



PUC Networks Inc.

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January 22, 2018

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

**Re: Oshawa PUC Networks Inc. (ED-2002-0560)
2018 Mid-Term Rate Application (EB-2017-0069)
Update to Draft Rate Order**

Dear Ms. Walli:

Oshawa PUC Networks Inc. ("Oshawa PUC") filed a Mid-Term Update and Rate-Setting Application (the "Application") with the Ontario Energy Board (the "OEB") on July 4, 2017 under the Ontario Energy Board Act, 1998, seeking approval for final distribution rates to come into effect on January 1 for each of the years 2018 and 2019.

The OEB issued its Decision and Order on all matters in this Application on December 20, 2017. In the Decision, the Board directed Oshawa PUC to file its draft rate order by January 8, 2018 upon which time Board Staff and intervenors are directed to file any comments within 7 days of the date of filing of the draft rate order.

Oshawa PUC filed its *Draft Rate Order* on January 8, 2018 as directed by the OEB and updated its proposed rates, consistent with the changes ordered by the OEB in its Decision and Order. Pursuant to comments from Board Staff, subsequently filed supplemental evidence on January 11, 2018.

Oshawa PUC addressed each issue in the same structure as the Decision and Order, which included the following sections:

- Load forecast
- Capital expenditures
- Rate base
- Cost of capital
- Working capital allowance

- Loss factor
- Retail transmission service rates
- Deferral and variance accounts

On January 15, 2018 Board Staff issued their *OEB Staff Draft Rate Order Submission* and reported the following:

Load Forecast

Board Staff submits that the updated load forecast is consistent with the Decision and Order.

Capital Expenditures

Board Staff submits that Oshawa PUC should confirm that the approved capital expenditures for plant relocations and new customer connection have been reflected in the rate base and the revenue requirement underpinning this rate order.

In the Decision and Order the OEB approved the capital expenditure update for regional planning, specifically the update to the costs of Enfield TS and the construction of its distribution feeders. The OEB also approved the capital expenditures for plant relocations and new customer connections, which remains unchanged from the Custom IR decision.

The net investment impact related to the OEB's approval of Oshawa PUC's update for regional planning was reported as approximately \$3 million¹.

The following table confirms the capital expenditures (Thousands) for 2018 and 2019 reflects the OEB's Decision and Order:

Rate Year	Custom IR Decision and Order	Mid-Term Decision and Order	Change
2018	\$ 33,135	\$ 18,445	\$ 14,690 Lower
2019	\$ 11,761	\$ 23,474	\$ 11,713 Higher
Total	\$ 44,896	\$ 41,919	\$ 2,977

Rate Base

Board Staff submits that Oshawa PUC has adjusted the 2018 opening rate base to reflect the 2017 closing balance and applied the half-year rule for 2018 and 2019 approved capital expenditures consistent with the OEB Decision and Order.

Cost of Capital

Board Staff submits that Oshawa PUC's methodology for updating the cost of capital parameters to the approved 2018 cost of capital parameters is consistent with the method

¹ Section 36 (c), Exhibit A – Mid-Term Update, page 16.

approved in the Custom IR decision and the cost of capital parameters have been updated to the 2018 cost of capital parameters.

Working Capital Allowance

Board Staff reviewed Oshawa PUC's cost of power model and found two errors in the calculation of cost of power:

1. The wholesale market service charge used was \$0.0032 but should be \$0.0036.
2. It does not appear that Oshawa PUC has applied the global adjustment modifier to all customers that qualify under the Ontario Rebate for Electricity Consumers Act (ORECA). For a customer class that has only some customers that qualify for ORECA, OEB staff proposes that Oshawa PUC calculate a weighted global adjustment unit cost to take into consideration the global adjustment modifier.

OEB staff submits that after these two changes the working capital allowance is consistent with the OEB Decision and Order.

Oshawa confirms it corrected the wholesale market service charge and calculated a weighted average global adjustment rate to reflect customers included in its Industrial Customer Class that qualify under ORECA. Oshawa PUC has filed an updated cost of power model that reflect the corrections.

Loss Factor

Board Staff submits that Oshawa PUC has updated the loss factor in accordance with the Decision and Order.

RTSR

Board Staff notes that the billing determinants for the customer classes GS 50 to 999 kW, GS 50 to 999 kW – interval, and GS 1,000 to 4,999 kW did not match the Reporting and Record Keeping Requirements (RRR) filed with the OEB. The variance is due to wholesale market participant loading and should be updated to match the RRR filing. Board Staff submits that after this correction the RTSR is consistent with the OEB Decision and Order.

Oshawa PUC has updated the RTSR model to reflect the 2017 Uniform Transmission Rates in accordance with the Decision and Order. A updated model has been filed to reflect Board Staff's submission.

DVAs

Oshawa PUC has updated its deferral and variance account balances in accordance with the OEB's Decision and Order. In Board Staff's review of the calculations of the DVA riders, it appears Oshawa PUC has allocated balances in account 1580 Variance WMS – sub-account CBR Class B to all customers but has also identified one Class A customer. The balances in this account should only be allocated to Class B customers, and is normally done through a separate rate rider. Oshawa PUC has confirmed that the Class A customer is in its own rate class. Since the Class A customer can be isolated in its own

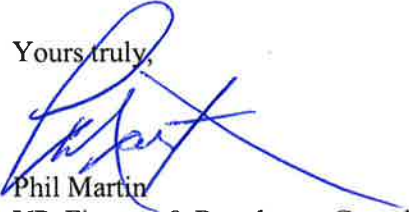
rate class, allocating the balance to the correct rate classes will avoid the need of a separate rate rider. Board Staff submits that after this correction, the disposition of the DVAs is consistent with the OEB Decision and Order.

Oshawa PUC has made the correction and is filing an updated model that reflects Board Staff's submission.

In addition to this electronic filing, two hard copies of these materials are being delivered to the Board.

This evidence is also being distributed by e-mail to Board Staff and the intervenors of record.

Yours truly,



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