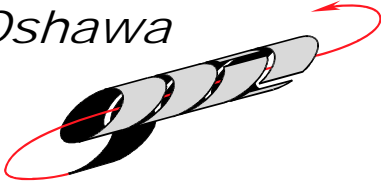


Oshawa



*PUC Networks Inc.*

---

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

December 23, 2011

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

**Re: Oshawa PUC Networks Inc. (ED-2002-0560)**  
**2012 Cost of Service Rate Application (EB-2011-0073)**  
**Draft Rate Order – Response to Comments**

Dear Ms. Walli:

Oshawa PUC Networks Inc. (“OPUCN”) has reviewed the comment and clarifications from Board Staff, received December 20, 2011, and are filing its responses below.

**Board Staff’s Comment**

**Establishment of Depreciation Study or Variance Account:**

Board staff notes that the draft Rate Order includes accounting orders to establish three deferral or variance accounts. These are:

1. 2012 Capital Additions Variance Account
2. Post Employment Cost Deferral Account
3. Depreciation Study Deferral or Variance Account (“Depreciation Study Account”)

Board staff questions the appropriateness of establishing the Depreciation Study Account in this proceeding. A reading of the Settlement Agreement and of the transcript of the

Board's hearing of the Settlement Agreement does not support the issuance of an order in this proceeding to establish this account.

Board staff pointed to excerpts that supports the conclusion that the intent is to allow Oshawa, if

it so wishes, to file an application for an accounting order after the referenced depreciation study is completed.

The Parties have further acknowledged that OPUCN intends to obtain an independent study of the lives of its distribution assets, and have agreed that following the completion of that study, OPUCN may apply for an accounting order that would provide for the adjustment of the expected lives and of the revenue requirement associated with that adjustment, and for the reflection of those adjustments in a deferral or variance account.

### **OPUCN's Response**

OPUCN concurs with Board Staff that the Depreciation Study Account is not required at this time and withdraws its draft Accounting Order (Appendix L of the Draft Rate Order) for a *Depreciation Study Deferral or Variance Account* from its Draft Rate Order ("DRO") and filed its revised DRO.

OPUCN further acknowledges that it intends to obtain an independent study of the lives of its distribution assets and, following the completion of that study, may apply for an accounting order that would provide for the adjustment of the expected lives and of the revenue requirement associated with that adjustment, and for the reflection of those adjustments in a deferral or variance account.

### **Board Staff's Clarifications**

#### **2012 Capital Additions Variance Account**

Paragraph 2 on page 54 of the DRO reads: "The reduction in revenue requirement would be credited to the variance account for future distribution to ratepayers." However, in the yellow chart with "Scenarios", the reduced revenue requirement of \$20,000,909 shows a debit balance in the variance account, instead of a credit balance. Oshawa may wish to correct this apparent anomaly.

Also, calculating the 2012 Revenue Requirement that reflects an actual level of capital expenditures, that is less than forecast, is an integral step in determining the amount which will be recorded in the 2012 Capital Additions Variance Account. From the accounting order as proposed in the DRO, it is not entirely clear how the number will actually be calculated. The accounting order would be improved by including a short description of the calculation. For example, will the 2012 Revenue Requirement Work Form be rerun, with all variables the same as the 2012 Test Year Board-approved, save that the 2012 Test Year capital expenditures will be replaced with the actuals?

Lastly, Oshawa should confirm the actual title or name of the account. In the draft Rate Order there are various versions of the name.

### **OPUCN's Response**

OPUCN added a sample journal entry in its revised DRO to clarify debit and credit transactions applicable to the 2012 Capital Additions Variance Account. Additionally, OPUCN included further explanation of its methodology for calculating the 2012 Revenue Requirement that reflects an actual level of capital expenditures that is less than forecast. Finally, OPUCN has corrected the DRO to reflect consistent naming conventions for 2012 Capital Additions Variance Account.

### **OPEB Deferral Account Page 60 of the DRO reads that:**

The purpose of the deferral account will be to record the cumulative actuarial gains or losses in OPUCN's post retirement benefits in a deferral account to be specified by the Board. OPUCN is requesting the deferral account to capture the one-time adjustment of approximately \$2.6 million to the post retirement liability as a result of an election applied under IFRS 1 that would otherwise result in a charge to OPUCN's retained earnings.

Board staff notes that the "purpose" sentence of the description refers to "...cumulative actuarial gains or losses in OPUCN's post retirement benefits..." but does not include the qualifier that such gains or losses is the amount stemming solely from Oshawa's election under IFRS 1 at the date of transition to IFRS. Board staff suggests the qualification be included in the purpose "sentence" so as to appropriately circumscribe the account's applicability.

### **OPUCN's Response**

OPUCN included further explanation of the purpose of the OPEB Deferral Account in its revised DRO.

### **Bill Impacts**

Board staff notes that the Bill Impacts enclosed with the DRO do not conform in their entirety to the template provided in Appendix 2-V of the Filing Requirements, issued on June 22, 2011.<sup>8</sup> The Bill Impact is a comparison of the a customer's total bill as calculated using current rates etc. versus what the customer would experience with the rates that will be effective January 1, 2012. It appears that in some instances the Bill Impacts did not include the riders that will end in April 2012. Board staff asks that Oshawa include in its reply the Bill Impacts completed Bill Impacts based on Appendix 2-V of the Filing Requirements.

### **OPUCN's Response**

At the time of filing its application, the 2012 Filing Requirements had not been issued. Although the format submitted differs slightly, the content is essentially similar and OPUCN believes it satisfies the objective of highlighting the impact of the proposed rates compared to the existing rates. This format has been used in all OPUCN's presentations to date in respect of this application, and OPUCN feels the time required to rework the relevant models will cause unnecessary delays in the finalisation of this process.

The year over year comparisons are complicated by the alignment of the 2012 rates to the 2012 calendar year, as in some cases there will be overlapping rate riders – some of which expire April 30<sup>th</sup> and some which expire December 31<sup>st</sup>. In order to address this, OPUCN has completed two sets of Bill Impact schedules as follows:

Appendix B as filed in the DRO - these schedules exclude the rate riders that expire April 2012, therefore these schedules are appropriate for the period May to December.

Appendix M as filed in the revised DRO - these schedules include the rate riders that expire April 2012. Accordingly, these schedules are appropriate for the period January to April.

Other - Rural or Remote Rate Protection Charge:

The Board normally issues a decision at this time of the year to set the Rural or Remote Rate Protection Charge. Currently the Charge is set at \$0.0013kWh. In the event that the Board issues a decision in this regard before Oshawa files its reply to the comments it has received, Board staff asks that Oshawa update its draft of the 2012 Tariff of Rates and Charges accordingly.

**OPUCN's Response**

The Board decision, issued December 21<sup>st</sup>, retained the existing rate of \$0.0013 per kWh for January 2012. Therefore no update to the 2012 Tariff of Rates and Charges is required.

Please find accompanying this letter a copy of OPUCN's revised Draft Rate Order. An electronic copy of these documents has been filed through the Board's RESS web portal. Two hard copies of the revised Draft Rate Order will be forwarded to the OEB office by courier.

Yours truly,

Phil Martin  
VP, Finance & Regulatory Compliance  
Phone: (905) 723-4626 ext 5250  
Email: [pmartin@opuc.on.ca](mailto:pmartin@opuc.on.ca)