

Oshawa



PUC Networks Inc.

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December 23, 2014

Ms. Kirsten Walli, Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
P.O. Box 2319
Toronto, Ontario, M4P 1E4

Dear Ms. Walli:

**EB-2014-0101 – Oshawa PUC Networks Inc.
2015 - 2019 Custom Rate Application and Evidence Filing – Request for Interim Rates**

On July 12, 2013, Oshawa PUC Networks Inc. (OPUCN) notified the Ontario Energy Board (Board) of its intention to file a Custom Incentive Rate-Setting (Custom IR) application as set out in the *Report of the Board – A Renewed Regulatory Framework for Electricity Distributors* for distribution rates to take effect on January 1, 2015.

The Board has provisionally assigned docket number EB-2014-0101 to OPUCN's Custom IR Application. OPUCN's application will be to determine rates for each year of the 5 year period commencing January 1, 2015.

I am writing to advise the Board that OPUCN intends to file its full application, including all supporting evidence, prior to the end of January 2015. Despite our diligent efforts, a delay in our intended filing has resulted from the scale and scope of an application involving 5 test years and a comprehensive Distribution System Plan prepared in accord with Chapter 5 of the Board's *Filing Requirements for Transmission and Distribution Applications* (March 28, 2013), inclusive of a number of supporting external review/reports commissioned at the end of 2013 and through 2014. Nonetheless we are in the final stages of preparing our comprehensive application and will be pleased to file it with the Board early in the new year.

Given the scale and scope of OPUCN's application, and while we will work diligently with the Board and interested parties towards an efficient and expeditious review and determination of the application, we do not anticipate a final Decision and Order until the second quarter of the year.

OPUCN therefore requests that its current rates be declared interim as of January 1, 2015, pending disposition of its application to determine rates for the period 2015 through 2019.

As will be fully documented in the application to be filed shortly, as result of the significant, non-discretionary System Renewal and System Access capital expenditures made by OPUCN during 2012, 2013 and 2014, OPUCN's ROE on the basis of its deemed capital structure has eroded during this period from 9.3% in 2012 to 5.9% in 2013. At current rates, OPUCN forecasts a continued erosion of its fiscal position – ROE of 4.2% and 0.6% in 2014 and 2015 respectively.

In its Application, OPUCN will be proposing to restore rates to the level appropriate for its forecast cost of service, and in particular the continuation of the significant capital investment program that OPUCN must undertake to address continued growth in customer connections and demand, and other developments, in the City of Oshawa. OPUCN will also be proposing a rate smoothing mechanism, of the type that we believe is contemplated for Custom IR applications in the Board's *Renewed Regulatory Framework for Electricity Distributors* (October 18, 2012), to address the customer rate impact of adjustment of OPUCN's rates to restore a reasonable and sustainable earnings profile.

In order to preclude an ROE in 2015 that is below a just and reasonable level, OPUCN is requesting that its current rates be declared interim as of January 1, 2015. As part of its proposed rate smoothing mechanism, OPUCN proposes to accumulate the difference in revenue between its current rates and its final Board approved 2015 rates from and after January 1, 2015 and until its final 2015 rates are determined. OPUCN will propose a smoothed disposition of that difference over the course of OPUCN's Custom IR period. That is, OPUCN will propose a rate smoothing mechanism that would allow the Board to establish OPUCN's 2015 rates effective January 1, 2015, and allow subsequent recovery of the resulting forecast 2015 revenue deficiency (at final 2015 rates) over an extended period of time in such a way as to avoid undue rate impact.

We will provide full details on our rate smoothing proposal with the filing of our complete application prior to the end of January, 2015. In the interim, we thought it prudent to advise the Board of the status of our filing, and, given the delay in the filing of our full application, to file in the interim our request that our rates be declared interim as of January 1, 2015. OPUCN will request establishment of the appropriate deferral account to accumulate the difference between interim and final rates as part of its full application filing.

Please direct any questions about this submission to the undersigned.

Yours truly,



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cc. Richard Battista, OEB Staff
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