



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

August 17, 2018

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 Distribution")
Ontario Energy Board File Number EB-2017-0071
Corrected Interrogatory Response

PUC Distribution's writing to notify the board of a correction to its IRRs submitted August 9, 2018 and related models. The correction arises due to an error in the forecast for third party Wireline Pole Attachment Charge (Account 5096) of \$87,800 as a result of OEB Report EB-2015-0304. During the IRR process, PUC made a revision to update the 2018 Test Year Other Operating Revenue (Account 4210) to include increased revenue PUC will receive from third parties with attachments on PUC owned poles due to the OEB's increase in the pole attachment charge. This is noted on the "Tracking sheet" tab of the submitted RRWF. This correction is intended to reflect the exact same revision in the change to the OEB's pole attachment charge on the expense side, by including the expense of \$87,000 to reflect the increased Wireline Pole Attachment Charges PUC Distribution will pay to third parties.

The calculation of the increase of \$87,800 added to Operations Expense is shown in the chart below:

	Current Charge	Proposed Charge	Difference
Preliminary Rate	\$22.35	\$43.63	
Gross Up Factor for LDC on 3 rd Party Poles as per Bell Aliant Joint Use Agreement with PUC Distribution	1.2255	1.2255	
Final Rate	\$27.39	\$53.47	
# Poles	3,365	3,365	
PUC Distribution Annual Expense (rounded) in Account 5096	\$92,150	\$179,950	\$87,800



Details of the corrections are provided below:

IRR/Model	Original (Filed Aug 9, 2018)	Correction
1-Staff-2	Attached an updated RRWF with IRR adjustments made from the original application.	Attached an updated RRWF including adjustments from the IRR's and the correction discussed above.
1-Staff-3	Attached an updated Tariff Schedule and Bill Impact Model with IRR adjustments made from the original application.	Attached an updated Tariff Schedule and Bill Impact Model including adjustments from the IRR's and the correction discussed above.
1-SEC-22	Cost per Customer = \$684 CAGR = 1.79%	Cost per Customer = \$687 CAGR = 1.86%
1-SEC-23	Detailed calculation of \$660 2018 Cost per Customer Target	Detailed calculation of the adjusted \$662 2018 Cost per Customer Target
1-SEC-32	Chart 1 – Overhead Lines in column Appendix 2-JC has an amount of \$970,784	Revised Chart 1 – Overhead Lines in column Appendix 2-JC has an amount of \$1,058,584
1-CCC-13	Total Cost per Customer: \$660 Total Cost per Km of Line: \$29,904	Total Cost per Customer: \$662 Total Cost per Km of Line: \$30,014
2-Staff-22	Table Appendix 2-AB - 2018 System O&M = \$6,213,000 (rounded)	Table Appendix 2-AB - 2018 System O&M = \$6,300,000 (rounded)
4-Staff-50 a)	Chapter 2 Appendices 2-JA, 2-JB, 2-JC were filed using 2017 actuals.	Updated Chapter 2 Appendices 2-JA, 2-JB, 2-JC were filed using 2017 actuals and the correction discussed above.
4-VECC-32	Updated requested tables (Chapter 2 Appendix 2-JA, 2-	Updated Chapter 2 Appendices 2-JA, 2-L and 2-



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	L and 2-JC) to include 2017 actual results.	JC were filed using 2017 actuals and the correction discussed above.
8-Staff-77	GS<50 Fixed Charge of \$114.46 – Variance Charge will be \$6.7548 per kW. USL Fixed Charge of \$12.69 – Variable Charge will be \$0.0385 per kWh.	GS<50 Fixed Charge of \$114.46 – Variance Charge will be \$6.7887 per kW. USL Fixed Charge of \$12.69 – Variable Charge will be \$0.0387 per kWh.
8-Staff-79 c)	Total bill impact for a residential customer on RPP using 750 kWh/month is \$3.10.	Revised Total bill impact for a residential customer on RPP using 750 kWh/month is \$3.05.
Cost Allocation Model	Revenue to Expense Status Quo Ratio %: Res – 90.08% GS<50 – 116.49% GS>50 – 112.08% Street Lights – 274.41% Sentinel – 95.64% USL – 106.24%	Revenue to Expense Status Quo Ratio %: Res – 90.06% GS<50 – 116.52% GS>50 – 112.14% Street Lights – 274.27% Sentinel – 95.58% USL – 106.20%
PILs Work form	Tab A. Data Input Sheet - Test Year Rate Base - \$99,899,321 Return on Rate Base - \$5,992,760	Tab A. Data Input Sheet - Test Year Rate Base - \$99,905,906 Return on Rate Base - \$5,993,155
RRWF	Tab 3. Data Input Sheet: -Controllable Exps - \$11,955,833 -Distribution Revenue at Proposed Rates - \$19,265,636 -OM&A Expenses - \$11,886,833 -Income Taxes Grossed Up - \$333,200 Tab 4. Rate Base: -Total Rate Base - \$99,899,320 -Working Capital Allowance - \$6,728,169 Tab 8. Rev Def Suff: -Grossed up Revenue Def/Suff - \$3,422,786	Tab 3. Data Input Sheet: -Controllable Exps - \$12,043,633 -Distribution Revenue at Proposed Rates - \$19,353,916 -OM&A Expenses - \$11,974,633 -Income Taxes Grossed Up - \$333,286 Tab 4. Rate Base: -Total Rate Base - \$99,905,905 -Working Capital Allowance - \$6,734,754 Tab 8. Rev Def Suff: -Grossed up Revenue Def/Suff - \$3,511,067



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	Tab 9. Rev Req't: -Service Revenue Req't - \$22,065,750 -Base Revenue Req't - \$19,265,636	Tab 9. Rev Req't: -Service Revenue Req't - \$22,154,030 -Base Revenue Req't - \$19,353,916
Tariff Schedule and Bill Impact Model	Tab 5. 2-W Bill Impacts - RTSR – Network Charge - Res 750kWh - \$0.0062 GS<50 2000kWh - \$0.0058 GS>50 145kW – \$2.3597 USL 3600kWh - \$0.0058 Sentinel - \$1.7887 SL 585kW - \$1.7796 - \$ Change Impact – Res 750kWh - \$3.10 GS<50 2000kWh - \$4.60 GS>50 145kW – (\$55.74) USL 3600kWh - \$8.32 Sentinel - \$4.44 SL 585kW - (\$16,063.96)	Tab 5. 2-W Bill Impacts - RTSR – Network Charge - Res 750kWh - \$0.0060 GS<50 2000kWh - \$0.0056 GS>50 145kW – \$2.2694 USL 3600kWh - \$0.0056 Sentinel - \$1.7202 SL 585kW - \$1.7116 - \$ Change Impact – Res 750kWh - \$3.05 GS<50 2000kWh - \$4.47 GS>50 145kW – (\$64.98) USL 3600kWh - \$8.36 Sentinel - \$4.56 SL 585kW - (\$15,982.82)
Chapter 2 Appendices	Tab App.2-AB Cap Exp – 2018 System O&M - \$6,213,000 (rounded) Tab App.2-JA OM&A Summary Analys – Operations in 2018 Test Year - \$4,026,057 Tab App.2-JB OM&A Cost Drivers – 2018 Test Year Outside Services - \$9,834 Tab App.2-JC OMA Programs – 2018 Test Year –operations Overhead Lines - \$970,784 Tab App.2-L OM&A per Cust FTE - 2018 Test Year O&M - \$6,212,629 - Total OM&A per customer - \$355.79 - Total OM&A per FTE – \$142,066.67	Tab App.2-AB Cap Exp – 2018 System O&M - \$6,300,000 (rounded) Tab App.2-JA OM&A Summary Analys – Operations in 2018 Test Year - \$4,113,857 Tab App.2-JB OM&A Cost Drivers – 2018 Test Year Outside Services - \$97,784 Tab App.2-JC OMA Programs – 2018 Test Year –operations Overhead Lines - \$1,058,584 Tab App.2-L OM&A per Cust FTE - 2018 Test Year O&M - \$6,300,429 - Total OM&A per customer - \$358.40 - Total OM&A per FTE – \$143,109.96



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	Tab App.2-OA Capital Structure -Rate Base - \$99,603,703 -Return on Rate Base - \$5,975,027	Tab App.2-OA Capital Structure -Rate Base - \$99,905,905 -Return on Rate Base - \$5,993,155
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Should you have any questions, please do not hesitate to contact me.

Sincerely,

Andrew Belsito, CPA, CMA
Rates and Regulatory Affairs Officer
PUC Distribution Inc.
Sault Ste. Marie Ont.
Email: Andrew.Belsito@ssmpuc.com
Phone: 705-759-3009

1-Staff-2

Reference: Updated RRWF

Question:

Upon completing all interrogatories from OEB staff and intervenors, please provide an updated RRWF (version 7.02, issued July 14, 2017) in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. In completing the updated RRWF, please ensure that sheet 1 is completed. Entries for changes and adjustments should be included in the middle column on sheet 3 Data_Input_Sheet. Sheets 10 (Load Forecast), 11 (Cost Allocation), 12 (Residential Rate Design) and 13 (Rate Design) should be updated, as necessary. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 14 Tracking Sheet, and may also be included on other sheets in the RRWF to assist understanding of changes.

Response:

Please see attached in Microsoft Excel format the updated RRWF with corrections and adjustments PUC Distribution wishes to make to the amounts in the populated version of the RRWF filed in the initial application.

Updated RRWF

The RRWF is being resubmitted with the revision made to increase Operations expenses by \$87,800 to account for the increase in Wireline Pole Attachment Charges charged to PUC by third parties.

1-Staff-3

Reference: Updated Bill Impacts

Question:

Upon completing all interrogatories from OEB staff and intervenors, please provide an updated Tariff Schedule and Bill Impact model for all classes at the typical consumption / demand levels (e.g. 750 kWh for residential, 2,000 kWh for GS<50, etc.).

Response:

Please see attached in Microsoft Excel format, the updated Tariff Schedule and Bill Impact Model for all classes at the typical consumption/demand levels.

Updated Bill Impacts

The Tariff Schedule and Bill Impact Model is being resubmitted with the revision made to address the bill impacts increasing the Operations expenses by \$87,800 to account for the increase in Wireline Pole Attachment Charges charged to PUC by third parties. This model will also consider the revised RTSR Model filed with the original interrogatories which was not integrated into the model.

1-CCC-13

Reference: Exhibit 1/Appendix 4

Question:

Please provide the 2017 Scorecard results. What are the 2018 Scorecard targets?

Response:

Please refer to Attachment 1-Staff-5 – 2017 PUC Scorecard 1st Draft for the 2017 Scorecard.

PUC Distribution's targets for the following 2018 measures are:

- New Residential/Small Business Connected on Time: 90%
- Scheduled Appointments Met on Time: 90%
- Telephone Calls Answered on Time: 75%
- First Contact Resolution: 99%
- Billing Accuracy: 98%
- Customer Satisfaction Survey (2019 target): A- or 85%
- Component A – Public Safety Awareness: improve each year the survey is undertaken
- Component B – Regulatory Compliance with Ontario Reg. 22/04: 0 safety compliance issues
- Component C – Serious Electrical Incident Index: 0 serious electrical incidents
- SAIDI and SAIFI: SAIDI – Lower than 1.42. SAIFI – Lower than 1.52.
- Efficiency Assessment: to improve efficiency performance in order to be rated as a Group 3 utility from the PEG calculation.
- Total Cost per Customer: \$660 excluding non-operating costs
- Total Cost per Km of Line: \$29,904 excluding non-operating costs
- Net Cumulative Energy Savings (Percent of Target Achieved): 4,651.8 MWhs which is approximately 73% of the Net Cumulative Energy Savings Target
- Renewable Generation Connection Impact Assessments Completed on Time: to complete all assessments within the prescribed timelines
- New Micro Embedded Generation Facilities Connected on Time: to connect micro-embedded generation facilities within 5 business days of all service connection requirements being met
- Liquidity - Current Ratio: Maintain the current ratio above 1
- Leverage - Total Debt to Equity Ratio: reduce debt to equity to 67%/33%
- Profitability – Regulatory Return on Equity Achieved: to have a regulated rate of return equal to the deemed ROE.

**Total Cost per Customer
and Total Cost per Km of
Line**

The 2018 target of Total Cost per Customer has increased from \$660 to \$662 excluding non-operating costs. The Total Cost per Km of Line has increased from \$29,904 to \$30,014 excluding non-operating costs.

1-SEC-22

Reference: Exhibit 1, p. 77

Question:

Please calculate the 2018 cost per customer on the same basis as the figures of \$615 and \$695, and calculate the compound annual growth rate from 2012 to 2018.

Response:

Please see chart below for the 2018 Cost per Customer on the same basis as the figures of \$615 (2012) and \$695 (2016). The compound annual growth rate from 2012 to 2018 is 1.79%.

Cost per Customer and CAGR

The Cost per Customer on the same basis as the figures of \$615 (2012) and \$695 (2016) has increased from \$684 to \$687. The CAGR has also increased from 1.79% to 1.86% all due to the increase in Operations Expense.

	2018
Actual Total Cost (a)	\$23,065,184
Predicted Total Cost (b)	\$21,212,923
Difference	\$1,852,261
Number of Customers (c)	33,703
Cost per Customer = (a)/(c)	\$684

1-SEC-23

Reference: Exhibit 1, p. 78

Question:

Please provide a detailed calculation of the \$660 target, and the \$670 2016 adjusted actual, including the specific adjustments proposed to remove certain costs from the calculation.

Response:

Please see the chart below with the detailed calculation of the \$660 target and the \$670 2016 adjusted actual.

	2016	2018
Actual Total Cost (a)	\$23,266,331	\$23,065,184
Predicted Total Cost (b)	\$20,222,966	\$21,212,923
Difference	\$3,043,365	\$1,852,261
Number of Customers (c)	33,487	33,703
Change to OM&A Exp - Excluding Cost of Capital/Asset Charge	-\$523,233	-\$548,148
Property Taxes	-\$311,235	-\$298,477
Total Adjustments to OM&A (d)	-\$834,468	-\$846,625
Cost per Customer = (a)/(c)	\$695	\$684
Cost per Customer after removal of Cost of Capital/Asset Charge & Property Taxes = ((a)+(d))/(c)	\$670	\$660

Cost per Customer Targets

The 2018 target of \$660 per customer has been revised to \$662 per customer. The Actual Total Cost in the chart below is revised to \$23,146,860 and the Predicted Total Cost is revised to \$21,219,815. This increases the cost per customer in 2018 from \$684 to \$687.

1-SEC-32

Reference: Exhibit 1, App. 1

Question:

Please provide a detailed table showing, for each of the expense categories in which there is an allocation to the Applicant on Appendix 2-JC (whether as a direct cost or a shared cost under section 4.1 of the Amended Agreement), the total amount of the forecast expense related to that category by PUC Services Inc. in the Test Year, the amount to be paid by the Applicant, the amount to be paid by the Public Utilities Commission, the amount to be allocated to other customers of PUC Services Inc., and the amount to be absorbed by PUC Services Inc. For each amount allocated to the Applicant, please provide a detailed calculation showing the basis of the calculation. By way of example, and without limiting the generality of the foregoing, if an amount to be paid by the Applicant is made up of some combination of operating costs, and use of capital assets, of PUC Services Inc., please show the percentage of each operating cost and the reason for the percentage, the book value of the capital assets and the full calculation of the annualized amount to be paid by the Applicant in respect of each such capital asset. In calculating the amounts to be paid with respect to assets, please ensure that the cost of capital, if any, is completely broken down including rates, ratios, calculation methods, and tax impacts (including the cost or benefit, if any, of any timing differences, and how that is accounted for).

Response:

The table below sets out the cost categories of Appendix 2-JC with a detailed breakdown of the forecast expenses for PUC Services in the test year with the allocation to PUC Distribution, the Public Utilities Commission, and PUC Services. By default, costs absorbed by PUC Services are in relation to the provision of services to its other customers.

The operating costs allocated to PUC Distribution are either direct allocation (i.e. 100% allocated) or in accordance with the Corporate Cost Allocation percentages shown in Table 4-33 – Shared Services and Corporate Cost Allocation for 2018 Test Year in Exhibit 4, page 55 of 100. The Allocation Methodology is further described in Exhibit 4, pages 56-57 of 100.

The Allocated Shared Asset Usage costs are for the use of PUC Services capital assets and cover the cost of capital, including depreciation. Additional information on Shared Asset Usage charges is found in RDI Consulting Inc.'s Full Absorption Cost Allocation Report filed in Exhibit 4, as Appendix 9.

Overhead Lines

In the Chart below, the Operations Overhead Lines amount in Appendix 2-JC of \$970,784 has increased to \$1,058,584 to reflect the \$87,800 increase in Operations Expense due to the Wireline Pole Attachment Charge increase.

	Appendix 2-JC	PUC Distribution (Direct)	Allocated Operating Costs				PUC Distribution (Allocated Shared Asset Usage Charges) *
			PUC Services Shared Operating Costs	PUC Distribution Alloc %	PUC Distribution (Allocated OM&A)	Balance Allocated to Public Utilities Commission and PUC Services	
Operations							
Overhead Lines	\$970,784	\$925,240					\$45,545
Underground Lines	\$204,473	\$194,651					\$9,821
Operations Supervisory	\$646,625	\$615,522					\$31,103
Load Dispatching	\$214,485	\$204,350					\$10,135
Stations	\$930,301	\$886,114					\$44,187
Transformers	\$9,257	\$8,812					\$445
Meters	\$584,371	\$556,213					\$28,158
Transmission	\$83,563	\$82,395					\$1,168
Miscellaneous Operating	\$382,197	\$364,736					\$17,462
Maintenance							
Overhead Lines	\$1,367,903	\$1,304,742					\$63,161
Underground Lines	\$304,847	\$290,598					\$14,248
Stations	\$339,888	\$323,682					\$16,206
Transformers	\$121,563	\$116,066					\$5,497
Meters	\$52,372	\$49,844					\$2,528
Customer Service							
Bad Debt Expense	\$261,613	\$250,000					\$11,613
Customer Billing	\$962,453	\$396,219	\$934,720	56%	\$523,443	\$411,277	\$42,791
Customer Collections	\$351,309	\$68,317	\$411,167	74%/56%	\$267,118	\$144,049	\$15,874
Community Relations	\$618,800	\$94,264	\$887,101	56%	\$496,777	\$390,325	\$27,759
Administration							
Income Tax	\$45,000	\$45,000					\$0
Insurance	\$127,642	\$95,500	\$57,000	46.45%	\$26,476	\$30,524	\$5,666
LEAP	\$24,000	\$24,000					\$0
Audit, Legal & Consulting	\$209,185	\$6,000	\$469,108	41.31%	\$193,789	\$275,320	\$9,396
Regulatory Affairs	\$405,761	\$387,322					\$18,438
Building	\$741,040	\$800	\$1,522,862	46.45%	\$707,344	\$815,518	\$32,895
Administrative	\$1,996,402	\$402,479	\$3,627,917	41.31%	\$1,498,693	\$2,129,225	\$95,230
	\$11,955,833	\$7,692,866	\$7,909,877		\$3,713,640	\$4,196,237	\$549,328

* See table below

PUC Services Shared Assets	NBV	ROE (7.98%)	Annual Depreciation	PUC Distribution		Balance Allocated to Public Utilities Commission and PUC Services
				Operating Costs (2-JC Expenses)	Capital Costs	
Vehicles	\$2,573,527	\$205,367	\$552,005	\$105,605	\$372,476	\$279,292
Tools and Work Equipment	\$656,688	\$52,404	\$164,721	\$69,345	\$50,835	\$96,944
Communications Equipment	\$85,877	\$6,853	\$15,326	\$6,919	\$3,355	\$11,905
Office Equipment	\$392,782	\$31,344	\$66,353	\$30,146	\$23,662	\$43,889
Computer Hardware	\$741,676	\$59,186	\$307,210	\$114,645	\$55,582	\$196,168
Computer Software	\$861,861	\$68,777	\$268,539	\$105,546	\$51,171	\$180,599
Stores equipment	\$210,115	\$16,767	\$45,401	\$19,452	\$9,431	\$33,285
Buildings	\$160,080	\$12,774	\$302,480	\$97,669	\$49,734	\$167,852
	\$5,682,605	\$453,472	\$1,722,035	\$549,328	\$616,245	\$1,009,934

- 1 **2-Staff-22**
- 2 Reference: Exhibit 2, pages 118, 194
- 3 Preamble:
- 4 Tables 7 and 26 provide comparisons of Budget to Actual spending for the 2012 – 2016 historical
- 5 period.
- 6 Question:
- 7 Please update both tables to show actual capital spending in the 2017 bridge year.
- 8 Response:
- 9 Please see updated tables showing actual 2017 capital spending:

Table 7: Program Level Variance - Budget Vs Actual Spending									
	2012			2013			2014		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
System Access	1,132,235	7,938,036	6,805,801	1,068,766	2,310,000	1,241,234	2,957,353	2,531,753	(425,600)
System Renewal	6,042,853	4,821,060	(1,221,793)	6,525,051	6,082,921	(442,130)	3,813,022	3,753,602	(59,420)
System Service	-	-	-	-	-	-	-	-	-
General Plant	17,802,500	23,269,373	5,466,873	1,313,518	2,028,344	714,826	175,445	375,693	200,248
Total Capital Expenditure	24,977,588	36,028,469	11,050,881	8,907,335	10,421,265	1,513,930	6,945,820	6,661,049	(284,771)
System O&M Expenditure	6,259,122	5,852,889	(406,233)	6,153,732	5,992,120	(161,612)	5,529,970	5,773,408	243,438
	2015			2016			2017		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
System Access	1,265,490	1,549,411	283,921	1,214,680	1,211,917	(2,763)	1,271,457	1,383,575	112,118
System Renewal	4,752,934	4,639,948	(112,986)	4,542,992	4,243,808	(299,184)	3,372,227	3,823,783	451,556
System Service	-	-	-	-	-	-	38,236	-	(38,236)
General Plant	68,653	66,532	(2,121)	-	82,630	82,630	-	8,109	8,109
Total Capital Expenditure	6,087,077	6,255,891	168,814	5,757,672	5,538,355	(219,317)	4,681,920	5,215,467	533,547
System O&M Expenditure	5,819,316	5,977,598	158,282	5,955,321	5,977,891	22,570	5,856,582	5,916,615	60,033

Appendix 2-AB
Table 26 - Capital Expenditure Summary from Chapter 5 Consolidated
Distribution System Plan Filing Requirements

First year of Forecast Period: 2018

CATEGORY	Historical Period (previous plan ¹ & actual)														
	2012			2013			2014			2015			2016		
	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual	Var
	\$ '000		%	\$ '000		%	\$ '000		%	\$ '000		%	\$ '000		%
System Access	1,132	7,938	601.1%	1,069	2,310	116.1%	2,957	2,532	-14.4%	1,265	1,549	22.4%	1,215	1,212	-0.2%
System Renewal	6,043	4,821	-20.2%	6,525	6,083	-6.8%	3,813	3,754	-1.6%	4,753	4,640	-2.4%	4,543	4,244	-6.6%
System Service	-	-	--	-	-	--	-	-	--	-	-	--	-	-	--
General Plant	17,803	23,269	30.7%	1,314	2,028	54.4%	175	376	114.1%	69	67	-3.1%	-	83	--
TOTAL EXPENDITURE	24,978	36,028	44.2%	8,907	10,421	17.0%	6,946	6,661	-4.1%	6,087	6,256	2.8%	5,758	5,538	-3.8%
System O&M	\$ 6,259	\$ 5,853	-6.5%	\$ 6,154	\$ 5,992	-2.6%	\$ 5,530	\$ 5,773	4.4%	\$ 5,819	\$ 5,978	2.7%	\$ 6,201	\$ 5,978	-3.6%

CATEGORY	Forecast Period (planned)				
	2018	2019	2020	2021	2022
	\$ '000				
System Access	1,511	1,615	2,086	1,604	1,560
System Renewal	3,761	6,906	3,296	4,533	7,093
System Service	-	-	-	-	-
General Plant	86	55	62	60	55
TOTAL EXPENDITURE	5,358	8,576	5,445	6,197	8,708
System O&M	\$ 6,213	\$ 6,306	\$ 6,400	\$ 6,496	\$ 6,594

2018 System O&M

On Appendix 2-AB Capital Expenditure Summary, the System O&M for 2018 has increases from (rounded in thousands) \$6,213 to \$6,300.

Exhibit 4 – Operating Expenses

4-Staff-50

Reference: None

Questions:

- a) Please refile Appendices 2-JA, 2-JB, 2-JC, 2-K, and 2-L using 2017 actuals and compare to 2016.
- b) Please explain any variances between the 2017 actual and forecasted amounts.

Response:

- a) Appendices 2-JA, 2-JB, 2-JC, 2-K and 2-L have been refiled using 2017 actual data and can be found in Attachment XX- Chapter 2 Appendices.
- b)

Chapter 2 Appendix 2-JA – OM&A Summary Analysis

- An immaterial variance of \$53,524 (0.46%) in total OM&A between 2017 Actuals and the 2017 Bridge Year.

Chapter 2 Appendix 2-JB – OM&A Cost Drivers

- Salaries and Wages Variance – \$157,473
 - PUC allocated more salaries and wages to the OM&A accounts as compared to Capital
- Building Variance / Property Tax Variance – (\$317,917) / \$294,965
 - Offsetting variances resulting from the change to where property taxes were booked in 2017 versus previous years, including the 2017 Bridge Year.

Chapter 2 Appendix 2-JC – OM&A Programs

- Operations/Maintenance Variance - \$171,798 / (\$111,765)
 - Allocation of salaries and wages from Stations (Maintenance) to Load Dispatching (Operations).

Chapter 2 Appendix 2-K – Employee Costs

Chapter 2 Appendices

Chapter 2 Appendices 2-JA, 2-JB, 2-JC and 2-L have been revised and can be found in the Live Excel Model filed with these corrections
PUC_2018_Filing
_Requirements_Ch2_App_
20180816.

- Management staff replacements with planned overlap for training purposes did not materialize in 2017;
 - Lines Manager
 - Stations & Metering Manager
- Reduction in actual 2017 non-management overtime versus planned 2017 bridge year
- Substation Electrician retirement replacement planned for 2017 was not filled

Chapter 2 Appendix 2-L – OM&A Cost per Customer/FTE

- OM&A cost per customer/FTE variances are immaterial.

4-VECC-32

Reference: Exhibit 4, pages, 20, 27 30, Table 4-19/4-10 Table 4-12, Table 4-14.

Question:

- a) Please update Tables 4-19, 4-10, 4-12 and 4-14 to reflect 2017 actual results.

Response:

Table Revisions

PUC assumes that VECC intends for Table 4-9 to be completed rather than 4-19.

Please see revised:

The revisions made to the charts below have been made and refiled in the attached PUC_2018_Filing_Requirements_Ch2_App_20180816 as detailed in Interrogatory 4-Staff-50.

Table 4-9 – Summary of Recoverable OM&A Expenses

Appendix 2-JA Summary of **Recoverable** OM&A Expenses

	Last Rebasing Year (2013 Board- Approved)	Last Rebasing Year (2013 Actuals)	2014 Actuals	2015 Actuals	2016 Actuals	2017 Bridge Year	2018 Test Year
Reporting Basis	CGAAP	CGAAP	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Operations	\$ 3,560,312	\$ 3,667,835	\$ 3,558,777	\$ 3,702,949	\$ 3,771,352	\$ 3,924,735	\$ 4,026,057
Maintenance	\$ 1,978,405	\$ 2,324,284	\$ 2,214,631	\$ 2,274,649	\$ 2,206,518	\$ 1,991,880	\$ 2,186,573
SubTotal	\$ 5,538,717	\$ 5,992,119	\$ 5,773,408	\$ 5,977,598	\$ 5,977,870	\$ 5,916,615	\$ 6,212,629
%Change (year over year)			-3.6%	3.5%	0.0%	-1.0%	5.0%
%Change (Test Year vs Last Rebasing Year - Actual)							3.7%
Billing and Collecting	\$ 1,163,141	\$ 1,274,108	\$ 1,373,301	\$ 1,417,758	\$ 1,572,173	\$ 1,682,623	\$ 1,575,376
Community Relations	\$ 544,548	\$ 501,391	\$ 557,701	\$ 670,544	\$ 626,657	\$ 702,566	\$ 618,800
Administrative and General	\$ 2,706,539	\$ 4,438,267	\$ 3,332,931	\$ 3,211,923	\$ 3,188,235	\$ 3,347,960	\$ 3,549,028
SubTotal	\$ 4,414,229	\$ 6,213,766	\$ 5,263,933	\$ 5,300,225	\$ 5,387,065	\$ 5,733,149	\$ 5,743,204
%Change (year over year)			-15.3%	0.7%	1.6%	6.4%	0.2%
%Change (Test Year vs Last Rebasing Year - Actual)							-7.6%
Total	\$ 9,952,946	\$ 12,205,885	\$ 11,037,341	\$ 11,277,823	\$ 11,364,935	\$ 11,649,764	\$ 11,955,833
%Change (year over year)			-9.6%	2.2%	0.8%	2.5%	2.6%

	Last Rebasing Year (2013 Board- Approved)	Last Rebasing Year (2013 Actuals)	2014 Actuals	2015 Actuals	2016 Actuals	2017 Bridge Year	2018 Test Year
Operations	\$ 3,560,312	\$ 3,667,835	\$ 3,558,777	\$ 3,702,949	\$ 3,771,352	\$ 3,924,735	\$ 4,026,057
Maintenance	\$ 1,978,405	\$ 2,324,284	\$ 2,214,631	\$ 2,274,649	\$ 2,206,518	\$ 1,991,880	\$ 2,186,573
Billing and Collecting	\$ 1,163,141	\$ 1,274,108	\$ 1,373,301	\$ 1,417,758	\$ 1,572,173	\$ 1,682,623	\$ 1,575,376
Community Relations	\$ 544,548	\$ 501,391	\$ 557,701	\$ 670,544	\$ 626,657	\$ 702,566	\$ 618,800
Administrative and General	\$ 2,706,539	\$ 4,438,267	\$ 3,332,931	\$ 3,211,923	\$ 3,188,235	\$ 3,347,960	\$ 3,549,028
Total	\$ 9,952,946	\$ 12,205,885	\$ 11,037,341	\$ 11,277,823	\$ 11,364,935	\$ 11,649,764	\$ 11,955,833
%Change (year over year)			-9.6%	2.2%	0.8%	2.5%	2.6%

Table 4-10 – Summary of Recoverable OM&A Expenses Continued

	Last Rebasement Year (2013 Board- Approved)	Last Rebasement Year (2013 Actuals)	Variance 2013 Board- approved – 2013 Actuals	2014 Actuals	Variance 2014 vs. 2013 Actuals	2015 Actuals	Variance 2015 vs. 2014 Actuals	2016 Actuals	Variance 2016 Actuals vs. 2015 Actuals	2017 Bridge Year	Variance 2017 Bridge vs. 2016 Actuals	2018 Test Year	Variance 2018 Test vs. 2017 Bridge
Operations	\$ 3,560,312	\$ 3,667,835	\$ 107,523	\$ 3,558,777	\$ 109,058	\$ 3,702,949	\$ 144,172	\$ 3,771,352	\$ 68,403	\$ 3,924,735	\$ 153,383	\$ 4,026,057	\$ 101,322
Maintenance	\$ 1,978,405	\$ 2,324,284	\$ 345,879	\$ 2,214,631	\$ 109,653	\$ 2,274,649	\$ 60,018	\$ 2,206,518	\$ 68,131	\$ 1,991,880	\$ 214,638	\$ 2,186,573	\$ 194,693
Billing and Collecting	\$ 1,163,141	\$ 1,274,108	\$ 110,967	\$ 1,373,301	\$ 99,193	\$ 1,417,758	\$ 44,457	\$ 1,572,173	\$ 154,415	\$ 1,682,623	\$ 110,450	\$ 1,575,376	\$ 107,247
Community Relations	\$ 544,548	\$ 501,391	\$ 43,157	\$ 557,701	\$ 56,310	\$ 670,544	\$ 112,843	\$ 626,657	\$ 43,887	\$ 702,566	\$ 75,909	\$ 618,800	\$ 83,766
Administrative and General	\$ 2,706,539	\$ 4,438,267	\$ 1,731,728	\$ 3,332,931	\$ 1,105,336	\$ 3,211,923	\$ 121,008	\$ 3,188,235	\$ 23,088	\$ 3,347,960	\$ 159,725	\$ 3,549,028	\$ 201,068
Total OM&A Expenses	\$ 9,952,946	\$ 12,205,885	\$ 2,252,939	\$ 11,037,341	\$ 1,168,544	\$ 11,277,823	\$ 240,482	\$ 11,364,935	\$ 87,112	\$ 11,649,764	\$ 284,829	\$ 11,955,833	\$ 306,069
Adjustments for Total non-recoverable items (from Appendices 2-JA and 2-JB)													
Total Recoverable OM&A Expenses	\$ 9,952,946	\$ 12,205,885	\$ 2,252,939	\$ 11,037,341	\$ 1,168,544	\$ 11,277,823	\$ 240,482	\$ 11,364,935	\$ 87,112	\$ 11,649,764	\$ 284,829	\$ 11,955,833	\$ 306,069
Variance from previous year				\$ 1,168,544		\$ 240,482		\$ 87,112		\$ 284,829		\$ 306,069	
Percent change (year over year)				-10%		2%		1%		3%		3%	
Percent Change: Test year vs. Most Current Actual								5.20%					
Simple average of % variance for all years								-2.05%					2%
Compound Annual Growth Rate for all years													-0.4%
Compound Growth Rate (2016 Actuals vs. 2013 Actuals)								-2.35%					

Table 4-12 – Recoverable OM&A Cost per Customer and per Full Time Equivalent

Appendix 2-L
Recoverable OM&A Cost per Customer and per FTE ¹

	Last Rebasement Year - 2013- Board Approved	Last Rebasement Year - 2013- Actual	2014 Actuals	2015 Actuals	2016 Actuals	2017 Bridge Year	2018 Test Year
Reporting Basis	CGAAP	CGAAP	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
OM&A Costs							
O&M	\$ 5,538,717	\$ 5,992,119	\$ 5,773,408	\$ 5,977,598	\$ 5,977,870	\$ 5,916,615	\$ 6,212,629
Admin Expenses	\$ 4,414,229	\$ 6,213,766	\$ 5,263,933	\$ 5,300,225	\$ 5,387,065	\$ 5,733,149	\$ 5,743,204
Total Recoverable OM&A from Appendix 2-JB ⁵	\$ 9,952,946	\$ 12,205,885	\$ 11,037,341	\$ 11,277,823	\$ 11,364,935	\$ 11,649,764	\$ 11,955,833
Number of Customers ^{2,4}	33,071	33,351	33,348	33,370	33,395	33,507	33,604
Number of FTEs ^{3,4}	86.99	87.61	88.22	84.63	84.91	84.77	84.16
Customers/FTEs	380.17	380.66	378.02	394.33	393.28	395.27	399.30
OM&A cost per customer							
O&M per customer	167.48	179.67	173.13	179.13	179.00	176.58	184.88
Admin per customer	133.48	186.31	157.85	158.83	161.31	171.10	170.91
Total OM&A per customer	300.96	365.98	330.97	337.96	340.32	347.68	355.79
OM&A cost per FTE							
O&M per FTE	63,670.73	68,391.96	65,445.85	70,635.85	70,398.38	69,796.10	73,822.34
Admin per FTE	50,744.10	70,921.76	59,670.57	62,631.50	63,440.77	67,631.82	68,244.33
Total OM&A per FTE	114,414.83	139,313.71	125,116.42	133,267.35	133,839.15	137,427.91	142,066.67

Table 4-14 – OM&A Programs Table

**Appendix 2-JC
OM&A Programs Table**

Programs	Last Rebasings Year (2013 Board- Approved)	Last Rebasings Year (2013 Actuals)	2014 Actuals	2015 Actuals	2016 Actuals	2017 Bridge Year	2018 Test Year	Variance (Test Year vs. 2016 Actuals)	Variance (Test Year vs. Last Rebasings Year (2013 Board- Approved)
Reporting Basis	CGAAP	CGAAP	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Operations									
Overhead Lines	\$ 891,022	\$ 886,027	\$ 999,996	\$ 833,710	\$ 913,151	\$ 973,078	\$ 970,784	57,634	79,762
Underground Lines	\$ 99,541	\$ 103,879	\$ 204,384	\$ 194,355	\$ 183,526	\$ 172,149	\$ 204,473	20,946	104,931
Operations Supervisory	\$ 575,828	\$ 677,616	\$ 607,190	\$ 661,003	\$ 622,028	\$ 655,091	\$ 646,625	24,597	70,797
Load Dispatching	\$ 255,221	\$ 269,912	\$ 252,338	\$ 223,194	\$ 232,038	\$ 279,809	\$ 214,485	-17,553	-40,736
Stations	\$ 848,217	\$ 905,156	\$ 741,856	\$ 747,612	\$ 733,615	\$ 808,188	\$ 930,301	196,686	82,084
Transformers	\$ 14,242	\$ 8,202	\$ 1,013	\$ 3,984	\$ 15,664	\$ 11,996	\$ 9,257	-6,408	-4,986
Meters	\$ 423,008	\$ 369,650	\$ 319,706	\$ 485,787	\$ 550,630	\$ 548,617	\$ 584,371	33,742	161,364
Transmission	\$ 1,136	\$ 43,834	\$ 38,620	\$ 40,955	\$ 50,381	\$ 51,237	\$ 83,563	33,182	82,427
Miscellaneous Operating	\$ 452,096	\$ 403,559	\$ 397,481	\$ 512,349	\$ 470,320	\$ 424,568	\$ 382,197	-88,122	-69,899
Sub-Total	3,560,312	3,667,836	3,562,584	3,702,949	3,771,353	3,924,735	4,026,057	254,704	465,744
Maintenance									
Overhead Lines	\$ 1,332,909	\$ 1,688,546	\$ 1,576,853	\$ 1,288,038	\$ 1,371,983	\$ 1,297,624	\$ 1,367,903	-4,080	34,994
Underground Lines	\$ 258,634	\$ 344,540	\$ 306,555	\$ 342,920	\$ 360,487	\$ 291,936	\$ 304,847	-55,640	46,213
Stations	\$ 265,799	\$ 190,299	\$ 243,581	\$ 350,955	\$ 345,773	\$ 275,757	\$ 339,888	-5,885	74,088
Transformers	\$ 46,920	\$ 22,017	\$ 27,815	\$ 211,054	\$ 71,121	\$ 64,205	\$ 121,563	50,442	74,643
Meters	\$ 74,143	\$ 78,882	\$ 56,018	\$ 81,682	\$ 57,154	\$ 62,357	\$ 52,372	-4,782	-21,770
Sub-Total	1,978,405	2,324,284	2,210,823	2,274,649	2,206,518	1,991,880	2,186,573	-19,946	208,168
Customer Service									
Bad Debt Expense	\$ 107,680	\$ 182,025	\$ 127,593	\$ 181,321	\$ 378,852	\$ 421,718	\$ 261,613	-117,239	153,933
Customer Billing	\$ 757,150	\$ 811,476	\$ 966,425	\$ 888,033	\$ 851,360	\$ 896,854	\$ 962,453	111,093	205,303
Customer Collections	\$ 298,311	\$ 280,607	\$ 279,283	\$ 348,403	\$ 341,961	\$ 364,051	\$ 351,309	9,348	52,998
Community Relations	\$ 544,548	\$ 501,391	\$ 557,701	\$ 670,544	\$ 626,657	\$ 702,566	\$ 618,800	-7,858	74,251
Sub-Total	1,707,690	1,775,499	1,931,002	2,088,302	2,198,830	2,385,189	2,194,175	-4,655	486,486
Administration									
Income Tax	\$ 50,202	\$ 46,062	\$ 40,740	\$ 36,160	\$ 31,755	\$ 325,524	\$ 45,000	13,245	-5,202
Insurance	\$ 61,588	\$ 147,363	\$ 198,627	\$ 205,612	\$ 198,796	\$ 115,188	\$ 127,642	-71,154	66,054
LEAP	\$ 19,054	\$ 19,873	\$ 22,610	\$ 22,926	\$ 23,270	\$ 23,270	\$ 24,000	730	4,946
Audit, Legal & Consulting	\$ 116,025	\$ 134,157	\$ 230,840	\$ 227,542	\$ 139,566	\$ 174,485	\$ 209,185	69,619	93,160
Regulatory Affairs	\$ 206,943	\$ 297,503	\$ 121,885	\$ 149,856	\$ 246,739	\$ 451,156	\$ 405,761	159,021	198,818
Building	\$ 512,532	\$ 2,005,468	\$ 823,330	\$ 653,778	\$ 699,549	\$ 378,662	\$ 741,040	41,490	228,508
Administrative	\$ 1,740,196	\$ 1,787,842	\$ 1,894,898	\$ 1,916,048	\$ 1,848,560	\$ 1,879,675	\$ 1,996,402	147,842	256,206
Sub-Total	2,706,539	4,438,267	3,332,931	3,211,923	3,188,235	3,347,960	3,549,028	360,793	842,489
Miscellaneous								0	0
Total	9,952,946	12,205,886	11,037,340	11,277,823	11,364,937	11,649,765	11,955,833	590,896	2,002,887

Exhibit 8 – Rate Design

8-Staff-77

Reference: Exhibit 8, Pages 4, 7, Table 8-5

Tariff Schedule and Bill Impact Model, Tab 5. 2-W Bill Impacts

Preamble:

PUC Distribution's states:

Except for the Residential class, PUC Distribution proposes to maintain the fixed/variable proportions assumed in the current rates to design the proposed monthly service charges.

However, the filing requirements state:

If a distributor's current fixed charge for any non-residential class is higher than the calculated ceiling, there is no requirement to lower the fixed charge to the ceiling, nor are distributors expected to raise the fixed charge further above the ceiling for any non-residential class.

PUC Distribution has proposed to increase the fixed charge, even where it is already above the Ceiling Fixed Charge from Cost Allocation.

Question:

Please provide the variable charges that would result if PUC Distribution followed the direction provided in filing requirements, and applied a fixed charge of \$114.46 for General Service 50 to 4,999 kW, and a fixed charge of \$12.69 for Unmetered Scattered Load.

Response:

When a fixed charge of \$114.46 for General Service 50 to 4,999 kW is used the variable rate is \$6.7548 per kW. When a fixed charge of \$12.69 for Unmetered Scattered Load is the variable rate is \$0.0385 per kWh.

Variable Charges

The variable charge for GS>50 to 4,999 customers with a fixed charge of \$114.46 is revised to \$6.7887. The variable charge for a USL customer with a fixed charge of \$12.69 is revised to \$0.0387.

8-Staff-79

Reference: Exhibit 8, Pages 10-11
Tariff Schedule and Bill Impact Model, Tab 5. 2-W Bill Impacts
PUC Distribution Website promotion of community meeting,
[http://www.ssmruc.com/news/index.cfm?fuseaction=ViewOneBooki
ng&id=334](http://www.ssmruc.com/news/index.cfm?fuseaction=ViewOneBooki
ng&id=334)

Preamble:

In Exhibit 8, PUC Distribution's states

On June 22, 2017 the Board issued a Decision with Reasons and Rate Order (EB-2017-0234) establishing that the RRRP charge used by rate-regulated distributors to bill their customers shall be \$0.0003 per kilowatt-hour for electricity consumed on or after July 1, 2017. This unit rate shall apply to a customer's metered energy consumption adjusted by the distributor's Board-approved Total Loss Factor.

On March 1, 2018, the Board issued a Decision and Order (EB-2017-0290) establishing a Smart Metering Entity Charge of \$0.57 per month for Residential and General Service < 50kW customers effective January 1, 2018 to December 31, 2022. PUC Distribution has reflected a Smart Metering Entity Charge of \$0.57 per month in this Application.

In the tariff schedule and bill impact model, the Current OEB-Approved Smart Meter Entity Charge is entered as \$0.79, and the Current OEB-Approved Rural and Remote Rate Protection (RRRP) is entered as \$0.0021. The Proposed rates in the same tariff reflect the rates of \$0.57 and \$0.0003. As a result, the bill impact calculation shows a savings as a result of changes in these rates.

In promoting the community meeting, PUC Distribution drew attention to the resulting total bill impact.

In this application, PUC Distribution is applying to the OEB for approval to increase its distribution rate by \$6.98 per month resulting in a net increase of \$1.94 per month for the average provincial customer consuming 750 kWh per month.

Questions:

- a) Please confirm that customers are already experiencing the savings that result from the changes to the RRRP and Smart Metering Entity Charge.

- 1 b) Please update the tariff and bill impact model to reflect the charges of \$0.0003 for
2 RRRP, and \$0.57 for Smart Metering Entity Charge as the Current OEB-Approved
3 rates.
4 c) Please confirm that after making these revisions, the total bill impact for a residential
5 customer on RPP using 750 kWh/month is \$3.65

6 Response:

- 7 a) PUC Distribution confirms that customers are already experiencing the savings that result
8 from the changes to the RRRP and Smart Metering Entity Charge.
9 b) The tariff and bill impact model has been updated to reflect the charges of \$0.0003 for
10 RRRP, and \$0.57 for Smart Metering Entity Charge as the Current OEB-Approved rates.
11 c) The tariff and bill impact model has also been updated to reflect the updates resulting
12 from preparing the responses to the interrogatories. An updated model is provided in file
13 named "PUC_2018_Tariff_Schedule_Bill_Impact_Model_20180329_FINAL". In this
14 case the total bill impact for a residential customer on RPP using 750 kWh/month is
15 \$3.10.
16

Tariff and Bill Impact
Model

The Tariff and Bill Impact Model has been revised to reflect the change in Operating Expense and also the change in RTSR rates. In turn, the total bill impact for a residential customer on RPP using 750 kWh/month is revised from \$3.10 to \$3.05.