



PUC Distribution Inc.
500 SECOND LINE EAST, P.O. Box 9000
SAULT STE. MARIE, ONTARIO, P6A 6P2

October 12, 2022

Delivered by Email and RESS

Ms. Nancy Marconi, Registrar
Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, ON M4P1E4

Dear Ms. Marconi:

**Re: PUC Distribution Inc. ("PUC") 2023 Cost of Service Application
OEB File No: EB-2022-0059**

On September 27, 2022 OEB Staff sent a list of Error Checking Questions regarding PUC's 2023 Cost of Service Rate Application filed on August 31, 2022. The following outlines the questions asked and corresponding responses to each question. As a result, the following models have been refiled.

- a) PUC_2023_Filing_Requirements_Chapter2_Appendices_20221012
- b) PUC_2023_1595_Analysis_workform_20221012
- c) PUC_2023_Cost_Allocation_Model_20221012
- d) PUC_2023_DVA_Continuity_Schedule_20221012
- e) PUC_2023_Test_Year_Income_Tax_PILS_20221012
- f) PUC_2023_Tariff_Schedule_and_Bill_Impact_Model_20221012



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OEB Staff Question 1:

The following does not reconcile between the Chapter 2 Appendices, Tab 2-AB from the current application to the Chapter 2 Appendices, Tab 2-AB from the 2018 settlement proposal (EB-2017-0071). Please reconcile:

- 2022 Planned System OM&A - the 2023 model shows \$6,680; the 2018 model shows \$6,594

PUC Response:

The 2023 Chapter 2 Appendices was incorrect. The 2022 “Planned” system OM&A derived from PUC’s last DSP should have been \$6,594k as outlined in the 2018 model. This has been revised and refiled as “PUC_2023_Filing_Requirements_Chapter2_Appendices_20221012”.



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OEB Staff Question 2:

The following does not reconcile between the Chapter 2 Appendices, Tab 2-AB from the current application to the Chapter 2 Appendices, Tab 2-AB from the 2018 settlement proposal (EB-2017-0071). Please reconcile:

- 2019 Planned Net Expenditures - the 2023 model shows \$8,996; the 2018 model shows \$8,576.

PUC Response:

As part of the Decision and Order issued by the OEB on September 27, 2018, for EB-2017-0071 (page 21 of 76), \$420k was excluded from the 2018 capital expenditures as it was designated for Substation 16 rebuild. Therefore, \$420k was added to 2019 planned capital expenditures increasing the total from \$8,576k to \$8,996k. This update was missed when PUC filed the final update to the chapter 2 filing requirements. This is evident from original chapter 2 filing requirements, "PUC_2018 Filing_Requirements_Chapter2_Appendices_20180329", which contains the same \$8,579k in total planned capital expenditures for 2019.



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OEB Staff Question 3:

At exhibit 1, page 13 of 139, the current application states “the OEB approved \$11,474,633 OM&A in PUC’s 2018 rebasing application. This amount included property taxes in the amount of \$298,477.” The OM&A amount shown in the 2018 settlement proposal at page 14 shows OM&A expenses of \$11,543,633. Similarly, the 2018 Revenue Requirement Workform filed as part of the settlement proposal notes OM&A expenses of \$11,474,633, property taxes of \$45k and other expenses of \$24k. When added together, this reconciles to \$11,543,633. Please confirm the correct 2018-approved OM&A amounts, both including and excluding property taxes.

PUC Response:

The 2018 approved OM&A amount breakdown is as follows. There was an additional \$45,000 in taxes other than income taxes that was missing in the explanation on page 13 of 139.

OM&A	\$11,176,156
Taxes Other than Income Tax	\$343,477
LEAP	\$24,000
Total	\$11,543,633



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OEB Staff Question 4:

The General Plant – Equipment and Tools forecasted spending does not reconcile between Exhibit 2, page 337, Table 2, and the DSP, page 113, Table 5.4-13.

PUC Response:

Exhibit 2, Page 337 is incorrect for 2024 and 2025. The amounts should read \$33k and \$188k, respectively. Table 2: Historical and Forecast Capital Expenditures has been updated below.

Table 2: Historical and Forecast Capital Expenditures

	Historical Costs (\$'000)					Forecast Costs (\$'000)				
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Capital (Gross)	0	0	0	0	0	295	33	188	0	0
Contributions	0	0	0	0	0	0	0	0	0	0
Net	0	0	0	0	0	295	33	188	0	0



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OEB Staff Question 5:

At exhibit 9, page 17, with respect to Account 1595 (2018) PUC Distribution states “The collections/returns variance percentage is less than 1.0%.” The Account 1595 Workform shows a variance of 3.2%. Please reconcile.

PUC Response:

PUC has reviewed the account balances in account 1595(2018) and completed some updates to the 1595 (2018) Analysis workform. As a result, the following models have been refiled.

- a) PUC_2023_1595_Analysis_workform_20221012
- b) PUC_2023_DVA_Contuity_Schedule_20221012
- c) PUC_2023_Tariff_Schedule_and_Bill_Impact_Model_20221012

First the disposition total of group 1 and group 2 accounts is a refund to customers of \$3,110,901 in principal and \$125,704 in carrying charges for a total of \$3,236,605 refund to customers. PUC refunded a total of \$3,327,770 to these customers representing an over refund of \$91,165.

Second the disposition of Account 1589- Global Adjustment(“GA”) was a collection from customers of \$73,743 in principal and \$44,610 in carrying charges for a total of \$118,353. PUC collected a total of \$142,330 from GA customers representing an over collection of \$23,977.

The reason for this over refund (Group 1 and 2 accounts) and over collection (Account 1589 – GA) to customers is the rate rider was collected/refunded from October 1, 2018, to April 30, 2020, which covered two winter periods when PUC’s consumption is highest. The billing determinant used in computing the rate rider was PUC’s yearly consumption. Therefore, the actual consumption was higher than the billing determinant consumption resulting in an over refund for Group 1 and 2 accounts and an over collection for Account 1589 – GA.

Additionally, a reconciliation of the carrying charges has been completed and updated on the 1595 Analysis Workform.



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OEB Staff Question 6:

The cost allocation model, tab I7.1 meter capital indicates a number of meters forecasted to be used by each rate class that is fewer than the number of customers forecast for each rate class. Please reconcile.

PUC Response:

Tab I7.1 has been updated to match the forecasted number of meters by each rate class. This has caused a change in the amount of revenue allocated to the residential, GS<50 and GS>50 rate classes. This has been updated in the revised PUC_2023_Cost_Allocation_Model_20221012 model filed in live excel format with these responses.



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OEB Staff Question 7:

The cost allocation model, tab I6.2 customer data indicates that the number of GS < 50 customers using primary distribution and line transformation exceeds the total number of customers for the rate class. Please explain.

PUC Response:

The number of primary and line transformation customer base should be 3400. This has been updated in the revised PUC_2023_Cost_Allocation_Model_20221012 model filed in live excel format with these responses.



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OEB Staff Question 8:

The cost allocation model, tab I6.2 customer data indicates not all customers require the use of primary assets in the GS > 50 rate class, fewer customers require utility line transformers, and fewer still customers require secondary distribution assets. In the GS < 50 rate class, fewer customers require secondary distribution than utility provided line transformers. However, the cost allocation model, tab I8 demand data indicates that the full load is present on all levels of the system for both rate classes. Please reconcile.

PUC Response:

There are two parts to the response to OEB Staff's question.

First there was a clerical error in the GS>50 Primary Customer Base and Line Transformer Customer Base. This should be 344 and 314, respectively.

The second part asks why tab I8 demand data includes the full load present on all levels of the system for both GS<50 and GS>50 rate classes. This was also an oversight by PUC Distribution Inc. The Load data has been updated accordingly.

PUC has updated the cost allocation model to reflect these changes and has been refiled with these responses as PUC_2023_Cost_Allocation_Model_20221012



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OEB Staff Question 9:

For Accounts 1595 (2018), (2019), (2020), (2021), the December 31, 2021, amounts in Exhibit 9, page 7, Table 9-1 in columns “Total Principal” and “Total Interest” do not agree to principal and interest in tab 2a of the DVA Continuity Schedule (columns BG and BL). Please reconcile.

PUC Response:

Table 9-1 has been corrected to show the proper principal and interest amounts to December 31, 2021. Table 9-1 incorporates the changes from OEB Staff Question 5.



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Table 9-1

Account Name	Account Number	Total Principal (Dec 31, 2021)	Total Interest (Dec 31, 2021)	Total Principal & Interest (Dec 31, 2021)	2.1.7 RRR Balances (Dec 31, 2021)	Variance
Group 1 Accounts:						
Smart Metering Entity Charge Variance Account	1551	(\$16,762)	\$53	(\$16,709)	(\$16,709)	\$0
RSVA - Wholesale Market Service Charge	1580	\$664,614	(\$8,090)	\$656,524	\$549,823	\$106,701
RSVA - Wholesale Market Service Charge - CBR	1580	(\$106,072)	(\$630)	(\$106,701)	\$0	(\$106,701)
RSVA - Retail Transmission Network Charge	1584	\$685,423	\$1,806	\$687,230	\$687,230	\$0
RSVA - Power (excluding Global Adjustment)	1588	(\$718,815)	\$6,969	(\$711,846)	(\$711,846)	(\$0)
RSVA - Global Adjustment	1589	\$188,255	\$24,535	\$212,790	\$212,790	\$0
Disposition and Recovery/Refund of Regulatory Balances (2018)	1595	\$67,189	(\$41,378)	\$25,811	\$25,811	\$0
Disposition and Recovery/Refund of Regulatory Balances (2019)	1595	\$103,267	(\$127,752)	(\$24,485)	(\$24,485)	\$0
Disposition and Recovery/Refund of Regulatory Balances (2020)	1595	\$0	\$0	\$0	\$0	\$0
Disposition and Recovery/Refund of Regulatory Balances (2021)	1595	\$226,595	\$1,940	\$228,535	\$228,535	\$0
Subtotal - Group 1 Accounts		\$867,099	(\$144,486)	\$722,613	\$722,613	\$0
Group 2 Accounts:						
Other Regulatory Assets - Sub-Account - Pole Attachment Variance	1508	(\$25,567)	(\$1,165)	(\$26,732)	(\$26,732)	\$0
Other Regulatory Assets - Sub-Account - ICM Substation 16	1508	\$5,635,157	\$1,389	\$5,636,546	\$5,636,546	\$0
COVID-19 Rate Implementation Delay Variance Account	1509	\$146,644	\$0	\$146,644	\$146,644	\$0
COVID-19 Incremental Expense Variance Account	1509	\$383,029	\$10,193	\$393,221	\$393,221	\$0
Retail Cost Variance Account - Retail	1518	(\$5,273)	(\$915)	(\$6,188)	(\$6,188)	\$0
Retail Cost Variance Account - STR	1548	\$51,022	\$2,373	\$53,395	\$53,395	\$0
PILs & Taxes Variance	1592	(\$409,355)	(\$1,619)	(\$410,974)	(\$410,974)	\$0
Subtotal - Group 2 Accounts		\$5,775,657	\$10,255	\$5,785,912	\$5,785,912	\$0
Other Accounts:						
LRAM Variance Account	1568	\$8,827	\$5,436	\$14,263	\$14,263	\$0
Subtotal - Other Accounts		\$8,827	\$5,436	\$14,263	\$14,263	\$0
Total		\$6,651,582	(\$128,795)	\$6,522,788	\$6,522,788	\$0



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OEB Staff Question 10:

For Account 1508, Sub-account ICM Substation 16, Exhibit 9, page 7, Table 9-1 shows \$5,636,546 in the RRR column while tab 2b of the DVA Continuity Schedule RRR amount sums to \$5,635,157 (sum of BV54 to BV58). Please reconcile.

PUC Response:

The difference between \$5,636,546 and \$5,635,157 is \$1,389 which is the carrying costs associated with ICM Substation 16. On Tab 2b of the DVA Continuity Schedule this \$1,389 was record on row 60. These carrying costs are associated with Substation 16 ICM and have now been moved to row 57. The revised PUC_2023_DVA_Continuity_Schedule_20221012 has been filed with these responses.



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OEB Staff Question 11:

For Account 1509, Sub-account COVID-19 Rate Implementation Delay Variance Account, Exhibit 9, page 7, Table 9-1 shows \$146,644 in the RRR column while tab 2b of the DVA Continuity Schedule RRR amount sums to \$137,498 (BV59, 60, 65, 66). Please reconcile.

PUC Response:

The error was in the DVA Continuity Schedule. PUC has refiled the PUC_2023_DVA_Continuity_Schedule_20221012 with these responses.



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OEB Staff Question 12:

The PILs amount between the below noted references are different. Please reconcile the amounts and confirm that the amount in the PILs Workform and Revenue Requirement Workform is correct.

- Exhibit 6, page 13, line 16 of \$498,389,
- Exhibit 6, page 15 of \$487,444,
- PILs Workform and Revenue Requirement Workform of \$574,141.

PUC Response:

The PILS Workform and Revenue Requirement Workform amount of \$574,141 is accurate. The amounts noted in Exhibit 6 were provided in error.



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OEB Staff Question 13:

At Exhibit 6, page 21, Table 6-18, total UCC is \$89,032,997. In the tab H8 of the PILs Workform and the Schedule 8 of the tax return in Exhibit 6 Appendix B, total UCC is \$90,774,451. It appears that Table 6-18 excludes class 14.1, while the PILs Workform and Tax return includes class 14.1. Please confirm and revise as needed.

PUC Response:

Table 6-18 was missing class 14.1. Table 6-18 has been revised below.

Table 6-18: Reconciliation of the 2021 UCC Balance

Class Description	Class Number	December 31, 2021 UCC Balance per S(8)	Opening UCC Balance for 2022 Bridge Year
Distribution System - 1988 to 22-Feb-2005	1	\$18,842,521	\$18,842,521
New Buildings	1	\$17,049,347	\$17,049,347
New Buildings	1b	\$892,076	\$892,076
Eligible Capital Property (acq'd pre 2017)	14.1	\$1,741,453	\$1,741,453
Distribution System - post 22-Feb-2005	47	\$52,249,053	\$52,249,053
Total		\$90,774,451	\$90,774,451



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OEB Staff Question 14:

At Exhibit 6, page 18, page 21 line 10, and page 22 Table 6-19, the 2022 bridge year noncapital loss carryforward is \$3,915,084. In the tab B4 of the PILs Workform, the 2022 non-capital loss carryforward is \$4,135,644. Please reconcile.

PUC Response:

PUC found the error in the PILs Workform. The Income before PILs/Taxes was not updated from \$2,550,824 to \$2,770,248 on tab B1. This changes the loss carry forwards from \$4,135,644 to \$3,916,220. Then on tab B13, an addition of (\$1,136) was added to bridge year adjustments. This further reduced the tax loss carry forward to \$3,915,084. PUC has refiled the PUC_2023_Test_Year_Income_Tax_PILs_20221012 model with these responses.



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OEB Staff Question 15:

The 2023 actual net book value for Substation 16 and SSG does not reconcile between the two references below due to differences in depreciation/accumulated depreciation. Please reconcile.

- Exhibit 2, page 42, Table 2-13:
 - Substation 16 for \$5,794,365
 - SSG for \$20,757,461
- Appendix 2-BA:
 - Substation 16 for \$5,643,862 (2022 gross book value \$6,020,120 - 2022 depreciation 225,174 - 2023 depreciation 150,503)
 - SSG for \$20,457,177 (2022 gross book value \$21,357,909- 2023 depreciation \$300,244 – 2023 depreciation \$600,488)

PUC Response:

Table 2-13 does not represent average net book value of Substation 16 and SSG ICM assets that are included in rate base.

Table 2-13 has been updated below to reflect average net book value so that it matches Chapter 2 Appendices – Appendix 2-BA. The table has been split into table 2-13a for ICM substation 16 and Table 2-13b for ICM SSG.

Table 2-13a: Average Net Book Value of Substation 16 ICM Assets included in 2023 Rate Base

	2023 Beginning	2023 Ending	Average
Gross Capital	\$ 6,020,120	\$ 6,020,120	\$ 6,020,120
Accumulated Depreciation	\$ 225,754	\$ 376,257	\$ 301,006
Net Book Value	\$ 5,794,366	\$ 5,643,863	\$ 5,719,115

Table 2-13b: Average Net Book Value of SSG ICM Assets included in 2023 Rate Base

	2023 Beginning	2023 Ending	Average
Gross Capital	\$ 28,713,347	\$ 31,903,718	\$ 30,308,533
Contributed Capital	\$ 7,355,438	\$ 7,355,438	\$ 7,355,438
Gross Capital Net of Contr Capital	\$ 21,357,909	\$ 24,548,280	\$ 22,953,095
Accumulated Depreciation	\$ 300,244	\$ 900,732	\$ 600,488
Net Book Value	\$ 21,057,665	\$ 23,647,548	\$ 22,352,607