Exhibit K1.6
June 30, 2015

EB-2014-0101

Ontario Energy Board

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 approving or just and reasonable rates and other charges for electricity distribution to be effective January 1, 2015 to December 31, 2019.

VULNERABLE ENERGY CONSUMERS COALITION
("VECC")
CROSS-EXAMINATION COMPENDIUM Number (2)

June 30, 2015

#1

of new customer loads and associated capital expenditures, and its best planning in response to information regarding third party requirements for relocation of distribution infrastructure, there are significant risks of forecast error in these parameters over the five-year planning period. OPUCN is particularly concerned that events outside of its control could delay or reduce the expected growth in the community and/or the schedule for asset relocation in response to municipal, regional and third party requirements. Without adjustment for such delay or reduction in development activity, the rates approved at this time could significantly over-recover relative to OPUCN's later year costs. The proposed annual adjustments to account for pre-defined categories of potential test year cost variances are intended to protect both OPUCN and its customers from these uncontrollable and unpredictable material risks, and to preclude reopening OPUCN's rates to full review during the 5 year plan period.

Through an annual rate adjustment process, rates (or, as appropriate, rate riders) for the upcoming test year would be adjusted for revenue requirement impacts associated with:

1. Updated actual and forecast costs for required; i) contributions to Hydro One Networks Inc. for transmission upgrades; and ii) un-budgeted distribution projects required as a result of regional planning to serve OPUCN's distribution area;
2. Updated actual and forecast costs for required relocation of OPUCN distribution plant in response to 3rd party requests;
3. An updated load forecast and an associated update to OPUCN's net new customer connection costs to account for updated customer connection and volume forecasts for the test year;
4. Updated cost of capital applying Board approved cost of capital parameters for capital structure, return on equity and cost of debt; and
5. Updated forecast working capital requirements based on updated cost of power forecasts for the test year.

#2

In addition, OPUCN has proposed a "z-factor" adjustment facility, as contemplated by the RRFE[3], to address material cost increases or decreases linked to an unexpected, non-routine event not reasonably within the control of utility management or preventable by the exercise of due diligence. OPUCN includes changes in accounting or regulatory policy and changes in law having a material impact on OPUCN's cost or revenue structure as eligible for z-factor treatment, providing that other applicable z-factor criteria are met. Z-factor eligibility and criteria are described in the Board's *Filing Requirements for Electricity Distribution Rate Applications* (2014 Edition for 2015 Rate Applications) at section 3.2.7 (and, by reference, section 2.6 of the Board's *Report on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* – July 14, 2008).

OPUCN is also proposing two efficiency incentive mechanisms:

1. A *Controllable Capital Investment Efficiency Incentive Mechanism* (CCIEIM) is proposed to incent OPUCN to control the costs of its controllable capital investment programs; its System Renewal Capital Investment Program and its investment in a new municipal substation and associated feeders. OPUCN proposes that the revenue requirement impacts of variances between forecast and actual capital investment for these programs be shared between OPUCN and its ratepayers through a rate rider to be applied to rates for the duration of the average depreciation period for the capital items included in the program. This proposed capital efficiency incentive mechanism reflects OPUCN's view that avoided rate base has permanent and significant value to ratepayers, but under the current regulatory regime in Ontario there is an embedded disincentive to drive out efficiencies in capital expenditures. Such efficiencies lower rate base and thus reduce long term (25 year) earnings by cost of service regulated utilities. OPUCN's proposal would mitigate this disincentive by allowing OPUCN's shareholder to effectively "earn" a return on capital investments avoided. The concept for this proposal originates in OPUCN's consideration of an analogous incentive mechanism developed and now being applied by the Office of Gas and Electric Markets (OFGEM), the U.K. energy regulator.

2. A *Total Cost Efficiency Carryover Mechanism* (TCECM) is also proposed, to continue to incent general efficiency initiatives late in the Custom IR rate plan period. This "efficiency carryover mechanism" would effectively allow OPUCN to

[3] RRFE, Table 1, page 13.

OSHAWA PUC NETWORKS INC.

Response to The Consumers Council of Canada (CCC)
Interrogatory 1.0-CCC-12

(Ex.1/TC/p.9)

OPUCN proposes an annual rate adjustment due to several risks and unknowns over the 5-year period, saying this would preclude reopening OPUCN's rates to full review. If these adjustments affect major capital spending, please explain why a re-opening of the application for a full review would not be necessary.

Response:

Re-opening of OPUCN's Custom IR Rate Plan for a full review would not be necessary because, except for the few specific areas in which annual adjustments are proposed, the balance of OPUCN's Capital Investment Plan spending, cost of service and associated revenue requirement determinations for the test years 2016 through 2019 will be made in this proceeding.

OPUCN has proposed essentially the following in-period adjustments to rates otherwise determined in this proceeding:

1. Annual rate adjustments for variances in:

    a. Forecast growth in the Oshawa area (updated customer connections, demand and consumption forecasts); and

    b. Cost of power (and associated working capital requirements).

    c. Cost of capital, as determined annually by the OEB.

2. One-time adjustments for variances in:

    a. Hydro One transmission contribution/regional planning cost requirements; and

    b. Plant relocation costs in response to third party requests.

#3

These are five specific areas where precise prediction is difficult and activity or cost changes could be material and are beyond OPUCN's ability to control. OPUCN does not believe that either ratepayers or OPUCN's shareholder should bear the risks associated with timing or scope changes to OPUCN's Capital Investment Plan resulting from these external factors. (In the case of the cost of capital, OPUCN believes that this annual adjustment to incorporate the OEB's updated cost of capital parameters will maintain OPUCN's opportunity to earn a reasonable return and thus meet the fair return standard for rate making.)

In all other respects, OPUCN is committing to operate within its revenue requirement as determined in this proceeding, subject only to the overall "off-ramp" notification and review requirements and z-factor contingencies contemplated in the RRFE.

OPUCN is not requesting adjustment mechanisms for; i) controllable capital expenditures which represent more than 75% of total capital expenditures; ii) all components of working capital allowance other than cost of power which has escalated significantly over recent years; or iii) OM&A expenses.

Annual Reporting is described in Exhibit 10, Tab E. While Annual Reporting for Adjustment Mechanisms and new rates for the 2016 through 2019 Test Years will be required, it is OPUCN's belief that the Board's Decision can be provided through written proposals and re-opening of the application for a full review would not be necessary.

#4

limited intelligence that brings these questions to you. So I am going to -- I am just going to start at the first one. And I won't read the preamble, since you have seen the concern that Mr. Harper has put in, but the question he has in (a) of that question is how the information provided in response to the Staff interrogatories -- and those are Staff interrogatories 3-Staff-18 and Staff-19 -- was used to determine the forecast growth rate of 3 percent per annum for residential and GS under 50.

I think the second part of that question, the methodology information that will be used annually to determine whether this forecast requires revision and update; if so, how the revised forecast will be established for '16 and '19.

So I think what we're looking for here is simply a better understanding of how you are deriving that.

MR. LABRICCIOSA: The way I would describe or respond to that request would be we use historical to inform us as to the normal course of business going forward in terms of the organic growth within the community.

And on top of that, we layer the requests that are coming forward from developers and external agents for the greenfield development in and above what I would call Enfield in the urban centre.

So north of the city there's a bunch of rural area that is now becoming part of the development plan. When we layer on top that developer information, there's a couple of things that informs us about the timing and the size.

One is the approval process that goes through the city agencies around approving of the development, compliance with zoning and building requirements. And two, the filing of an actual residential-type plan or a development plan for the area by the developer that tells us the number and sizes and types of homes and buildings and dwellings that are expected to go.

From that, we use -- we then segment or parse the information into the different load sizes that are expected for the types of dwellings, you know, townhouses, semis, single detached, that -- you know, all of that information has a different load profile attached to it, from what we know of the Oshawa area.

And using that information and those numbers we then project out, again with load factors and such, what the loading would be, the electrical load, and we use that to inform the growth pattern above what we are experiencing today.

MR. GARNER: Okay, thanks. I think the difficulty that we're trying to get with in this is, how do you project that, what I might call qualitative answer, how do you -- how do you propose to project that and show that in any forward adjustments?

MR. LABRICCIOSA: It's the process by which the developer is actually going to construct or build the dwellings. I mean, essentially that's -- it is a timing aspect, as opposed to a specific load quantification, in our view, because the developer has the -- the developer

has the gavel, as you would say, in terms of when they put the shovels in the ground to actually determine when the load shows up.

The types of loads or the load projections are based on the plans that are filed. The more concrete the plans, the more secure we are about the load profile that shows up.

MR. GARNER: Maybe I am not being clear. If you were to file in the subsequent adjustments, what information would you be filing in order to verify your forecast? What are we going to be perusing in order to see what that is like?

MR. MARTIN: I mean, Mark, I think primarily what we have is another year of experience. So we've got -- so right now we're in 2015.

MR. GARNER: Right.

MR. MARTIN: So sometime in 2015, I would suggest probably August/September time frame, we have the benefit, number one, of what is actually happening in 2015 versus what we forecast.

We would essentially go through a similar exercise that we did currently to develop the long-term forecast. So let's, again, review whether there's been any changes to the city's plans, to the development plans. Has 407 been delayed? And recast, again, for the next four years.

And that approach would be taken each year thereafter, and all I can -- what we're trying to mitigate here, Mark, is not so much -- again, we're not trying to correct 2015,

but to the extent that 2015 is off track, we at least get to primarily correct that going forward, reforecast.

So the primary reason we're doing this is to ensure that we don't end up being significantly off track over the five years. That's really what we're trying to do.

MR. GARNER: I think I understand. You're saying basically you're going to use it as -- you're going to use your past forecast and make an adjustment in every year based on how well that is tracking, so to speak. I think what Mr. Harper is trying to get to is he's trying to figure out: If this is a fairly mechanical exercise, as I think you probably hope it to be, as part of the adjustments, how is that mechanical exercise going to work?

MR. MARTIN: Well, it's going to be -- it has to be more than a mechanical exercise, because we are reforecasting.

MR. GARNER: Right.

MR. MARTIN: But we wouldn't -- I don't contemplate there would be a wholesale change in the city's plan. So really it is an update on what information can we gather from developers and city planners, et cetera, that is different than what we kind of have mapped out originally.

Then from that point on, it would be a mechanical exercise.

MR. GARNER: Okay, thank you. That's a good lead-in to the next question or clarification that we had.

This one I am a little bit familiar with because we had -- Mr. Harper and I talked about this a bit. We asked

OSHAWA PUC NETWORKS INC.

Undertaking TC2.8

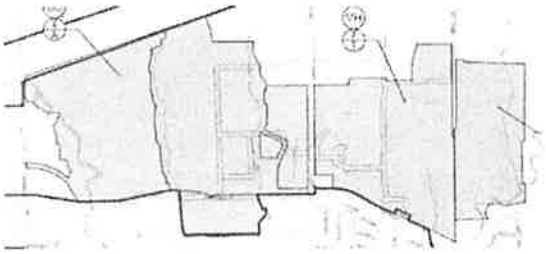
To provide a description of what the maps illustrate and the relevance to the load forecast.

Response:

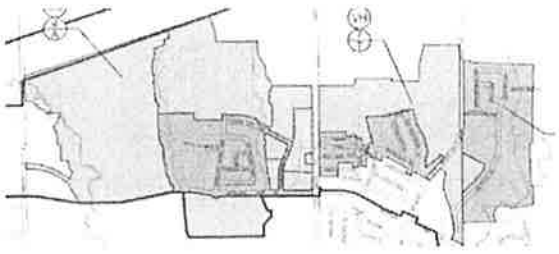
Residential Subdivision Development Activity ("RSDA") is a City of Oshawa document that provides information on the number of permit applications. The RSDA map also illustrates the geographic location of the proposed building(s) and its progress status (color coded) towards registration. For the load forecast, the RSDA is being utilized by OPUCN for load growth forecasting by assessing the specific number and type of building applications and estimated in-service year.

The December 2014 RSDA, submitted in response to 3.0-Staff-18, is an updated version of the June 2013 RSDA submitted with the original OPUCN application. The map scale makes the graphic difficult to visualize and some of the examples of the color coding changes are highlighted below as follows:

From June 2013 RSDA



To Dec 2014 RSDA



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The changes between the prefiled map and the updated map are summarized in the table below:

	Number of Construction Units	
Site Plan Status	**June 2013 RSDA**	**December 2014 RSDA**
Proposed Site Plan	1,419	711
Approved Site Plan	3,620	3,459
Registered & Permits Issued	1,117	1,255
Sub Total – Planning Stage	**6,156**	**5,425**
OPUCN Connections		**743**
Total	**6,156**	**6,168**