

**OSHAWA PUC NETWORKS INC.**

**Undertaking TC2.4**

To update the table in 1-SEC-2 to include forecast inflation and load growth.

**Response:**

Year	EB-2014-01 Updated for TC	Price Escalator	Revenue From Price Escalator
2015	21,647	1.45%	21,647
2016	23,408	1.63%	22,113
2017	24,384	1.44%	22,854
2018	26,217	2.05%	23,779
2019	27,431	2.16%	24,680

Year	Inflation Rate per PEG	OEB IRM Price Escalator	OPUCN Stretch Factor	Price Escalator
2014	1.93%	1.70%	0.15%	1.55%
2015	1.74%	1.60%	0.15%	1.45%
2016	2.20%	1.93%	0.30%	1.63%
2017	2.31%	1.74%	0.30%	1.44%
2018	2.33%	2.20%	0.15%	2.05%
2019	2.27%	2.31%	0.15%	2.16%

In the first table, OPUCN assumes it rebases rates for 2015. The first column presents the base revenue requirement proposed in OPUCN's Custom IR rate application. For comparison, OPUCN was asked to provide estimated base revenue requirements for each of the Test Years using a price escalator estimated based upon the OEB's current practice for 4th Generation IRM rate applications.

In determining a price escalator, PEG provided an inflation rate based upon the OEB's methodology from data inputs used in their Benchmarking Report prepared for OPUCN (refer to Column – Inflation Rate per PEG). In the next column OPUCN is applying inflation factors from PEG's results assuming a two year lag consistent with the OEB's current practice. From the estimated OEB IRM Price escalator, OPUCN is deducting the expected stretch factor based upon the OEB's current stretch factor rates and PEG's estimate of OPUCN's performance from their Benchmarking Report to compute an estimated Price Escalator for the first table.