



PUC Distribution Inc.
500 Second Line EAST, P.O. Box 9000
SAULT STE. MARIE, ONTARIO, P6A 4K1

May 27, 2016

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. – 2017 Cost of Service Rate Application Request for Deferral

PUC Distribution Inc.'s (PUC) most recent rebasing application was for rates effective July 1, 2013. In accordance with the OEB's schedule of rebasing, PUC is scheduled to file a Cost of Service application in August 2016 for rates effective May 1, 2017. PUC is respectfully requesting to defer this rebasing for a 1 year period with a Cost of Service application being filed for rates effective May 1, 2018.

The deferral of the Cost of Service application is requested by PUC for the following reasons:

- Sault Ste. Marie is currently experiencing a time of significant economic uncertainty where the City's largest employer is under Companies Creditors Arrangement Act protection. In addition, all employees of another significant employer have been laid off indefinitely.
 - Deferral of this application will create stability in distribution charges for another year relieving ratepayers from bearing additional costs resulting from a cost of service application rate increase.
 - The major employer is currently pursuing a Sale and Investment Solicitation Process (SISP) for the purpose of identifying financiers, purchasers and/or investors in the company's business. Completion of this process is not expected until August 31, 2016. PUC is currently developing its Distribution System Plan (DSP). The delay in filing the Cost of Service rate application will allow PUC to consider what could be a major impact to its DSP depending on the outcome of the SISP process.
- PUC's 2014 scorecard indicates that reliability is within its targets (see chart below). Outside of an extraordinary event in December involving a large wind storm causing a



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large portion of the city to be without power, reliability in 2015 was also within target. PUC's reliability statistics are expected to remain within our targets in the future.

Reliability - Excluding Loss of Supply						
	2011	2012	2013	2014	2015	Average
SAIDI - Reported in RRR (target within 1.65-2.92)	2.92	1.65	2.48	1.19	3.35	2.32
SAIDI - Excluding Major Events	2.92	1.65	2.48	1.19	1.90	2.03
SAIFI - Reported in RRR (target within 2.17-3.61)	3.61	2.17	2.67	1.21	1.84	2.30
SAIFI - Excluding Major Events	3.61	2.17	2.67	1.21	1.25	2.18

- As indicated on the 2014 scorecard and in 2015 results, PUC has consistently met all Service Quality Indicators.
- PUC's return on equity (ROE) in 2014 and 2015 is slightly in the under-earning range. The last three years are indicated in the chart below. ROE in 2016 is projected to be similar to 2015.

Regulated Rate of Return on Deemed Equity			
	2013	2014	2015
Deemed ROE in Rates	8.98	8.98	8.98
Achieved ROE	7.00	5.47	4.46

For these reasons, PUC is requesting a one year deferral in applying to the OEB for a Cost of Service Rate Application, delaying the new rate effective date to May 1, 2018.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

Andrew Belsito, CPA, CMA
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