



PUC Distribution Inc.
765 QUEEN STREET EAST, P.O. Box 9000
SAULT STE. MARIE, ONTARIO, P6A 6P2

January 27, 2012

Kirsten Walli, Board Secretary
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

Attention: Ms. Walli

**Re: PUC Distribution Inc. ("PUC") 2012 3rd Generation IRM Rate Application –
Responses to Board Staff Interrogatories.
Board File No. EB-2011-0101**

Please find enclosed PUC's interrogatory responses to Board Staff in the above noted proceedings. The responses have been electronically filed through the Board's web portal.

Sincerely,

Jennifer Uchmanowicz
Rates and Regulatory Affairs Officer
PUC Distribution Inc.
Sault Ste. Marie Ont.
Email: jennifer.uchmanowicz@ssmpuc.com
Phone: 705-759-3009

QUESTION #1

Taxable Capital

Ref: Shared Tax Savings Model

A portion of Sheet "3. Re-Based Bill & Rates" from the Shared Tax Savings Model is reproduced below.

Rate Group	Rate Class	Fixed Metric	Vol Metric	Re-based Billed Customers or Connections A	Re-based Billed kWh B	Re-based Billed kW C	Rate ReBal Base Service Charge D
RES	Residential	Customer	kWh	28,675	352,377,221		8.73
GSLT50	General Service Less Than 50 kW	Customer	kWh	3,294	96,197,560		14.87
GSGT50	General Service 50 to 4,999 kW	Customer	kW	426	265,745,529	675,865	145.46
USL	Unmetered Scattered Load	Customer	kWh	26	755,305		11.06
Sen	Sentinel Lighting	Connection	kW	436	273,329	759	2.55
SL	Street Lighting	Connection	kW	8,753	7,051,549	21,709	2.56

a) Board Staff notes that the service charge shown in column D for the USL rate class is \$11.06 versus the monthly service charge of \$11.03 provided in the Tariff of Rates and Charges effective May 1, 2011.

If this is an error, Board staff will make the relevant correction.

PUC Response

The service charge shown for the USL rate class should be \$11.03. PUC requests Board Staff to make the relevant correction.

QUESTION #2

Non-Loss Adjusted Metered kW

Ref: RTSR Model

A portion of Sheet "4. RRR Data" from the RTSR Model is reproduced below.

Rate Class	Unit	Non-Loss Adjusted Metered kWh	Non-Loss Adjusted Metered kW
Residential	kWh	326,493,714	
General Service Less Than 50 kW	kWh	91,377,364	
General Service 50 to 4,999 kW	kW	187,786,951	635,104
General Service 50 to 4,999 kW – Interval Metered	kW	69,249,869	235,449
Unmetered Scattered Load	kWh	837,229	
Sentinel Lighting	kW	258,147	714
Street Lighting	kW	7,754,588	23,264

a) Board Staff notes with respect to the General Service 50 to 4,999 kW rate class (including Interval Metered), the total kW amount provided in the 2.1.5 RRR is 635,104 kW. This contrasts with a total of 870,553 kW (635,104 plus 235,449) shown in "Non-Loss Adjusted Metered kW" column above.

If this is an error, Board staff will make the relevant correction.

PUC Response

The kW's for the General Service 50 to 4,999 kW class should be 399,655 and for the General Service 50 to 4,000 kW – Interval Metered it should be 235,449 for a total of 635,104. PUC requests Board staff to make the relevant correction.

QUESTION #3

Uniform Transmission Rates

Ref: RTSR Model

A portion of Sheet "5. UTRs and Sub-Transmission" from the RTSR Model is reproduced below.

Uniform Transmission Rates	Unit	Effective January 1, 2010
Rate Description		Rate
Network Service Rate	kW	\$ 2.97
Line Connection Service Rate	kW	\$ 0.73
Transformation Connection Service Rate	kW	\$ 1.71

A portion of Sheet "6. Historical Wholesale" from the RTSR Model is reproduced below.

IESO	Network		
Month	Units Billed	Rate	Amount
January	135,481	\$2.99	\$ 405,684
February	129,450	\$2.99	\$ 387,647
March	109,694	\$2.99	\$ 328,467
April	92,973	\$2.99	\$ 278,422
May	95,190	\$2.99	\$ 284,755
June	86,355	\$2.99	\$ 258,455
July	96,786	\$2.99	\$ 289,673
August	99,346	\$2.99	\$ 297,341
September	90,635	\$2.99	\$ 271,276
October	95,111	\$3.00	\$ 284,897
November	113,960	\$2.99	\$ 341,033
December	140,679	\$2.99	\$ 421,015

a) Board Staff notes that the Network rate shown in Sheet 6 is \$2.99 vs \$2.97 in Sheet 5. If this is an error, Board staff will make the relevant corrections.

PUC Response

PUC Distribution confirms the Network Service rate is \$2.97. The units billed requires adjustments as follows. PUC requests Board Staff to make the relevant corrections.

Month	Units Billed	Rate	Amount
January	136,594	\$2.97	\$ 405,684
February	130,521	\$2.97	\$ 387,647
March	110,595	\$2.97	\$ 328,467
April	93,745	\$2.97	\$ 278,422
May	95,877	\$2.97	\$ 284,755
June	87,022	\$2.97	\$ 258,455
July	97,533	\$2.97	\$ 289,673
August	100,115	\$2.97	\$ 297,341
September	91,339	\$2.97	\$ 271,276
October	95,925	\$2.97	\$ 284,897
November	114,826	\$2.97	\$ 341,033
December	141,756	\$2.97	\$ 421,015
Total	1,295,847	\$ 2.97	\$ 3,848,665

QUESTION #4

Account 1521 – Special Purpose Charge ("SPC")

Ref: Manager's Summary, Page 4.

- a) Please confirm PUC Distribution's SPC assessment amount and provide a copy of the original SPC invoice.

PUC Response

PUC's SPC assessment was \$275,977. A copy of the original SPC invoice is below.

- b) Please complete the following table related to SPC.

SPC Assessment (Principal balance)	Amount recovered from customers in 2010	Carrying Charges for 2010	December 31, 2010 Year End Principal Balance	December 31, 2010 Year End Carrying Charges Balance	Amount recovered from customers in 2011	Carrying Charges for 2011	Forecasted December 31, 2011 Year End Principal Balance	Forecasted December 31, 2011 Year End Carrying Charges Balance	Forecasted Carrying Charges for 2012 (Jan.1 to Apr.30)	Total for Disposition (Principal & Interest)
275,977	135,358	884	140,619	884	140,084	522	535	1,406	8	1,949

Revised Invoice
 Ministry of Energy and Infrastructure
 Conservation and Renewable Energy Program Costs

To: PUC Distribution Inc.
 765 Queen Street East
 Sault Ste. Marie, ON P6C 6P2
 Attn: Terrance Greco, Treasurer

Item Description:

Assessment for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program Costs.
 Quote-part pour les coûts des programme de conservation et d'énergie renouvelable du ministère de l'Énergie et de l'Infrastructure.

Customer No./No du client 472772
Customer Site No./ N° d'emplacement du client 1061045
Invoice Date/Date de la facture April 16, 2010
Invoice No./ N° de la facture 50062
Due Date/ Date d'échéance July 30, 2010
Payment Amount/ Montant remis CAD \$ 275,977

Questions related to the remittance should be directed to the Non-Tax Revenue Management Branch Contact Centre at 1-877-535-0554 or Fax (416) 326-5177. Les questions concernant la remise doivent être posées à l'InfoCentre de la Direction de la gestion des revenus non fiscaux au 1 877 535-0554 ou par télécopieur au 416 326-5177.

This assessment was calculated by the Ontario Energy Board, 2300 Yonge St. 27th Floor, P.O. Box 2319, Toronto, ON M4P 1E4. Questions related to the invoice should be directed to the Market Operations Hotline 416-440-7604. La présente quote-part a été fixée par la Commission de l'énergie de l'Ontario, 2300, rue Yonge, 27^e étage, case postale 2319, Toronto (Ontario) M4P 1E4. Les questions relatives à la facture doivent être posées au service de téléassistance du service Activités du marché : 416 440-7604.

Payments are to be made to the Minister of Finance not the Ontario Energy Board. Les paiements doivent être faits au ministre des Finances et non à la Commission de l'énergie de l'Ontario.

June 25, 2010
 1,5681,40.0999

[Signature]
 June 25/10

[Signature]
 J. McManis

Detach here/ Détacher ici



Ministry of Finance/Ministère des Finances
 Payment Processing Centre/Centre de traitement des paiements
 33 King St. West/33 rue King Ouest
 PO Box 647/CP 647
 Oshawa, ON L1H 8X3

Please detach and return this portion with your payment in the enclosed envelope. Make your cheque or money order payable to the Minister of Finance. Veuillez détacher et retourner cette partie avec votre remise dans l'enveloppe ci-jointe. Libellez votre chèque ou votre mandat à l'ordre du ministre des Finances.

PUC Distribution Inc.
 765 Queen Street East
 Sault Ste. Marie, ON P6C 6P2
 Attn: Terrance Greco, Treasurer

Customer No. / N° du client 472772
Customer Site No./ N° d'emplacement du client 1061045
Invoice No./ N° de la facture 50062
Payment Amount / Montant remis CAD \$.

Question #5

LRAM Claims Ref: IndEco Strategic Consulting Inc. LRAM Support, Oct. 24, 2011

PUC Distribution has requested an LRAM recovery associated with 2005 to 2010 CDM programs for a total amount of \$623,790 that includes carrying charges of \$28,832.

PUC Distribution has also requested a SSM recovery associated with 2005 to 2008 Third Tranche CDM programs for a total amount of \$53,663.

- a) Please confirm that PUC Distribution used final 2010 program evaluation results from the OPA to calculate its LRAM amount.
- b) If PUC Distribution did not use final 2010 program evaluation results from the OPA, please explain why and update the LRAM amount accordingly.
- c) Please discuss PUC Distribution's prior LRAM applications and the amounts it has recovered to date.
- d) Please confirm that PUC Distribution has not received any of the lost revenues requested in this application in the past. If PUC Distribution has collected lost revenues related to programs applied for in this application, please discuss the appropriateness of this request.
- e) Please provide a table that shows the LRAM amounts requested in this application by the year they are associated with and the year the lost revenues took place, divided by rate class within each year. Use the table below as an example and continue for all the years LRAM is requested:

Program Years		Years that lost revenues took place					
		2005	2006	2007	2008	2009	2010
2005	Residential						
	General Service < 50kW						
	General Service > 50kW						
2006	Residential	\$xxx			\$xxx	\$xxx	\$xxx
	General Service < 50kW	\$xxx			\$xxx	\$xxx	\$xxx
	General Service > 50kW	\$xxx			\$xxx	\$xxx	\$xxx
2007	Residential				\$xxx	\$xxx	\$xxx
	General Service < 50kW					\$xxx	\$xxx
	General Service > 50kW						

PUC Response

- a) PUC Distribution confirms the final 2010 program evaluation results from the OPA were used to calculate the LRAM amount.
- b) Not applicable – 2010 final OPA results were used.
- c) PUC Distribution has not submitted any prior LRAM claims and there have been no recoveries to date.
- d) PUC Distribution confirms it has not received any of the lost revenues requested in this application in the past.
- e) Table 1 to 3 shows the LRAM amounts requested in this application by the year they are associated with and the year the lost revenue took place for the Residential, GS < 50 kW and GS > 50 kW rate classes.

Table 1 - Lost revenue from residential programs

Residential programs	Years that lost revenues took place								Total
	2005	2006	2007	2008	2009	2010	2011	Jan 1 to Apr 30 2012	
2005 programs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2006 programs		\$41,203	\$40,268	\$51,649	\$50,566	\$9,991	\$9,882	\$3,021	\$206,579
2007 programs			\$34,982	\$37,352	\$35,668	\$35,410	\$26,292	\$8,433	\$178,138
2008 programs				\$33,462	\$32,691	\$32,455	\$32,100	\$9,806	\$140,514
2009 programs					\$11,298	\$10,933	\$10,813	\$3,558	\$36,603
2010 programs						\$6,764	\$6,690	\$2,204	\$15,659
LRAM total	\$0	\$41,203	\$75,250	\$122,463	\$130,223	\$95,553	\$85,778	\$27,022	\$577,492

Table 2 - Lost revenue from GS < 50 kW programs

GS < 50 kW programs	Years that lost revenues took place								Total
	2005	2006	2007	2008	2009	2010	2011	Jan 1 to Apr 30 2012	
2005 programs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2006 programs		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2007 programs			\$0	\$0	\$0	\$0	\$0	\$0	\$0
2008 programs				\$25	\$24	\$23	\$23	\$7	\$102
2009 programs					\$753	\$731	\$723	\$238	\$2,446
2010 programs						\$9,695	\$9,589	\$3,159	\$22,443
LRAM total	\$0	\$0	\$0	\$25	\$777	\$10,449	\$10,335	\$3,405	\$24,990

Table 3 - Lost revenue from GS > 50 kW programs

GS > 50 kW programs	Years that lost revenues took place								Total
	2005	2006	2007	2008	2009	2010	2011	Jan 1 to Apr 30 2012	
2005 programs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2006 programs		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2007 programs			\$0	\$0	\$0	\$0	\$0	\$0	\$0
2008 programs				\$1,800	\$1,733	\$1,681	\$1,666	\$549	\$7,429
2009 programs					\$3,350	\$3,249	\$3,220	\$1,061	\$10,880
2010 programs						\$1,294	\$1,282	\$423	\$2,999
LRAM total	\$0	\$0	\$0	\$1,800	\$5,083	\$6,225	\$6,168	\$2,032	\$21,308

QUESTION #6

Amounts Billed to Customers/PILS

Unmetered scattered load ("USL") is listed as one of the components of the billing and recovery in the Excel spreadsheet. However, while the PILs rate slivers for USL have been entered, no billing determinants have been entered. In the Board's decisions for 2002, 2004 and 2005 the approved rates for USL were identified as being the same as GS<50kW rates which have associated PILs rate slivers.

Please explain why PUC did not calculate PILs dollars recovered from the USL class in the calculations of recoveries from customers.

PUC Response

The PILs dollars recovered for the USL class is included in the recoveries for the GS<50 rate class. The USL class is listed as one of the components on the billing and recovery spreadsheet but PUC did not include billing determinants to calculate any recoveries as the amounts were already included in the GS<50 rate class.

QUESTION #7

Interest Expense/PILS

Ref: Interest Portion of True-up – 2001 to 2005 SIMPIL - TAXCALC

When the actual interest expense, as reflected in the financial statements and tax returns, exceeds the maximum deemed interest amount approved by the Board, the excess amount is subject to a claw-back penalty and is shown in sheet TAXCALC as an extra deduction in the true-up calculations.

For the tax years 2001 to 2005:

- a) Did PUC have interest expense related to liabilities other than debt that is disclosed as interest expense in its financial statements?
- b) Did PUC net interest income against interest expense in deriving the amount it shows as interest expense in its financial statements and tax returns? If yes, please provide details to what the interest income relates.
- c) Did PUC include interest expense on customer security deposits in interest expense for purposes of the interest true-up calculation?
- d) Did PUC include interest income on customer security deposits in the disclosed amount of interest expense in its financial statements and tax returns?
- e) Did PUC include interest expense on IESO prudentials in interest expense?
- f) Did PUC include interest carrying charges on regulatory assets or liabilities in interest expense?
- g) Did PUC include the amortization of debt issue costs, debt discounts or debt premiums in interest expense? If the answer is yes, did PUC also include the difference between the accounting and tax amortization amounts in the interest true-up calculations? Please explain.
- h) Did PUC deduct capitalized interest in deriving the interest expense disclosed in its financial statements? If the answer is yes, did PUC add back the capitalized interest to the actual interest expense amount for purposes of the interest true-up calculations? Please explain.
- i) Please provide PUC views on which types of interest income and interest expense should be included in the excess interest true-up calculations.

j) Please provide a table for the years 2001 to 2005 that shows all of the components of PUC's interest expense and the amount associated with each type of interest.

PUC Response

a) PUC did have interest expense related to liabilities other than debt that is disclosed as interest expense in its financial statements. Please refer to table below.

Financial Statements		2005	2004	2003	2002	Q4 2001
Interest on customer deposits		\$19,014.00	\$22,860.00	\$23,276.00	\$18,738.00	\$8,258.00
Interest on long term debt		\$2,807,650.00	\$2,807,650.00	\$2,807,650.00	\$2,807,650.00	\$499,979.00
Details						
Interest on Customer Deposits						
6035.4000.04.0999	Other Interest Expense	\$0.00	\$413.00	\$0.00		
6035.4200.04.0700	Interest on Cust Deposits	\$19,014.00	\$22,447.00	\$23,276.00		
6035.8000.04.0700	Interest on Cust Deposits				\$18,738.00	\$8,258.00
6035.4200.04.0999	Other Interest Expense					
		\$19,014.00	\$22,860.00	\$23,276.00	\$18,738.00	\$8,258.00
Interest on long term debt						
6030.4000.04.0001	Interest exp on Note 1	\$990,250.00	\$990,250.00	\$990,250.00	\$990,250.00	\$174,992.65
6030.4000.04.0001	Interest exp on Note 2	\$1,817,400.00	\$1,817,400.00	\$1,817,400.00	\$1,817,400.00	\$324,986.35
		\$2,807,650.00	\$2,807,650.00	\$2,807,650.00	\$2,807,650.00	\$499,979.00
Included in Admin Expense						
5620.4100.04.0175	Bank charges - prudential	\$37,606.00	\$18,075.00	\$21,726.00	\$0.00	\$0.00

b) PUC netted regulatory asset interest carrying charge expense and regulatory asset interest carrying charge income in interest income on the financial statements. Refer to the table in a) above for details on interest expense.

c) PUC did include interest expense on customer security deposits in interest expense for the purpose of the interest true-up calculation. Refer to the table in a) above.

d) PUC did not include interest income on customer security deposits in interest expense on the financial statements.

e) PUC did not include interest expense on IESO prudentials in interest expense. Refer to table a) above.

f) PUC did not include interest carrying charges on regulatory assets or liabilities in interest expense. The charges are netted in interest income.

- g) PUC did not include amortization of debt issue costs, debt discounts or debt premiums in interest expense.
- h) PUC did not deduct capitalized interest in deriving the interest expense disclosed in financial statements.
- i) PUC Distribution believes that interest expenses related to regulatory assets, IESO line of credit costs, and tax reassessments should be excluded from the excess interest clawback determination.

PUC Distribution Inc. believes it would be unfair to pay the prescribed rate of interest to its customers on variance and deferral accounts, be denied the ability to deduct the interest according to the SIMPILS methodology, and then return to customers the grossed up income tax value of the excess interest as calculated in the models. In effect it is double paying the customers with no offset of tax deductibility.

The variance and deferral accounts are constantly changing values and it is difficult to believe that the debt return included in rates was meant to compensate LDCs for these unpredictable costs. Similarly, interest related to tax reassessments are totally unpredictable.

In addition PUC Distribution Inc. believes it is unfair to treat costs related to IESO lines of credit as excess interest costs for similar reasons articulated above.

Lines of credit are not reflected in the debt portion of capital structure on the balance sheet. As such they attract no debt return when rates are set.

The capital structure and associated debt return were intended to finance normal utility operations such as capital infrastructure and working capital needs.

- j) PUC has provided a table in a) above for the year 2001 to 2005 that shows all the components of PUC's interest expense.