



RP-2005-0020
EB-2005-0402

IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an Application by Oshawa
PUC Networks Inc. for an order or orders approving or
fixing just and reasonable distribution rates and other
charges, effective May 1, 2006.

BEFORE: Paul Vlahos
Presiding Member

Bob Betts
Member

DECISION AND ORDER

Oshawa PUC Networks Inc. (“Oshawa PUC” or the “Applicant”) is a licensed distributor providing electrical service to consumers within its defined service area. Oshawa PUC filed an application (the “Application”) with the Ontario Energy Board (the “Board”) for an order or orders approving or fixing just and reasonable rates for the distribution of electricity and other matters, to be effective May 1, 2006.

Oshawa PUC is one of over 90 electricity distributors in Ontario that are regulated by the Board. To streamline the process for the approval of distribution rates and charges for these distributors, the Board developed and issued the 2006 Electricity Distribution Rate Handbook (the “Handbook”) and complementary spreadsheet-based models. These materials were developed after extensive public consultation with distributors, customer groups, public and environmental interest groups, and other interested parties. The Handbook contains requirements and guidelines for filing an application.

The models determine the amounts to be included for the payments in lieu of taxes (“PILs”) and calculate rates based on historical financial and other information entered by the distributor.

Also included in this process was a methodology and model for the final recovery of regulatory assets flowing from the Board’s decision dated December 9, 2004 on the Review and Recovery of Regulatory Assets – Phase 2 for Toronto Hydro, London Hydro, Enersource Hydro Mississauga and Hydro One Networks Inc. (“Hydro One”). In Chapter 10 of the decision, the Board outlined a Phase 2 process for the remaining distributors. By letter of July 12, 2005, the Board provided guidance and a spreadsheet-based model to the distributors for the inclusion of this recovery as part of their 2006 distribution rate applications.

In its preliminary review of the 2006 rate applications received from the distributors, the Board identified several issues that appeared to be common to many or all of the distributors. As a result, the Board held a hearing (EB-2005-0529) to consider these issues (the “Generic Issues Proceeding”) and released its decision (the “Generic Decision”) on March 21, 2006. The rulings flowing from that Generic Decision apply to this Application, except to the extent noted in this Decision. The Board notes that pursuant to ss. 21 (6.1) of the *Ontario Energy Board Act, 1998*, and to the extent that it is pertinent to this Application, the evidentiary record of the Generic Issues Proceeding is part of the evidentiary record upon which the Board is basing this Decision.

In December 2001, the Board authorized the establishment of deferral accounts by the distributors related to the payments that the distributors make to the Ministry of Finance in lieu of taxes. The Board is required, under its enabling legislation, to make an order with respect to non-commodity deferral accounts once every twelve months. The Board has considered the information available with respect to these accounts and orders that the amounts recorded in the accounts will not be reflected in rates as part of the Rate Order that will result from this Decision. The Board will continue to monitor the accounts with a view to clearing them when appropriate.

Public notice of the rate Application made by Oshawa PUC was given through newspaper publication in its service area. The evidence filed was made available to the public. Interested parties intervened in the proceeding. The evidence in the Application was tested through written interrogatories from Board staff and intervenors, and intervenors and Oshawa PUC had the opportunity to file written argument. While the

Board has considered the entire record in this proceeding, it has made reference in this Decision only to such evidence and argument as is necessary to provide context to its findings.

Oshawa PUC has requested an amount of \$20,744,846 as revenue to be recovered through distribution rates and charges. Included in this amount is a debit of \$1,172,604 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that Oshawa PUC has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

Notwithstanding Oshawa PUC's general compliance with the Handbook and associated models, in considering this Application the Board reviewed the following matters in detail:

- Staffing Increase;
- Energy Management Infrastructure;
- Rate Base Adjustment – Municipal Substation;
- Bad Debt Allowance;
- Supplemental Disclosure; and
- Consequences of the Generic Decision (EB-2005-0529).

Staffing Increase

Oshawa PUC requested approval to increase its staffing level by 6 positions. In order to reduce its fixed costs and due to retirements, attrition and re-organization, Oshawa PUC's staffing level has been reduced in recent years; specifically, from 110 in 1999 to 80 in 2004. Most recently, five staff members who retired in 2003 have not been replaced. With 40% of its staff eligible for retirement in the next 5 years (and since it takes approximately 5 years to develop staff per the Applicant's claim), Oshawa PUC stated that it is necessary to increase its staffing level at this time to ensure a seamless and safe transition of knowledge and skills. Five of the six additional staff will perform engineering-type work in direct support of distribution system operations; the sixth position is an Energy Management Professional who will lead energy conservation initiatives. The estimated annual cost of the six staff is \$667,000, composed of \$544,000 for the five staff that will work in direct support of distribution system operations and \$123,000 for the Energy Management Professional.

The Vulnerable Energy Consumers Coalition (“VECC”) stated that the inclusion of salaries for the five additional staff that will engage in direct support of distribution system operations is reasonable.

The Board recognizes the need to increase the staffing level to perform the work that directly supports safe distribution system operations. Therefore, the Board approves increasing the staffing level by five persons at a budgeted cost of \$544,000. The Board findings concerning the Energy Management Professional follow.

Energy Management Infrastructure

Oshawa PUC requested approval to establish a new three-person organizational unit that will provide energy management support and guidance to customers.

The \$300,000 annual cost of the “infrastructure” which Oshawa PUC requested to establish consists of an Energy Management Professional or equivalent contract/external energy partner (\$115k), two full-time clerks (\$120k including training) and media/material/expense costs (\$65k). There is no capital cost. Oshawa PUC stated that the purpose of the initiative is to provide energy management education to local schools and on-line assistance to customers in an effort to reduce consumption. This expense is additional to the \$800,000 CDM 3rd tranche adjustment being claimed by Oshawa PUC. Oshawa PUC stated that it is not making any CDM investments that are incremental to the 3rd tranche.

VECC expressed concern that this initiative had not been positioned as post-3rd tranche CDM spending and that no business case had been provided, and urged the Board to require more information to confirm the prudence of such spending before it is included in rates.

The Board is of the view that this is a CDM expenditure which is incremental to the 3rd tranche and that the Energy Management Professional is a duplication of the staff position discussed above under the heading Staffing Increase. Oshawa PUC has failed to satisfy the evidentiary requirements of the Board regarding this incremental CDM expenditure, and the Board will not approve the request.

Rate Base Adjustment – Municipal Substation

Oshawa PUC sought to include as a Tier 1 adjustment a new distribution transformer station in the rate base. Oshawa PUC acquired both the new municipal substation (\$750,000) and land for the substation (\$200,000) in 2005.

VECC stated that it considered the inclusion of this item in rate base to be consistent with the Handbook.

The Board does not accept that the Handbook provides for the inclusion of such new facilities (i.e. a distribution substation) as a Tier 1 adjustment to the rate base for historical test year Applicants. The Board notes that the expenditure constitutes less than 2% of Oshawa PUC's rate base, and could not be considered a major capital project. Rather, the Board is concerned that the proposal represents a piecemeal inclusion of a forward adjustment that does not comply with Handbook requirements for historical test year applications. The Board notes that this minor addition to ratebase will be reflected in future determinations of ratebase. Therefore, the Board rejects Oshawa PUC's request for this \$950,000 rate base adjustment.

Bad Debt Allowance

Oshawa PUC requested an upward adjustment of \$160,000 for bad debt expense on the basis that it has incurred significant bad debts in recent years. In 2002 the bankruptcy of one of its largest customers resulted in lost revenues of \$416,000. Total bad debt in 2002 was \$518,000, in 2003 was \$251,000 and in 2004 was \$398,000.

Oshawa PUC explained that it has generally been unsuccessful in collecting accounts less than \$1,000. Although the standard rates for activities such as connection and disconnection are individually reasonable, Oshawa PUC asserted that the model incorrectly assumes complete recovery. Oshawa PUC estimated that 15% (\$60,000) of these charges will not be collected. Additionally, Oshawa PUC asserted that the local economy is very sensitive to plant shut-downs and reduced operations in industry. Recent downsizing announcements by major employers have further increased the likelihood of significant bad debts. Oshawa PUC asserted that a further \$100,000 of bad debts is likely to be caused by the economic slowdown, resulting in the \$160,000 total.

VECC noted that there did not appear to be support or explanation for the size of the adjustment and submitted that there is insufficient evidence to support the requested adjustment.

The Board acknowledges that Oshawa PUC has incurred significant bad debt in recent years. However, the Board is not persuaded that the proposed Tier 1 adjustment is compliant with the Handbook, or that Oshawa PUC has identified a discrete item that makes 2004 unrepresentative. Tier 1 adjustments are not piecemeal substitutes for forward test year applications. The Board also wishes to avoid reducing the incentive to aggressively manage bad debt levels. For these reasons, the Board will not approve the requested Tier 1 bad debt adjustment.

Supplemental Disclosure – Regulatory Assets

Oshawa PUC's Supplemental Disclosure is certified by the company's Corporate Comptroller rather than the Chief Executive Officer as required by the July 12, 2005 Regulatory Asset Filing Guidelines.

The Board clearly requires that the Supplemental Disclosure be signed by the CEO, as stated in the Filing Guidelines. Oshawa PUC has repeatedly failed to comply with the Guidelines in this particular matter, which is central to the minimum review process for recovering regulatory assets. Therefore, the Board finds the regulatory asset rate riders are approved only on an interim basis pending the completion of the Supplemental Disclosure signed by the CEO and its delivery to the Board offices within 30 days. If a correctly completed and signed Supplemental Disclosure is not provided in this manner, the Board may cancel the regulatory asset rate riders.

Consequences of the Generic Decision on this Application

The Generic Decision contains findings relevant to funding for smart meters for electricity distributors. The Applicant did not file a specific smart meter investment plan or request approval of any associated amount in revenue requirement. Absent a specific plan or discrete revenue requirement, the Generic Decision provides that \$0.30 per residential customer per month be reflected in the Applicant's revenue requirement. The Board finds that this increase in the revenue requirement amount will be allocated equally to all metered customers and recovered through their monthly service charge. This increment is reflected in the approved monthly service charges contained in the

Tariff of Rates and Charges appended to this Decision. Pursuant to the Generic Decision, a variance account will be established, the details of which will be communicated in due course.

Resulting Revenue Requirement

As a result of the Board's determinations on these issues, the Board has adjusted the revenue requirement to be recovered through distribution rates and charges to \$19,989,402, including a debit amount of \$1,172,604 for the recovery of Regulatory Assets.

In its letter of December 20, 2004 to electricity distributors, the Board indicated that it would consider the disposition of the 2005 OEB dues recorded in Account 1508 in this proceeding. However, given that the final 2005 OEB dues are not available because of the difference in fiscal years for the Board and the distributors, and given that the model used to develop the Application does not incorporate this provision, the Board will review and dispose of the 2005 OEB dues at a later time.

Cost Awards

This Application is one of a number of applications before the Board dealing with 2006 rates chargeable by distributors. Intervenors may be parties to multiple applications and, if eligible, their costs associated with a specific distributor may not be separable. Therefore, for these applications, the matter of intervenor cost awards will be addressed by the Board at a later date, upon the conclusion of the current rate applications. If an intervenor that is eligible to recover its costs is able to uniquely identify its costs associated with this Application, it must file its cost claim within 10 days from the receipt of this Decision.

THE BOARD ORDERS THAT:

1. The Tariff of Rates and Charges set out in Appendix "A" of this Order is approved, effective May 1, 2006, for electricity consumed or estimated to have been consumed on and after May 1, 2006. The application of the revised distribution rates shall be prorated to May 1, 2006. If Oshawa PUC Networks Inc.'s billing system is not capable of prorating changed loss factors jointly with

distribution rates, the revised loss factors shall be implemented upon the first subsequent billing for each billing cycle.

2. The Tariff of Rates and Charges set out in Appendix "A" of this Order supersedes all previous distribution rate schedules approved by the Ontario Energy Board for Oshawa PUC Networks Inc., and is final in all respects except for the regulatory asset rate riders, which are interim.
3. Oshawa PUC Networks Inc. shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.

DATED at Toronto, April 12, 2006.

ONTARIO ENERGY BOARD

A handwritten signature in black ink, appearing to read "John Zych". The signature is fluid and cursive, with the first name "John" being more prominent than the last name "Zych".

John Zych
Board Secretary

Appendix "A"

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April 12, 2006

ONTARIO ENERGY BOARD

Oshawa PUC Networks Inc.

TARIFF OF RATES AND CHARGES

Effective May 1, 2006

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

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APPLICATION

- The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Codes, Guidelines or Orders of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.
- No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code, Guideline or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.
- This schedule does not contain any rates and charges relating to the electricity commodity (e.g. the Regulated Price Plan).

EFFECTIVE DATES

DISTRIBUTION RATES - May 1, 2006 for all consumption or deemed consumption services used on or after that date.
 SPECIFIC SERVICE CHARGES - May 1, 2006 for all charges incurred by customers on or after that date.
 LOSS FACTOR ADJUSTMENT – May 1, 2006 unless the distributor is not capable of prorating changed loss factors jointly with distribution rates. In that case, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

SERVICE CLASSIFICATIONS

Residential

This classification refers to the supply of electrical energy to residential customers residing in detached, semi detached, townhouse (freehold or condominium) dwelling units, duplexes or triplexes. Basic connection is defined as 100 amp 12/240 volt overhead service. Further servicing details are available in the distributor's Conditions of Service.

General Service Less Than 50 kW

This classification refers to a non-residential account taking electricity at 750 volts or less whose monthly peak demand is less than or expected to be less than 50 kW. Further servicing details are available in the distributor's Conditions of Service.

General Service 50 to 999 kW

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 1,000 kW. Note that for statistical purposes the following sub-classifications apply:

- General Service 50 to 200 kW
- General Service over 200 kW

Further servicing details are available in the distributor's Conditions of Service.

General Service 1,000 to 4,999 kW – Formerly Referred to as Intermediate or Time of Use

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 1,000 kW but less than 5,000 kW. Note that for the application of the Retail Transmission Rate – Network Service Rate and the Retail Transmission Rate – Line and Transformation Connection Service Rate the following sub-classifications apply:

- General Service 1,000 to 5,000 kW non-interval metered
- General Service 1,000 to 5,000 kW interval metered.

Further servicing details are available in the distributor's Conditions of Service.

Large Use

This classification applies to an account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 5,000 kW. Further servicing details are available in the distributor's Conditions of Service.

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Unmetered Scattered Load

This classification applies to an account whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The level of the consumption will be agreed to by the distributor and the customer, based on detailed manufacturer information/documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption. Further servicing details are available in the distributor's Conditions of Service.

Sentinel Lighting

This classification refers to accounts that are an unmetered lighting load supplied to a sentinel light. Further servicing details are available in the distributor's Conditions of Service.

Street Lighting

This classification refers to accounts concerning roadway lighting for a Municipality, Regional Municipality, and/or Ministry of Transportation. This lighting will be controlled by photo cells. The consumption for these customers will be based on the calculated connected load times as established in the approved OEB Street Lighting Load Shape Template. Further servicing details are available in the distributor's Conditions of Service.

MONTHLY RATES AND CHARGES

Residential

Service Charge	\$	7.46
Distribution Volumetric Rate	\$/kWh	0.0106
Regulatory Asset Recovery	\$/kWh	0.0012
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0059
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0045
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

General Service Less Than 50 kW

Service Charge	\$	8.90
Distribution Volumetric Rate	\$/kWh	0.0177
Regulatory Asset Recovery	\$/kWh	0.0009
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0053
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0041
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

General Service 50 to 999 kW

Service Charge	\$	39.95
Distribution Volumetric Rate	\$/kW	3.4563
Regulatory Asset Recovery	\$/kW	0.4043
Retail Transmission Rate – Network Service Rate	\$/kW	1.9069
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.4616
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.4441
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.8565
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Oshawa PUC Networks Inc.

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General Service 1,000 to 4,999 kW – Formerly Intermediate or Time of Use

Service Charge	\$	1,908.47
Distribution Volumetric Rate	\$/kWh	4.2382
Regulatory Asset Recovery	\$/kWh	0.0820
Retail Transmission Rate – Network Service Rate	\$/kWh	1.9069
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	1.4616
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.4441
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.8565
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

Large Use

Service Charge	\$	10,275.14
Distribution Volumetric Rate	\$/kW	2.8249
Regulatory Asset Recovery	\$/kW	0.2860
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.6041
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	2.0258
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Unmetered Scattered Load

Service Charge (per connection)	\$	4.32
Distribution Volumetric Rate	\$/kWh	0.0177
Regulatory Asset Recovery	\$/kWh	0.0022
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0053
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0041
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Sentinel Lighting

Service Charge (per connection)	\$	2.41
Distribution Volumetric Rate	\$/kW	5.4678
Regulatory Asset Recovery	\$/kW	0.1748
Retail Transmission Rate – Network Service Rate	\$/kW	1.3152
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.7158
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Street Lighting

Service Charge (per connection)	\$	0.47
Distribution Volumetric Rate	\$/kW	7.2552
Regulatory Asset Recovery	\$/kW	0.1748
Retail Transmission Rate – Network Service Rate	\$/kW	1.2929
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.6867
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Oshawa PUC Networks Inc.

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Specific Service Charges

Customer Administration		
Arrears certificate	\$	15.00
Easement Letter	\$	15.00
Account history	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Returned cheque charge (plus bank charges)	\$	15.00
Legal letter charge	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	
30.00		
Special meter reads	\$	
30.00		
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00
Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of account charge – no disconnection	\$	30.00
Disconnect/Reconnect at meter – during regular hours	\$	65.00
Disconnect/Reconnect at meter – after regular hours	\$	185.00
Disconnect/Reconnect at pole – during regular hours	\$	185.00
Disconnect/Reconnect at pole – after regular hours	\$	415.00
Install/Remove load control device – during regular hours	\$	65.00
Install/Remove load control device – after regular hours	\$	185.00
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35
Allowances		
Transformer Allowance for Ownership - per kW of billing demand/month	\$	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

LOSS FACTORS

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0466
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0146
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0361
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0045