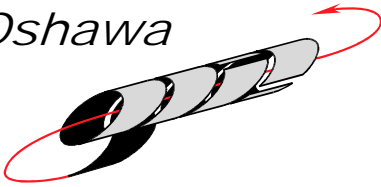


Oshawa



PUC Networks Inc.

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April 28, 2008

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

Dear Ms. Walli:

Re: Oshawa PUC Networks Inc. (ED 2002-0560)
Board File Number EB-2007-0710

Please find enclosed Oshawa PUC Networks Inc.'s submission for the above proceeding. Copies of this submission have been sent to all the interveners by email. Two (2) paper copies of this Draft Rate Order are being delivered to your office.

Yours truly,

Original Signed By

Michael Chase
Corporate Controller

EB-2007-0710
2008 Distribution Rates
Oshawa PUC Networks Inc

Oshawa PUC Networks Inc. comments on draft Rate Order, April 17, 2008

On April 17, 2008 Oshawa PUC Networks Inc. filed a draft rate order incorporating comments received from VECC and Board staff. Board staff has since reviewed the comments and indicated that further clarification is required in the areas of Payments in Lieu of Taxes (PILs), Deferral and Variance accounts, and Smart Meters. OPUCN has reviewed the comments and still believe that our PILs calculations are appropriate and the details of that decision are below. We have an alternate suggestion for the variance account disposition directed by the Board but will, of course, follow Board direction in this matter. The requested change to the handling of the smart meter adder has been made and is reflected in the attached proposed Tariff of Rates and Charges.

Payments in Lieu of Taxes (PILs)

While Board staff is of the opinion that the PILs calculation submitted by OPUCN is erroneous and will result in the recovery of an excess amount of \$100,000 we respectfully disagree with their conclusion.

Board staff suggest in their submission that OPUCN should use the method contained in the 2006 Electricity Rate Handbook to arrive at an appropriate PILs calculation. The model OPUCN used for this 2008 rate application is for all practical purposes the same as the 2006 PILs model. There are only two issues which appear to have resulted in differences of understanding with Board staff. These are the inclusion or exclusion of excess interest in the model, and the disposition of short term interest in the calculation.

Inclusion of Excess Interest

The Decision from the Board directed OPUCN to make changes in the tax rate, CCA rates, exemption amounts, and interest deductibility in response to changes in Ontario tax regulations made after the Application was filed. The excess interest issue resulted from the Decision of the Board which calculated a deemed interest rate of 6.1% for non-arms length debt which differs from our actual interest rate of 7.25% for that debt. In its first reading of the Fall 2007 mini-Budget, the Ontario government changed the Electricity Act of 1998 to disallow the deduction of actual interest in excess of any deemed interest amount. This change required that excess interest be included in the calculation of taxable income so the excess of 7.25% over the deemed rate of 6.1% was added back into the model. It may be worth noting that this add-back was not necessary in the original application of our 2006 PILs model since the deemed interest was held to be the same as the actual interest.

Disposition of Short Term Interest

Those same tax provision changes apply only to municipal or non-arms length debt. We have no short term interest associated with such debt. Therefore, we did not include a short term interest factor in the excess interest calculation.

In an effort to clarify the issue internally prior to filing the model, OPUCN consulted tax experts at a major accounting firm. They have concurred that in their opinion recent tax changes require the above mentioned changes in a PILs model.

Based on the foregoing we respectfully submit that our model calculates the PILs amount appropriately.

Deferral and Variance Accounts

OPUCN received a Decision from the Board which directed us to return the balance of \$25,208 in variance account 1508 – Loss of Major Customer to our ratepayers. In its Decision the Board reviewed each and every variance account for disposition and found that, other than the account 1508 noted above, all other accounts were to be disposed of at a later date. However, in its concluding paragraph the Board stated the following. “Based on the Board’s earlier findings, the balances that the Board approves for recovery at this time total approximately \$800,000, much less than OPUCN’s request of \$2.38 million.” OPUCN, in further discussion with Board staff, has decided to ignore the conclusion as stated above and submitted a Draft Rate Order on April 17, 2008 which would result in the disposition only of account 1508 – Loss of Major Customer.

Since the Decision requested that OPUCN return the balance in account 1508 over a one year period, the draft Rate Order calculated a rate rider to do so. The rate rider was applied to the load forecast of approximately 1,000,000,000 kWh and resulted in no return for most customer classes due to the small size of the rider. Attempts to calculate a six month rider were also unsuccessful, due to the small size of the return relative to the forecast load.

OPUCN would like to suggest that the disposition of this account be stayed until the Board determines the best way to dispose of the remaining regulatory accounts. A one time payment to our customers would result in the disposition of the amount, but it would be a very small amount for each customer. The one time return would be very expensive to implement and would cause confusion for our customers. However, we will, of course, follow Board direction if they choose to accept Board staff’s recommendation for the disposition of this account.

Smart Meters

Oshawa PUC Networks Inc. filed a proposed Tariff of Rates and Charges which identified the smart meter adder as a separate charge. Board staff wishes OPUCN to embed the adder as part of the Fixed Service Charge. The attached proposed Tariff of Rates and Charges does so.

All of which is respectfully submitted.

Oshawa PUC Networks 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-2007-0566

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, 2008 for all consumption or deemed consumption services used on or after that date.
SPECIFIC SERVICE CHARGES - May 1, 2008 for all charges incurred by customers on or after that date.
LOSS FACTOR ADJUSTMENT – May 1, 2008 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 refers to the supply of electrical energy to residential customers residing in detached, semi detached, townhouse (freehold or condominium) dwelling units, duplexes or triplexes. Basic connection is defined as 100 amp 12/240 volt overhead service. Further servicing details are available in the distributor's Conditions of Service.

General Service Less Than 50 kW

This classification refers to a non-residential account taking electricity at 750 volts or less whose monthly peak demand is less than or expected to be less than 50 kW. Further servicing details are available in the distributor's Conditions of Service.

General Service 50 to 999 kW

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 1,000 kW. Note that for statistical purposes the following sub-classifications apply:

General Service 50 to 200 kW

General Service over 200 kW

Further servicing details are available in the distributor's Conditions of Service.

General Service 1,000 to 4,999 kW – Formerly Referred to as Intermediate or Time of Use

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 1,000 kW but less than 5,000 kW. Note that for the application of the Retail Transmission Rate – Network Service Rate and the Retail Transmission Rate – Line and Transformation Connection Service Rate the following sub-classifications apply:

General Service 1,000 to 5,000 kW non-interval metered

General Service 1,000 to 5,000 kW interval metered.

Further servicing details are available in the distributor's Conditions of Service.

Large Use

This classification applies to an account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 5,000 kW. Further servicing details are available in the distributor's Conditions of Service.

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Unmetered Scattered Load

This classification applies to an account 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. Further servicing details are available in the distributor's Conditions of Service.

Sentinel Lighting

This classification refers to accounts that are an unmetered lighting load supplied to a sentinel light. Further servicing details are available in the distributor's Conditions of Service.

Street Lighting

This classification refers to accounts concerning roadway lighting for a Municipality, Regional Municipality, and/or Ministry of Transportation. This lighting will be controlled by photo cells. The consumption for these customers will be based on the calculated connected load times as established in the approved OEB Street Lighting Load Shape Template. Further servicing details are available in the distributor's Conditions of Service.

MONTHLY RATES AND CHARGES

Residential

Service Charge	\$	8.19
Distribution Volumetric Rate	\$/kWh	0.0120
Regulatory Asset Recovery	\$/kWh	0.0000
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0042
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0045
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	\$	9.19
Distribution Volumetric Rate	\$/kWh	0.0183
Regulatory Asset Recovery	\$/kWh	0.0000
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0038
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0041
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 999 kW

Service Charge	\$	43.31
Distribution Volumetric Rate	\$/kW	3.7495
Regulatory Asset Recovery	\$/kW	(0.0087)
Retail Transmission Rate – Network Service Rate	\$/kW	1.3657
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.4586
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	1.7504
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.8527
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

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General Service 1,000 to 4,999 kW – Formerly Intermediate or Time of Use

Service Charge	\$	1,540.73
Distribution Volumetric Rate	\$/kW	3.4215
Regulatory Asset Recovery	\$/kW	(0.0102)
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	1.7504
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.8527
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Large Use

Service Charge	\$	10,260.66
Distribution Volumetric Rate	\$/kW	2.8210
Regulatory Asset Recovery	\$/kW	(0.0112)
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	1.8650
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	2.0216
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 connection)	\$	4.69
Distribution Volumetric Rate	\$/kWh	0.0195
Regulatory Asset Recovery	\$/kWh	0.0000
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0038
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0041
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)	\$	3.25
Distribution Volumetric Rate	\$/kW	7.3522
Regulatory Asset Recovery	\$/kW	0.0000
Retail Transmission Rate – Network Service Rate	\$/kW	0.9419
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.7123
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Street Lighting

Service Charge (per connection)	\$	0.74
Distribution Volumetric Rate	\$/kW	11.7051
Regulatory Asset Recovery	\$/kW	(0.0082)
Retail Transmission Rate – Network Service Rate	\$/kW	0.9259
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.6832
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

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Specific Service Charges

Customer Administration		
Arrears certificate	\$	15.00
Easement Letter	\$	15.00
Account history	\$	15.00
Credit reference Letter	\$	15.00
Credit check (plus credit agency costs)	\$	15.00
Returned cheque charge (plus bank charges)	\$	15.00
Legal letter charge	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
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
Disconnect/Reconnect at meter – during regular hours	\$	65.00
Disconnect/Reconnect at meter – after regular hours	\$	185.00
Disconnect/Reconnect at pole – during regular hours	\$	185.00
Disconnect/Reconnect at pole – after regular hours	\$	415.00
Install/Remove load control device – during regular hours	\$	65.00
Install/Remove load control device – after regular hours	\$	185.00
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	1.0487
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0145
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0382
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0045