



**EB-2007-0710**

**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. pursuant to section 78 of the  
Ontario Energy Board Act seeking approval to amend  
electricity distribution rates.

**BEFORE:** Paul Vlahos  
Presiding Member

Bill Rupert  
Member

### **RATE ORDER**

Oshawa PUC Networks Inc. (“OPUCN” or “the Company”) is a licensed distributor of electricity providing service to consumers within its licensed service area. On October 4, 2007 OPUCN filed an 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 charges, to be effective May 1, 2008.

The Board assigned file number EB-2007-0710 to the application and issued a Notice of Application and Hearing on October 18, 2007. The Vulnerable Energy Consumers Coalition (“VECC”), the School Energy Coalition and the Association of Power Consumers of Ontario requested and were granted intervenor status.

On March 19, 2008 the Board issued its Decision on the subject application. In the Decision, the Board ordered OPUCN to file a Draft Rate Order reflecting the Board's findings. The Board indicated that it expected OPUCN to file detailed supporting material, including all relevant calculations showing the impact of this Decision on the Company's proposed revenue requirement, the allocation of the approved revenue requirement to the customer classes and the determination of the final rates.

OPUCN filed the Draft Rate Order on April 2, 2008. The intervenors in this proceeding had the opportunity to file comments within 6 days from the date of the filing of the Draft Rate Order. The Board received submissions from VECC and Board staff on April 7, 2008 and April 11, 2008. There are two outstanding matters on which the Board needs to make a decision. The first deals with the calculation of Payments in Lieu of Taxes ("PILs"). The second deals with the amount and recovery of balances in the deferral accounts.

### **PILs Calculation**

OPUCN filed a revised Draft Rate Order on April 17, 2008. Board staff questioned two aspects of OPUCN's PILs calculation – the proposed treatment of non-allowable/non-deductible interest expense, and OPUCN's failure to deduct deemed interest on short-term debt.

For ratemaking purposes, the Board limits a distributor's recovery of interest expense on long-term debt held by an affiliate to an amount based on the Board's deemed debt rate. This was described on page 10 of the Decision:

Notwithstanding the fixed rate of the instrument [7.25%], based on the guidelines the Board finds that the allowed cost of debt on the affiliated and callable debt should be the deemed debt rate updated for 2008 in accordance with Appendix A of the Board Report. Based on Consensus Forecasts, Bank of Canada and TSX Inc. data for January 2008, this rate is 6.10%. OPUCN shall reflect this rate for the affiliated debt in determining the revenue requirement.

The Province of Ontario has the same limitation on the amount of interest expense that is deductible by a municipally-owned distributor in calculating its PILs liability. Thus, a distributor that pays interest to an affiliate in excess of interest based on the deemed debt rate is not entitled to recover any of that excess from ratepayers nor is it entitled to any tax relief.

Board staff submitted that OPUCN's April 17, 2008 PILs calculation overstates PILs that should be recovered through rates. Approximately \$66,500 of the PILs overstatement relates to OPUCN's proposed treatment of non-allowable/non-deductible long-term debt interest expense. OPUCN's failure to deduct deemed short-term interest expense results in an additional PILs overstatement of approximately \$37,900. OPUCN disagreed with Board staff and argued it has relied on the 2006 OEB tax model and that excess interest should be included in the calculation of PILs.

The Board agrees with Board staff that OPUCN's proposed approach is not acceptable. With respect to the non-allowable/non-deductible long-term debt interest, OPUCN's calculation would result in ratepayers in effect bearing a portion of OPUCN's excess interest cost. That result is not consistent with the Board's limitation on recovery of interest in excess of the amount calculated using the deemed rate. As for the deemed short-term interest expense, that amount is recovered from ratepayers and, therefore, should have been deducted when computing PILs in OPUCN's methodology.

On May 5, 2008, the Applicant submitted two proposed Tariffs, one using OPUCN's proposed PILs calculation and the other using the calculation as argued by Board Staff. The Board accepts the results flowing from the calculation using Board staff's suggestion, which reflects the Board-approved method.

### **Deferral Accounts**

On page 21 of the Decision, the Board's findings regarding the recovery period in clearing the balances in the deferral and variance accounts are as follows:

Based on the Board's earlier findings, the balances that the Board approves for recovery at this time total approximately \$800,000, much less than OPUCN's request of \$2.38 million. The Board approves recovery of the approved balances through class-specific rate riders over one year beginning May 1, 2008. The Board considers it reasonable for OPUCN to recover those balances quickly given that it is possible there might be larger rate riders required in later periods when the Board reviews and disposes of other accounts.

During the course of the settlement of the rate order, it became clear that the \$800,000 amount was a drafting error. The correct amount is \$25,209.

The Board has amended the above findings in its March 19, 2008 Decision in its Varied Decision dated May 8, 2008, in which it substituted for the above findings the following:

Based on the Board's earlier findings, the balances that the Board approves for recovery at this time are only in account 1508 and total \$25,209, much less than OPUCN's request of \$2.38 million. In view of the relatively small size of this amount in relation to OPUCN's size, and the complexities, effort and expense that would be involved in calculating a rate rider for this small amount or disposing of it through any other means, the Board authorizes OPUCN to delay recovery of this amount until such time as the Company finds it opportune to do so, but with the leave of the Board.

### **Other Matters**

As part of its Draft Rate Order, OPUCN provided the Board with a proposed Tariff of Rates and Charges. In its review of the document, the Board noted that OPUCN had not accurately reflected the Board's decision regarding Retail Transmission Rates, which directed OPUCN to reduce its Retail Transmission Rate – Network Service Rate by 18% and its Retail Transmission Rate – Line and Transformation Connection Service Rate by 5% for all its rate classes. The Board has revised OPUCN's filed rates on the Tariff of Rates and Charges to reflect the decision.

For completeness of the regulated charges, the Board has included in the Tariff of Rates and Charges the charges pertaining to services provided to retailers or consumers regarding the supply of competitive electricity, which are referenced in Chapter 12 of the 2006 Electricity Distribution Rate Handbook.

### **THE BOARD ORDERS THAT:**

1. The Board's March 19, 2008 Decision is amended as per the Varied Decision dated May 8, 2008.
2. The Tariff of Rates and Charges set out in Appendix "A" of this Rate Order is approved, effective May 1, 2008, for electricity consumed or estimated to have been consumed on and after May 1, 2008.

3. 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.
4. 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, May 8, 2008.

ONTARIO ENERGY BOARD

*Original signed by*

Kirsten Walli  
Board Secretary

Appendix "A"

To The Rate Order Arising from Decision

EB-2007-0710

Oshawa PUC Networks Inc.

May 8, 2008

# Oshawa PUC Networks Inc.

## TARIFF OF RATES AND CHARGES

### Effective May 1, 2008

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

EB-2007-0710

#### 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, 2008 for all consumption or deemed consumption services used on or after that date.  
SPECIFIC SERVICE CHARGES - May 1, 2008 for all charges incurred by customers on or after that date.  
RETAIL SERVICE CHARGES – May 1, 2008 for all charges incurred by retailers or customers on or after that date.  
LOSS FACTOR ADJUSTMENT – May 1, 2008 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.

# Oshawa PUC Networks Inc.

## TARIFF OF RATES AND CHARGES

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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	\$	8.40
Distribution Volumetric Rate	\$/kWh	0.0119
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0048
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0043
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

#### **General Service Less Than 50 kW**

Service Charge	\$	9.15
Distribution Volumetric Rate	\$/kWh	0.0182
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0043
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0039
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

#### **General Service 50 to 999 kW**

Service Charge	\$	43.31
Distribution Volumetric Rate	\$/kW	3.7495
Retail Transmission Rate – Network Service Rate	\$/kW	1.5637
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3885
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.0042
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.7637
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25



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

Service Charge	\$	1,532.79
Distribution Volumetric Rate	\$/kW	3.4039
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.0042
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.7637
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

#### **Large Use**

Service Charge	\$	10,207.83
Distribution Volumetric Rate	\$/kW	2.8064
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.1354
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.9245
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

#### **Unmetered Scattered Load**

Service Charge (per connection)	\$	4.69
Distribution Volumetric Rate	\$/kWh	0.0195
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0043
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0039
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

#### **Sentinel Lighting**

Service Charge (per connection)	\$	3.23
Distribution Volumetric Rate	\$/kW	7.3144
Retail Transmission Rate – Network Service Rate	\$/kW	1.0785
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.6300
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

#### **Street Lighting**

Service Charge (per connection)	\$	0.74
Distribution Volumetric Rate	\$/kW	11.6448
Retail Transmission Rate – Network Service Rate	\$/kW	1.0602
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.6024
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

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#### Specific Service Charges

Customer Administration		
Arrears certificate	\$	15.00
Easement Letter	\$	15.00
Account history	\$	15.00
Credit reference Letter	\$	15.00
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	\$/kW	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)
<b>Retail Service Charges (if applicable)</b>		
Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity		
One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	\$	100.00
Monthly Fixed Charge, per retailer	\$	20.00
Monthly Variable Charge, per customer, per retailer	\$/cust.	0.50
Distributor-consolidated billing charge, per customer, per retailer	\$/cust.	0.30
Retailer-consolidated billing credit, per customer, per retailer	\$/cust.	(0.30)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	\$	0.25
Processing fee, per request, applied to the requesting party	\$	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year		no charge
More than twice a year, per request (plus incremental delivery costs)	\$	2.00

#### LOSS FACTORS

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0487
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0145
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0382
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0045