim within 10 days from the receipt of this Decision.

THE BOARD ORDERS THAT:

1) The Tariff of Rates and Charges set out in Appendix "A" of this Order is approved, effective May 1, 2006, for electricity consumed or estimated to have been consumed on and after May 1, 2006. The application of the revised distribution rates shall be prorated to May 1, 2006. If PUC Distribution Inc.'s billing system is not capable of prorating changed loss factors jointly with

distribution rates, the revised loss factors shall be implemented upon the first subsequent billing for each billing cycle.

2) The Tariff of Rates and Charges set out in Appendix "A" of this Order supersedes all previous distribution rate schedules approved by the Ontario Energy Board for PUC Distribution Inc., and is final in all respects.

3) PUC Distribution Inc. shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.

DATED at Toronto, April 12, 2006.

ONTARIO ENERGY BOARD

John Zych
Board Secretary

Appendix "A"

RP-2005-0020
EB-2005-0412

April 12, 2006

ONTARIO ENERGY BOARD

PUC Distribution Inc.
TARIFF OF RATES AND CHARGES
Effective May 1, 2006

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

RP-2005-0020
EB-2005-0412

APPLICATION

- The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Codes, Guidelines or Orders of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.
- No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code, Guideline or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.
- This schedule does not contain any rates and charges relating to the electricity commodity (e.g. the Regulated Price Plan).

EFFECTIVE DATES

DISTRIBUTION RATES - May 1, 2006 for all consumption or deemed consumption services used on or after that date.
SPECIFIC SERVICE CHARGES - May 1, 2006 for all charges incurred by customers on or after that date.
LOSS FACTOR ADJUSTMENT – May 1, 2006 unless the distributor is not capable of prorating changed loss factors jointly with distribution rates. In that case, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

SERVICE CLASSIFICATIONS

Residential
This classification applies to an account taking electricity at 750 volts or less where the electricity is used exclusively in a separate metered living accommodation, and where a small business establishment exists in addition to a dwelling within one of the aforementioned dwelling units. Customers shall be residing in single-dwelling units that consist of a detached house or one unit of a semi-detached, duplex, or triplex house, with a residential zoning. Separately metered dwellings within a town house complex or apartment building up to three units also qualify as residential customers. All customers are single-phase.

General Service Less Than 50 kW
This classification applies to a non residential account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW.

General Service 50 to 4,999 kW
This classification applies to a non residential account whose average monthly maximum demand used for billing purposes over the past 12 months is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW.

Unmetered Scattered Load
This classification applies to an account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The level of the consumption will be agreed to by the distributor and the customer, based on detailed manufacturer information/documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption.

Sentinel Lighting
This classification refers to all services supported to supply sentinel lighting equipment.

Street Lighting
This classification applies to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of transportation and private roadway lighting, controlled by photo cells. The consumption for these customers will be based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template.

PUC Distribution Inc.
TARIFF OF RATES AND CHARGES
Effective May 1, 2006

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

RP-2005-0020
EB-2005-0412

MONTHLY RATES AND CHARGES

Residential

Service Charge	$	7.28
Distribution Volumetric Rate	$/kWh	0.0111
Regulatory Asset Recovery	$/kWh	0.0024
Retail Transmission Rate – Network Service Rate	$/kWh	0.0048
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0010
Regulated Price Plan – Administration Charge	$	0.25

General Service Less Than 50 kW

Service Charge	$	11.11
Distribution Volumetric Rate	$/kWh	0.0185
Regulatory Asset Recovery	$/kWh	0.0020
Retail Transmission Rate – Network Service Rate	$/kWh	0.0044
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0010
Regulated Price Plan – Administration Charge	$	0.25

General Service 50 to 4,999 kW

Service Charge	$	149.11
Distribution Volumetric Rate	$/kW	3.6481
Regulatory Asset Recovery	$/kW	0.6301
Retail Transmission Rate – Network Service Rate	$/kW	1.7919
Retail Transmission Rate – Network Service Rate – Interval Metered	$/kW	2.2535
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	$	0.25

Unmetered Scattered Load

Service Charge (per customer)	$	10.85
Distribution Volumetric Rate	$/kWh	0.0185
Regulatory Asset Recovery	$/kWh	0.0020
Retail Transmission Rate – Network Service Rate	$/kWh	0.0044
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	$	0.25

Sentinel Lighting

Service Charge (per connection)	$	1.31
Distribution Volumetric Rate	$/kW	8.5291
Regulatory Asset Recovery	$/kW	0.6160
Retail Transmission Rate – Network Service Rate	$/kW	1.3583
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	$	0.25

PUC Distribution Inc.
TARIFF OF RATES AND CHARGES
Effective May 1, 2006

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

RP-2005-0020
EB-2005-0412

Street Lighting

Service Charge (per connection)	$	0.47
Distribution Volumetric Rate	$/kW	2.5802
Regulatory Asset Recovery	$/kW	0.5199
Retail Transmission Rate – Network Service Rate	$/kW	1.3514
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	$	0.25

Specific Service Charges

Customer Administration		
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	$	30.00
Returned Cheque (plus bank charges)	$	15.00
Legal letter	$	15.00
Special meter reads	$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	$	30.00
Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of account charge – no disconnection	$	30.00
Collection of account charge – no disconnection – after regular hours	$	165.00
Disconnect/Reconnect Charge- At Meter During Regular Hours	$	65.00
Disconnect/Reconnect Charge - At Meter After Hours	$	185.00
Disconnect/Reconnect Charge - At Pole During Regular Hours	$	185.00
Disconnect/Reconnect Charge - At Pole After Hours	$	415.00
Install/Remove load control device – during regular hours	$	65.00
Install/Remove load control device – after regular hours	$	185.00
Service call – customer-owned equipment		Time & materials
Service call – after regular hours		Time & materials
Temporary service install & remove – overhead – no transformer		Time & materials
Temporary service install & remove – underground – no transformer		Time & materials
Temporary service install & remove – overhead – with transformer		Time & materials
Removal of overhead lines – during regular hours		Time & materials
Removal of overhead lines – after hours		Time & materials
Roadway escort – after regular hours		Time & materials
Specific Charge for Access to the Power Poles – per pole/year	$	22.35
Allowances		
Transformer Allowance for Ownership - per kW of billing demand/month	$	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

LOSS FACTORS

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0430
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0326

Ontario Energy Board | **Commission de l'énergie de l'Ontario**

Ontario

EB-2007-0568

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an application by PUC Distribution Inc. for an order or orders approving or fixing just and reasonable distribution rates and other charges, to be effective May 1, 2007.

BEFORE: Paul Sommerville
Presiding Member

Paul Vlahos
Member

Ken Quesnelle
Member

DECISION AND ORDER

PUC Distribution Inc. ("PUC") is a licensed distributor providing electrical service to consumers within its licensed service area. PUC filed an application with the Ontario Energy Board (the "Board") for an order or orders approving or fixing just and reasonable rates for the distribution of electricity and other charges, to be effective May 1, 2007.

PUC is one of 85 electricity distributors in Ontario that are regulated by the Board. To streamline the process for the approval of distribution rates and charges for these distributors, the Board issued its *Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors* (the "Report") on December 20, 2006. The Report contained the relevant guidelines for 2007 rate adjustments ("the guidelines") for distributors applying for rates only on the basis of the cost of capital and 2nd generation incentive regulation mechanism policies set out in the Report.

Public notice of PUC's rate application was given through newspaper publication in PUC's service area. The evidence filed as part of the rate application was made available to the public. Both PUC and interested parties had the opportunity to file written submissions in relation to the rate application. The Board received no submissions. While the Board has considered the entire record in this rate application, it has made reference only to such evidence as is necessary to provide context to its findings.

PUC's rate application was filed on the basis of the guidelines. In fixing new rates and charges for PUC, the Board has applied the policies described in the Report.

After confirming the accuracy of the 2006 rate tariff and accompanying materials submitted in the rate application, the Board applied its approved price cap index adjustment to distribution rates (fixed and variable) uniformly across all customer classes. The price cap index is calculated as a price escalator less an X-factor of 1.0%, intended to represent input price and productivity trends. Based on the final 2006 data published by Statistics Canada, the Board has established the price escalator to be 1.9%. The resulting price cap index adjustment is therefore 0.9%.

The large corporation tax allowance component that was included in 2006 rates was removed prior to the application of the price cap index adjustment.

The price cap index adjustment was not applied to the following components of the rates:

- the specific service charges;
- the regulatory asset recovery rate rider; and
- the smart meter rate adder (an amount in the fixed components of the rates associated with smart meter cost recovery).

PUC requested an amount for smart meter costs. The Board has approved an amount of $0.26 per month per metered customer. PUC's variance accounts for smart meter program implementation costs, previously authorized by the Board, are continued. It is the Board's understanding that PUC will not be undertaking any smart metering activity (i.e. discretionary metering activity) in 2007. The amount collected through the smart meter rate adder will be booked into the existing variance accounts, and retained in those accounts, to help fund future smart meter activity. As the notice of this application indicated, the Board will be holding a combined proceeding to consider, among other things, appropriate recovery of smart meter costs.

The Board has made the necessary adjustments to PUC's filed 2006 Tariff of Rates and Charges to produce a new Tariff of Rates and Charges to be effective May 1, 2007. The Board finds the rates and charges in the Tariff of Rates and Charges attached as Appendix A to this decision to be just and reasonable.

THE BOARD ORDERS THAT:

1. The Tariff of Rates and Charges set out in Appendix A of this order is approved, effective May 1, 2007, for electricity consumed or estimated to have been consumed on and after May 1, 2007.

2. The Tariff of Rates and Charges set out in Appendix A of this order supersedes all previous distribution rate schedules approved by the Ontario Energy Board for PUC, and is final in all respects.

3. PUC shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.

DATED at Toronto, April 12, 2007.

ONTARIO ENERGY BOARD

Original signed by

Peter H. O'Dell
Assistant Board Secretary

Appendix A

The Tariff of Rates and Charges

EB-2007-0568

April 12, 2007

ONTARIO ENERGY BOARD

PUC Distribution Inc.
TARIFF OF RATES AND CHARGES
Effective May 1, 2007

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2007-0568

APPLICATION

- The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Codes, Guidelines or Orders of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.
- No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code, Guideline or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.
- This schedule does not contain any rates and charges relating to the electricity commodity (e.g. the Regulated Price Plan).

EFFECTIVE DATES

DISTRIBUTION RATES - May 1, 2007 for all consumption or deemed consumption services used on or after that date.
SPECIFIC SERVICE CHARGES - May 1, 2007 for all charges incurred by customers on or after that date.
LOSS FACTOR ADJUSTMENT – May 1, 2007 unless the distributor is not capable of prorating changed loss factors jointly with distribution rates. In that case, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

SERVICE CLASSIFICATIONS

Residential
This classification applies to an account taking electricity at 750 volts or less where the electricity is used exclusively in a separate metered living accommodation, and where a small business establishment exists in addition to a dwelling within one of the aforementioned dwelling units. Customers shall be residing in single-dwelling units that consist of a detached house or one unit of a semi-detached, duplex, or triplex house, with a residential zoning. Separately metered dwellings within a town house complex or apartment building up to three units also qualify as residential customers. All customers are single-phase.

General Service Less Than 50 kW
This classification applies to a non residential account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW.

General Service 50 to 4,999 kW
This classification applies to a non residential account whose average monthly maximum demand used for billing purposes over the past 12 months is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW.

Unmetered Scattered Load
This classification applies to an account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The level of the consumption will be agreed to by the distributor and the customer, based on detailed manufacturer information/documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption.

Sentinel Lighting
This classification refers to all services supported to supply sentinel lighting equipment.

Street Lighting
This classification applies to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting, controlled by photo cells. The consumption for these customers will be based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template.

PUC Distribution Inc.
TARIFF OF RATES AND CHARGES
Effective May 1, 2007

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2007-0568

MONTHLY RATES AND CHARGES

Residential

Service Charge	$	7.34
Distribution Volumetric Rate	$/kWh	0.0112
Regulatory Asset Recovery	$/kWh	0.0024
Retail Transmission Rate – Network Service Rate	$/kWh	0.0048
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	$	0.25

General Service Less Than 50 kW

Service Charge	$	11.20
Distribution Volumetric Rate	$/kWh	0.0187
Regulatory Asset Recovery	$/kWh	0.0020
Retail Transmission Rate – Network Service Rate	$/kWh	0.0044
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	$	0.25

General Service 50 to 4,999 kW

Service Charge	$	150.33
Distribution Volumetric Rate	$/kW	3.6781
Regulatory Asset Recovery	$/kW	0.6301
Retail Transmission Rate – Network Service Rate	$/kW	1.7919
Retail Transmission Rate – Network Service Rate – Interval Metered	$/kW	2.2535
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	$	0.25

Unmetered Scattered Load

Service Charge (per customer)	$	10.94
Distribution Volumetric Rate	$/kWh	0.0187
Regulatory Asset Recovery	$/kWh	0.0020
Retail Transmission Rate – Network Service Rate	$/kWh	0.0044
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	$	0.25

Sentinel Lighting

Service Charge (per connection)	$	1.32
Distribution Volumetric Rate	$/kW	8.5992
Regulatory Asset Recovery	$/kW	0.6160
Retail Transmission Rate – Network Service Rate	$/kW	1.3583
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	$	0.25

PUC Distribution Inc.
TARIFF OF RATES AND CHARGES
Effective May 1, 2007

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2007-0568

Street Lighting

Service Charge (per connection)	$	0.47
Distribution Volumetric Rate	$/kW	2.6014
Regulatory Asset Recovery	$/kW	0.5199
Retail Transmission Rate – Network Service Rate	$/kW	1.3514
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	$	0.25

Specific Service Charges

Customer Administration		
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	$	30.00
Returned Cheque (plus bank charges)	$	15.00
Legal letter	$	15.00
Special meter reads	$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	$	30.00
Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of account charge – no disconnection	$	30.00
Collection of account charge – no disconnection – after regular hours	$	165.00
Disconnect/Reconnect Charge- At Meter During Regular Hours	$	65.00
Disconnect/Reconnect Charge - At Meter After Hours	$	185.00
Disconnect/Reconnect Charge - At Pole During Regular Hours	$	185.00
Disconnect/Reconnect Charge - At Pole After Hours	$	415.00
Install/Remove load control device – during regular hours	$	65.00
Install/Remove load control device – after regular hours	$	185.00
Service call – customer-owned equipment	Time & materials	
Service call – after regular hours	Time & materials	
Temporary service install & remove – overhead – no transformer	Time & materials	
Temporary service install & remove – underground – no transformer	Time & materials	
Temporary service install & remove – overhead – with transformer	Time & materials	
Removal of overhead lines – during regular hours	Time & materials	
Removal of overhead lines – after hours	Time & materials	
Roadway escort – after regular hours	Time & materials	
Specific Charge for Access to the Power Poles – per pole/year	$	22.35
Allowances		
Transformer Allowance for Ownership - per kW of billing demand/month	$/kW	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

LOSS FACTORS

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0430
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0326

Ontario Energy Board

Commission de l'énergie de l'Ontario

Ontario

EB-2007-0723

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c.15, Schedule B;

AND IN THE MATTER OF an application by PUC Distribution Inc., pursuant to section 78 of the Ontario Energy Board Act seeking approval to amend electricity distribution rates.

BEFORE: Paul Vlahos
Presiding Member

Paul Sommerville
Member

DECISION AND ORDER

The Application

On August 15, 2007, PUC Distribution Inc. ("PUC Distribution") filed an application with the Ontario Energy Board, (the "Board") under section 78 of the Ontario Energy Board Act, 1998, S.O. 1998, c.15 (Schedule B) to adjust its electricity distribution rates. The Board has assigned the application File No. EB-2007-0723.

The 2007 distribution rates for PUC Distribution, as for most other electricity distribution utilities in the Province, were established through the application of a formulaic mechanism on the 2006 rates, known as the 2nd Generation Incentive Regulation Mechanism. PUC Distribution's current application sought to correct what it considered to be an anomaly in its 2007 rates process.

Specifically, in the development of its 2007 rates the use of PUC Distribution's 2006 approved rates was inappropriate to allow for the full recovery of its expected 2007 Payments in Lieu of Taxes (PILs) for the following reasons:

1. the 2006 rates reflected an amount for a loss carry-forward of $978,338 whereas only $255,942 would be available in 2007;

2. there was no allowance in the 2006 rates to incorporate, as part of the PILs calculation, the $1,450,000 in regulatory assets currently being received by the utility;

3. as a result of a change in the March 22, 2007 Ontario Budget, PUC Distribution's actual debt equity ratio (90/10) was replaced by a deemed debt equity ratio (50/50) in the calculation of PILS payable, effectively reducing the allowable deductible interest and increasing the resulting PILs liability.

Notice of Application was published on September 15, 2007. One party, the Vulnerable Energy Consumers Coalition ("VECC"), filed a request for intervention, which was granted.

On September 21, 2007, the Board issued an Interim Rate Order declaring PUC Distribution's current distribution rates interim, effective September 1, 2007.

The Board issued Procedural Order No. 1 on October 2, 2007, to allow parties to seek further information by way of interrogatories.

Interrogatories were served by Board staff and VECC on October 9, 2007. PUC Distribution responded to the interrogatories on October 21, 2007, and filed further information on November 26, 2007.

The Board issued Procedural Order No. 2 on November 13, 2007 in which the Board announced that it would proceed by way of a written hearing and set out the time schedule for submissions. VECC and Board Staff filed submissions on November 26, 2007 and November 29, 2007, respectively. PUC Distribution filed a reply submission on December 7, 2007.

The Board summarizes the submission below only to the extent necessary to provide context to its findings.

Submissions by Parties

VECC noted that the Board's 2nd Generation Incentive Regulation Mechanism made limited provision for adjustments to rates where factors beyond the control of the utility operated to unreasonably affect rates, known as Z-Factor adjustments. In VECC's view, only the interest adjustment incorporating the change in tax policy meets the definition of a Z-Factor, as that term is used in the Board Report establishing the 2006 Electricity Distribution Rate Handbook. In VECC's view, if PUC wanted the Board to consider the other adjustments it should have addressed them through a complete forward test year application, particularly where those adjustments proposed to incorporate 2007 budgeted values into the determination of PILs.

Board Staff submitted that PUC Distribution's request for the adjustment to 2007 rates to reflect the elimination of historical loss-carry forwards has been supported by PUC Distribution's evidence and is reasonable. Board Staff submitted that as a result of the change in the basis for the assessment of the amount of PILS payable in the March 22 Budget referenced above, use of the 2006 taxable net income as a basis for forecasting the 2007 taxable net income understates the 2007 forecast.

Both VECC and Board submitted that PUC Distribution's proposed inclusion of Regulatory Assets recovery amounts in calculating PILs is not consistent with Board policy and that the Board has already rejected this request by PUC Distribution when it set 2006 rates.

VECC argued that PUC Distribution's request t to have the rates retroactive to May 1, 2007 is inappropriate and noted that, in similar circumstances, EnWin Utilities Limited had not made such request, to prevent retroactive ratemaking.

Board Findings

The Board finds that PUC Distribution's request for an adjustment to 2007 rates to reflect the reduction of the loss carry-forwards present in the 2006 rates is supported by PUC Distribution's evidence and submissions. The relief requested is tax-related and it addresses the fact that there is no provision in the current rates charged by PUC

Distribution for material changes in income taxes. This is an anomaly and a request to rectify it does not constitute, in the Board's view, any deviation from the letter or the spirit of Z-factor adjustments permitted by the Board as documented in the Board Report. The change in the Provincial Budget does affect PUC Distribution's interest for 2007 and the Board accepts the proposed adjustment. The Board also finds that using 2007 budgeted values is appropriate in these circumstances.

However, the provision for PILs should reflect the proper input with respect to Regulatory Assets. The Board has previously determined that Regulatory Asset recoveries should not be included in the PILs calculation for rate setting purposes. The Board Report establishing the 2006 Electricity Distribution Rate Handbook makes that quite clear. At page 61, the Report states:

> A PILs or tax provision is not needed for the recovery of deferred regulatory asset costs, because the distributors have deducted, or will deduct, these costs in calculating taxable income in their tax returns.

In its decision dealing with a previous application by PUC Distribution Inc. (RP-2005-0020) for 2006 rates the Board reaffirmed its policy by and stating as follows:

> The applicant included in the Revenue Requirement an amount of $1,055,925 for its PILs costs in 2006. In making this calculation, PUC included as an addition to its net income the amount of $1,486,250, which is the Regulatory Assets 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 of previous years that would have already been expensed for tax purposes.

The new evidence and arguments provided by PUC Distribution does not persuade the Board to deviate from its policy, which has been applied to all other electricity distributors.

PUC Distribution has requested that the new rates be implemented September 1, 2007 with a deferral account or other mechanism which would, in effect, make rates retroactive to May 1, 2007.

The issue of retroactivity has been dealt with by the Supreme Court of Canada in *Bell Canada v. Canada (Canadian Radio-Television and Telecommunications Commission)*

[1989] S.C.J. No. 68. The Court's decision in that case recognizes a tribunal's authority to order changes to rates reaching back to the date that the rates were declared interim, but no further. In granting interim rates for PUC Distribution effective September 1, 2007, the Board emphasized in its Interim Rate Order that "this action should in no way be construed as predictive, in any degree, of the final determination of this application". The Board is of the view that rate increases in this case should not be effective for any period prior to the time when ratepayers were actually informed of the potential rate increase or the effective date on which the rates were declared interim or the date of the order pursuant to which the rates were declared interim, whichever comes later. The effective date of the interim rates was September 1, 2007. The Notice was published on September 15, 2007. The date of the Interim Order declaring rates interim was September 21, 2007. Therefore the Board finds that the effective date for the adjusted rates is September 21, 2007.

Given the date of this Decision and the need for PUC Distribution to provide a proposed Tariff of Rates and Charges as part of a Draft Rate Order, the Board finds that February 1, 2008 will be the earliest practical implementation date.

This then leaves the question of recovery of foregone revenue pertaining to the September 21, 2007 to January 31, 2008 period. Given the implementation date of this Decision and the relatively short time period until PUC Distribution's rates should next be adjusted, and considering the additional bill impacts that would result if the foregone revenue was collected through a rate rider upon implementation of the new base rates, the Board is of the view that it is more appropriate that the notional revenues that would have flowed to the utility for the period September 21, 2007 to January 31, 2008 be recorded in a deferral account (Account 1574 – Deferred Rate Impact Amounts) for disposition at a later date.

THE BOARD ORDERS THAT:

1. PUC Distribution Inc. shall file with the Board, and serve the Vulnerable Energy Consumers Coalition a Draft Rate Order attaching proposed Tariff of Rates and Charges reflecting the Board's findings in this Decision, within 14 days of the date of this Decision.
2. The Vulnerable Energy Consumers Coalition shall file any comments on the Draft Rate Order with the Ontario Energy Board and serve PUC Distribution Inc. within 21 days of the date of this Decision.

3. The Vulnerable Energy Consumers Coalition shall file with the Ontario Energy Board and forward to PUC Distribution Inc. its cost claim within 21 days from the date of this Decision.
4. PUC Distribution Inc. may file with the Ontario Energy Board and serve the Vulnerable Energy Consumers Coalition any objection to the claimed costs within 35 days from the date of this Decision.
5. The Vulnerable Energy Consumers Coalition may file with the Ontario Energy Board and forward to PUC Distribution Inc. any response to any objection for cost claims within 42 days of the date of this Decision.

DATED at Toronto, January 8, 2008

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Question #28

Reference: i) Exhibit 9

a) Based on a recent 12 consecutive months of actual billing data, please indicate the percentage of total residential customers that:

- Consume less than 100 kWh per month
- Consume 100 -> 250 kWh per month
- Consume 250 -> 500 kWh per month
- Consume 500 -> 750 kWh per month

Response

2007 billing data

Consumption Range (kWhs)	Number of Customers with Average Monthly Bill within the Range
0 - 99	343
100 – 250	1,130
251 – 500	4,441
500 - 750	6,043