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July 24, 2015

VIA COURIER, EMAIL AND RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Oshawa PUC Networks Inc. ("Oshawa PUC")
Submissions of Greater Oshawa Chamber of Commerce ("GOCC")
Board File No.: EB-2014-0101

We are counsel to the Intervenor, Greater Oshawa Chamber of Commerce ("**GOCC**"), in the above noted proceeding.

Please find enclosed the Submissions of GOCC dated July 24, 2015.

If there are any questions, please contact the undersigned.

Yours very truly,

AIRD & BERLIS LLP

Scott Stoll

Scott Stoll

SAS/bm

cc: Case Manager, Harold Thiessen *(via email)*
Board Counsel, Jennifer Lea (via email)
Counsel to the Applicant, Ian Mondrow (via email)
All Parties (via email)
GOCC, Bob Malcolmson (via email)

Encl.

23362726.1

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 just and reasonable rates and other charges for electricity distribution to be effective January 1, 2015 and for each following year through to December 31, 2019.

SUBMISSIONS OF THE GREATER OSHAWA CHAMBER OF COMMERCE

Part I. Introduction

1. The Greater Oshawa Chamber of Commerce ("**GOCC**") represents businesses located in the greater Oshawa area. GOCC intervened in this proceeding based upon the proposed increase of 6.5%[1] that its members would be subjected to over the 2015-2019 period if the Application was approved. GOCC members primarily are GS>50 to 999kW customers of Oshawa PUC Networks Inc. ("**Oshawa**"). As a result of the interrogatory, technical conference and concessions/corrections during the oral hearing, GOCC understands that Oshawa is now seeking increases of just under 3%.[2]

2. The GS>50 to 999kW rate class saw an erosion of the customer base during the years 2002-2013 from 573 customers to 500 customers.[3] GOCC is concerned that the rate class has shrunk as customers have exited the system and that any increase in costs will adversely impact its members.

[1] Exhibit 1, Tab C, page 45, Table 19.
[2] Exhibit J1.2 Updated, July 8, 2015.
[3] Exhibit 3, page 31 of 72, Table 3-17.

3. Oshawa requests approval of the entire package and has indicated that it is a comprehensive package of interrelated elements. GOCC does not agree that this package must be accepted in its entirety. GOCC has provided a number of adjustments that should be taken into consideration even if the Board accepts Oshawa's Application format.

4. Board Staff have submitted that the Application should not be approved as filed. Board Staff have suggested using either (a) a Price Cap IR rate plan which would permit advanced or incremental capital modules; or (b) a modification of the Oshawa plan by limiting the updates to one adjustment for the final two years (2018 and 2019) based on a 2017 update. While GOCC supports the Price Cap IR, a single mid-term update is preferable to the approach requested by Oshawa.

5. GOCC submits that the facts presented do not support the need for a custom IR Application for Oshawa and the Board should not approve the Application. The Board should provide direction in its decision such that other utilities must carefully consider the appropriateness of using the custom IR approach. Further, GOCC submits that Oshawa has failed to meet the Board's expectations for a custom IR application. If the disallowances suggested by GOCC are accepted, GOCC submits that a Price Cap IR approach will not result in unacceptable erosion of earnings and will be much simpler to administer over the coming years. In addition, the predictability of earnings and rates should provide certainty for the shareholder, the utility and ratepayers.

6. GOCC recognizes that the process to date has resulted in a reduction in the overall revenue requirement being sought by Oshawa. However, the revenue requirement for 2014 is

$18,114,000[4] and Oshawa is seeking $21,129,000 for 2015. This represents an increase of 16% from 2014 to 2015 as part of the rebasing and a further increase of $5,685,000[5] or 26.9% over the five year term for a total increase of more than 40%. Given the dramatic rise relative to inflation, there should be scrutiny over the planned expenditures.

Table 1. Revenue Requirement (Exhibit K4.1 in 000s)

	2015	2016	2017	2018	2019
Filed 01-29-2015	21,565	23,548	24,391	25,605	26,194
Updated 07-09-2015	21,129	22,823	23,704	25,609	26,814
Difference	(436)	(725)	(687)	(4)	620

7. Oshawa is located just east of Toronto and forecasted to see strong growth over the next 5 years and beyond. The extension of the Highway 407 is anticipated to spur growth and drives certain relocation work. Oshawa's capital program is in reality a relatively normal spend during the first 3 years and subject to two large capital projects which occur in the final two years. Given the concern over the timing of these two large projects, GOCC is of the view that the Price Cap IR with an advanced capital module would be appropriate to protect Oshawa and ensure ratepayers are not paying in advance for an unusually large capital spend.

8. GOCC is of the view that regardless of the form of the approval, Customer IR with a single adjustment, Price Cap IR or even if the Board were to accept the form Oshawa's Custom IR with annual adjustment, that several reductions in rate base (capital spend, working capital, cost of capital) and operation, maintenance and administration ("**OM&A**") expenditures are warranted. These reductions will necessarily reduce the revenue requirement but the amount of the reduction is not able to be determined by GOCC.

[4] Exhibit 2, Tab A, page 20, Table 2-6, RRWF Run 4.
[5] Exhibit K4.1.

9. While GOCC acknowledges that Oshawa has put significant effort into the Application, there are a number of areas where Oshawa has failed to meet the Board's expectations provided in the Renewed Regulatory Framework for Electricity ("**RRFE**"). GOCC submits the Application should not be accepted as filed.

Part II. The Application

10. Oshawa has filed an application for the years 2015 to 2019 using a "modified cost of service" approach. As part of the Application, Oshawa is seeking a number of annual adjustments that would result in potentially significant changes in rates from those forecast in the present application. In GOCC's view, such an approach would essentially de-risk the business of Oshawa below the level of risk contemplated in the Board's determination of return on equity. Further, such an approach will result in "mini" cost of service hearings for each of the next 4 years – a process that will likely require significant resources from Oshawa, intervenors and the Board.

11. Oshawa has premised the need for the Custom IR on the capital expenditure to depreciation ratio. However, SEC provided a summary of the capital expenditure to depreciation ratios for several other distributors[6] to determine if Oshawa's ratio was in fact out of line with other distributors that had chosen to proceed with typical cost of service applications. The evidence did not support Oshawa's contention that it was different from other distributors. Oshawa could not satisfactorily explain why other distributors could manage without a Custom IR and why it could not. Furthermore, GOCC believes that a number of capital expenditures should be eliminated or deferred, particularly in the early years 2015, 2016 which would mute or dampen Oshawa's concern about the ratio.

[6] Exhibit K1.3, SEC Compendium, page 8.

12. GOCC understands that the Board, in permitting distributors to file Custom IR proposals, was seeking to have utilities provide the minimum 5 year forecast and operate the business within that forecast. The RRFE provides:

> The OEB expects a distributor's application under Custom IR to demonstrate its ability to manage within rates set, given that actual costs and revenues will vary from forecast.[7]

13. However, Oshawa has acknowledged during cross-examination that it has more adjustments than other utilities that have been approved under the custom IR methodology.[8] GOCC agrees with Board Staff's submissions that Oshawa has missed the mark and the high number of adjustments reduces the incentive to manage the business and seek out efficiency improvements.

14. Further, GOCC agrees with Board Staff that Oshawa's plan will be administratively burdensome on all parties. Further, it was not clear that Oshawa had fully considered how the adjustments would take place or properly considered the level of work that would be required each year. Particularly for 2016, the value of an update and new approval is somewhat questionable.

15. GOCC has reviewed Board Staff's comments and agrees that an external stretch factor is required and that embedding a stretch factor in the numbers in the forecast is not sufficient. Further, Oshawa has not identified any process change in their estimating or forecasting procedures that would quantify the stretch factor that is "implicit" in their numbers. In fact, the forecasting process has not changed and Oshawa historically has underspent on capital and OM&A so the reasonable conclusion is that pattern will continue.

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[7] RRFE, page 19.
[8] Transcript. Vol. 2, July 2, 2015, page 6, line 24 to page 7, line 4.

16. Oshawa has indicated that a Price Cap IR process would result in unacceptable erosion of earnings. The Board has been clear that distributors do not have a "right" to the return on equity. Further, the 300 basis points off-ramp is intended to provide an assessment of the financial situation of the distributor, not guarantee a resetting to higher rates. GOCC agrees with the submissions of Board Staff that the advanced capital module or incremental capital module would be suitable instruments to deal with Oshawa's concerns about future capital spending.

17. Custom IR applications are to be for a minimum of 5 years. However, while this application is notionally for 5 years it may only be effective for just over 4 years which is less than the Board's expectations.

18. Oshawa has provided two efficiency mechanism in its Application. As GOCC is not supporting the Application it will not provide comment on the mechanisms.

19. However, if the Board were to approve the multiple annual adjustments, GOCC would submit that there should be an update of the cost allocation model. During the update process, it was evident that the revenue to cost ratios could swing dramatically for customer classes. Failure to update could result in an unfairness to ratepayers.

Part III. Forecast Customer and Energy

20. Oshawa is forecasting 3% customer growth for a period of 5 years and noted that while some might consider the forecast aggressive, Oshawa reiterated that it was their best forecast and that the forecast was tempered from the municipality's growth predictions. During the update process, Oshawa reduced the 2015 growth to approximately 1.5% and left the growth at 3% for the remaining 4 years. Mr. Martin confirmed under cross-examination by Ms. Lea that

the 3% growth forecast was still the best forecast for the years 2016 to 2019. Given that it is the "best forecast" it is the forecast that should be used otherwise the Board would asked to approve a forecast that it knows is not the best.

21. If the Board approves the Application, GOCC submits that Oshawa should be required to live with its forecast for the entire term. If the Board approves a mid-term adjustment, then Oshawa should have fixed growth for 2016 and 2017 at 3.0% each with 2018 and 2019 subject to review.

22. GOCC does have a concern that Oshawa is spending considerable sums on capital improvements to reduce outages but has not adjusted its forecasted energy consumption to account for the improved performance. First, there is forecasted improvement in reliability statistics. Second, less outages would mean greater throughput of energy. While it may not be significant, it is indicative of the Application that ratepayers pay for the capital or the program and there is no recognition of the improvement or benefit.

Part IV. Rate Base and Capital

Rate Base

23. GOCC has a number of concerns with the forecasted capital spend and its resulting impact on rate base and revenue requirement. In many of the circumstances the issue is the timing of when the expenditure is brought into rate base not the basis for the expenditure. GOCC supports Board Staff's submissions that capital contributions enter rate base when the asset enters rate base – not when the expenditure is made. Analogous to this is the installation of additional capacity that will not be used during the term of the Application.

24. Oshawa has historically spent less on capital than it has forecasted.[9] Oshawa confirmed its estimating procedure includes a 15% contingency amount.[10] Oshawa confirmed that it did not change its estimating procedure to adjust the forecast for the historical underspend.

25. The Distribution System Plan ranked the vast majority of the projects equally in terms of priority. GOCC is very concerned that the assessment process lacks the sufficient refinement to distinguish between projects that must be done within the term of the Application and those that can wait a few years.

26. Given these combination of factors GOCC submits that System Renewal capital expenditures should be reduced from those requested by 10% for each year of the Application. This is less than the contingency that is included in the forecast and similar to the historical capital underspend record. Further, it is not impacting Oshawa's spend on new customer connections.

Specific Capital Programs

27. GOCC has identified several specific adjustments:

(a) ***Revised Customer Growth in 2015*** - Oshawa revised its 2015 forecast of customer growth in June 2015 to approximately half of the original application. GOCC understands the net impact of this is a $400,000 cost reduction. If the customer growth is not present, the capital expenditures should reflect this new growth forecast. Oshawa confirmed that its revision for 2015 was based upon using the actual numbers to the end of May (five months) and trending the

[9] I.R. 2-GOCC-3.
[10] I.R. Response 2-Staff-10(a).

forecast for the remainder of the year. GOCC submits that the revised forecast for 2015 is more appropriate than the original forecast.

(b) ***Unused Capacity*** - GOCC submits that expenditures for infrastructure built but not used or useful should not be included in rate base. The construction of the 407 through Oshawa necessitates relocating infrastructure. Oshawa confirmed the infrastructure would not be used during the term of the application during cross-examination.[11] In 2015 Oshawa has proposed to close $4,510,000 to rate base for 407 plant relocation while recovering only $3,580,000 for a net increase of $930,000 and in 2016 the gross amount is $700,000 with a recovery of $400,000 leaving a net of $300,000 increase. Over the two years, there is $1,230,000 in rate base related to expenditures that are not used or useful. GOCC recognizes that there is value in installing the facilities while the relocation work is being performed and does not want to discourage Oshawa from putting in facilities where it makes sense. However, the proper rate treatment of such assets is for the funds to be placed in CWIP. That protects the utility but also ensures the ratepayer is not prepaying for assets. This is especially important where rate increases are contemplated.

(c) ***Capital Contributions -*** In addition, GOCC submits that Oshawa has under forecast the contributions that it is likely to receive from the City of Oshawa and Durham Region for plant relocations. Oshawa confirmed that contributions have and will be calculated in accordance with the *Public Service Works on Highways Act*. The historical contribution levels seems to be significantly higher than the forecasted contribution levels. No change in the nature of the projects was

[11] Transcript Vol. 3, July 3, 2015, page 110, line 8 to page 111, line 1.

identified that would suggest the historical trend should not continue. Appendix 2-AA, shows that over the 2010 to 2014 period the City of Oshawa was the driver of $325,000 in relocation work and that contributions were $207,000 or almost 2/3 the total cost. While Durham Region projects, the historical contribution received was about 28% over the years. Oshawa forecast both at approximately 25% contributions. As a simplification, GOCC submits that a change to the City's forecasted contribution to 40% is a better reflection of the historical trend. This would result in an increase of the City's contribution and reduction in capital spend.

(d) ***Prepaid Metering:*** GOCC is of the view that Oshawa should remove the Prepaid Metering project from inclusion in rate base. During cross-examination, Oshawa confirmed that the intent of the Prepaid Metering program, a pilot program, is to reduce bad debt expense.[12] However, during cross-examination Oshawa could not provide any significant details of the project and confirmed it had made no provision for any savings. Oshawa then stated that it was anticipated this program would free up labour for other activities as they would not be required to do disconnects and reconnects. Oshawa confirmed during cross-examination that it did not include any of the savings or benefits or freeing up of labour (an efficiency improvement) in the Application. Essentially, ratepayers were being asked to incur all of the costs but not receive any benefit from the program. GOCC is not stating that the Prepaid Metering program is not a good idea. However, it is unfair that ratepayers should fund the cost without any recognition of the benefits. Further, if the benefits are greater than the costs Oshawa should

[12] Transcript Vol 3, July 3, 2015, page 112, line 2 to page 114, line 25.

be willing to do the project without its inclusion in rate base as it will have benefit to Oshawa. GOCC views the Prepaid Metering program as a good example of the fundamental concerns with Oshawa's Application in that it eliminates any risk from the utility and seeks to have the ratepayer prepay for the costs.

28. Therefore GOCC has summarized the specific adjustments to Appendix 2-AA. The proposed adjustments do not include the 10% reduction is System Renewal that GOCC submits is appropriate. Further, Table 2 does not include the adjustment related to transmission capacity discussed below.

Table 2. Specific Capital Adjustments

	Specific Adjustments to Capital[13]				
Project	**2015**	**2016**	**2017**	**2018**	**2019**
Highway 407 – Plant Relocation	($930,000)	($300,000)			
Prepaid Metering			($150,000)		
TS Capacity – HONI Contributions	($1,350,000)		($5,400,000)	$6,750,000	
City of Oshawa Contributions	($89,000)	($93,000)	($68,000)	($74,000)	($68,000)
Reduced Customer Forecast	($400,000)				
Totals	**($2,769,000)**	**($393,000)**	**($5,618,000)**	**$6,676,000**	**($68,000)**

29. Oshawa has need for additional transmission capacity. However, the specific manner of addressing the need and the timing of when that need will be addressed are still unanswered questions. GOCC has reviewed Staff's submissions in respect of the transmission capacity expansion and has significant concerns that ratepayers are being asked to prepay for such a large project so far in advance when the need and timing of such project have not been subjected to regulatory review.

[13] The brackets means a reduced spend or an increased contribution.

30. In forecasting the capital spend for the transmission capacity, it has chosen to include costs related to an option other than the "Preferred Solution". If costs for the transmission expansion are to be included, GOCC agrees with Board Staff that there should be a $2,000,000 reduction.

31. GOCC would also note that the Board has a process, EB-2013-0421, otherwise referred to as the SECTR application which has raised a number of issues regarding capital contributions to transmission reinforcement projects. GOCC would note that some of the results of the SECTR application may impact the allocation of costs for the transmission expansion.

Working Capital Allowance ("WCA")

32. Oshawa retained a consultant, E&Y, to collaborate on a Lead/Lag Study. GOCC would note that the authors of the Lead/Lag Study had virtually no directly relevant experience in preparing such a report. The Lead/Lag Study has been subjected to many adjustments which have resulted in Oshawa's request being reduced from 13% in its application to approximately 10%.

33. GOCC has reviewed the detailed submissions of Energy Probe in respect of WCA and concurs with its submissions that there remains significant errors in the calculation of WCA. In recalculating the WCA, GOCC agrees that the WCA of 7.33% calculated by Mr. Aiken is correct.

34. GOCC would note the recent Board announcement that future rate applications will use a default WCA of 7.5% in the absence of a Lead/Lag study.[14]

[14] Board Letter dated June 3, 2015, Re: Allowance for Working Capital for Electricity Distribution Rate Applications. A copy of this letter was included in Exhibit K1.4, Energy Probe Compendium.

35. As such, GOCC submits Energy Probe's WCA calculation should be preferred to Oshawa's or the Board should use the 7.5% default rate.

Cost of Capital

36. GOCC submits that Oshawa has overstated its cost of capital in years 2017, 2018 and 2019 through the use of the Board's deemed long-term debt rate for affiliates for the unfunded or notional debt. This is contrary to Board policy which requires the weighted-average cost of debt be used for unfunded debt. The Board's current deemed long-term debt rate is 4.77% while the weighted average cost of debt is approximately.

37. The Board has previously stated that

> The Board agrees with intervenors that it is not appropriate to apply the Board's deemed long-term debt *rate* to the notional or deemed long-term debt. The two are quite separate concepts. The deemed long-term debt rate is clearly intended to apply in the absence of an appropriate market determined cost of debt, such as affiliate and variable rate debt situations. For companies with embedded debt, it is the cost of this embedded debt which should be applied to any additional notional (or deemed) debt that is required to match the capital structure to the Board's deemed capital structure. This is consistent with the treatment given to LDCs that have undergone rebasing in 2008 and 2009.[15]

38. This approach was also confirmed by the Board in in the London Hydro case, proceeding number EB-2008-0235. GOCC is not aware of any Board decisions in the last 6 years that vary from this approach.

39. Oshawa completed its 2015 borrowing for long term debt at a rate of 2.7%. This has provided a weighted average cost of long term debt for 2015 of 4.11%. For 2016, the weighted average cost of long term debt is reduced to 3.9% utilizing the same debt instruments that were used for 2015 because the 2015 loan is included in the weighted average for the entire year and

[15] EB-2008-0272, Decision with Reasons, May 28, 2009, page 54.

no new borrowing is forecast. Oshawa was not forecasting any unfunded debt for 2015 or 2016 and these numbers are supported by GOCC.

40. However, for 2017, 2018 and 2019 Mr. Savage confirmed it is using the Board's deemed rate of 4.77% for unfunded or notional debt for these years. He stated "*No. 2017 and onwards has unfunded debt and it is at the current Board rate of -- a Board deemed rate of 4.77.*"[16]

41. The approach used by Oshawa is not in accordance with the Board's stated practice for such situations noted above.

42. In 5.0-GOCC-13, Oshawa indicated that a reduction of the weighted long-term debt from 4.6% to 4.39% would have a revenue requirement reduction of $140,000 in 2017. Given that the weighted average cost of debt is significantly below 4.39% the reduction in revenue requirement will be material.

43. GOCC would note that the current debt rate is at the higher end of recent Board decisions. GOCC would expect that Oshawa should be able to obtain very competitively priced financing given its claims regarding low cost and efficiency.

44. The reduction in the cost of long-term debt will reduce the revenue requirement by a material amount. The precise amount of unfunded debt in any future year will depend upon the Board's decision herein regarding capital spend and rate base. The Board should direct Oshawa to use the existing weighted average cost of long-term debt for any unfunded or notional debt in future years.

[16] Transcript Volume 3, July 3, 2015, Page 116, lines 9 to 11.

Operations, Maintenance & Administration ("OM&A")

45. Oshawa has forecasted OM&A increases of 8.9% in 2015 as compared to 2014 and a further 4% increase from 2015 to 2016. In total, OM&A costs would increase by 18.4% or 3.7% annually from 2014 to 2019. GOCC submits that the requested OM&A costs are overstated.

46. In general, these increases are significantly more than CPI forecasts. Further, recent filings by utilities, such as Festival Hydro and Niagara Peninsula[17], have incorporated labour rate increases in the range of 2% to 2.5% per year. One of the largest cost contributors to Oshawa's OM&A is labour.

47. GOCC has reviewed and supports many of the points expressed by Board Staff in its submissions. GOCC would support a 5% reduction in 2015 OM&A costs. While this would still be a 3.4% increase over 2014, it would provide for a significant reduction from the requested amounts and provide incentives to Oshawa to find efficiencies. This reduction should be carried through the term of the Application.

48. Oshawa has a history of underspending the Board approved amounts. In 2012, the last rebasing for Oshawa, OM&A was approved for $11,330,870.[18] However, Oshawa's actual OM&A expenditures did not exceed this amount until 2015. Therefore, history would indicate that Oshawa over forecasts OM&A costs.

49. In respect of efficiencies, GOCC believes Oshawa is not "highly efficient" but rather of average efficiency when the results of the PEG analysis are considered. It is Group 3. Oshawa's historically low cost is more likely attributable to its low net fixed assets per customer rather than extraordinary efficiency. Low cost should not be confused with efficient.

[17] Niagara Peninsula Energy Inc. EB-2014-0096.
[18] Exhibit K , SEC Compendium, page 30.

50. GOCC would make a number of specific suggestions or comments where it believes reductions could occur or the evidence does not support the requested increase. These are suggestions that go to support the 5% reduction cited above but Oshawa would be free to spend within the approved OM&A as it sees fit.

(a) Oshawa has forecast no vacancies from its proposed FTE complement. For any company with approximately 75 to 80 employees it would be unusual for no vacancies to exist. Oshawa has stated that 2014 is not an appropriate base for escalating OM&A costs from because vacancies understated costs.

(b) Adjustment of the customer forecast for 2015 would reduce OM&A costs by approximately $70,000 using the PEG OM&A per customer factor of 0.44. This would be carried through each year.

(c) Oshawa has indicated forecasts replacement of retiring works at a much quicker pace than has been their experience. Employees have not retired upon becoming eligible which is what has been forecast by Oshawa but rather they continue to work. In fact 0 out 6 employees that were eligible to have retired did in fact retire on being eligible. Given their history, the overlap where new hires are brought in to replace retirees should be deferred to reflect Oshawa's actual experience.

(d) GOCC does not support permitting the inclusion of the cost of providing a letter of credit to the Independent Electricity System Operator as an OM&A expense. The cost should be considered to be covered by the short-term debt through the capital structure of the utility. Oshawa testified that this cost approximately

$50,000 or $250,000 over the 5 year period. This should be removed from OM&A.

(e) GOCC submits that the increased cost in community relations from $1,161,723 [2015] to $1,395,314 [2019] is excessive. While GOCC supports improved relations, the focus should be on doing a better job within the existing envelope.

51. GOCC is concerned that using the Custom IR approach has unnecessarily increased Oshawa's expenditures. In hindsight, had Oshawa considered using a cost of service with Price Cap IR, regulatory costs would likely have been significantly reduced.

Part V. Cost Allocation & Rate Design

52. Oshawa's proposal does not include updating the cost allocation model on an annual basis. GOCC is concerned that the failure to update the cost allocation model will result in unfairness to ratepayers. During cross-examination, it was acknowledged that the revenue to cost ratios in the models filed in the May and June 2015 updates had significant variations.[19] Mr. Savage indicated that where customer growth varied across classes that it would have an impact on revenue to cost ratios.

53. Historically Oshawa's residential customer class has grown since 2002. However, GOCC would note that the GS>50 to 999kW class has in fact shrunk during that same time period. Oshawa has noted specific commercial developments in its customer additions forecast. While GOCC is willing to accept that the best evidence of forecasted growth for GS>50 to 999kW is 3%, it remains concerned that actual growth will occur at a fundamentally different rate than residential growth. Therefore, if the Oshawa approach is accepted, or the

[19] Transcript Volume 3, July 3, 2015, page 106, line 3 to page 107, line 16.

single update approach is accepted, GOCC submits it would be appropriate to perform a cost-allocation adjustment at the time of the update.

54. GOCC acknowledges that Oshawa has proposed to adjust rates in accordance with the Board accepted practice and supports such an approach.

55. Given the number of adjustments that may result from the decision. GOCC submits that Oshawa should be obligated to follow Board policy regarding fixed-variable splits. It appears that Oshawa has increased the fixed component of the rate even when it is above the Board range.

Part VI. Effective Date & Implementation Date

56. Oshawa has applied for rates to be effective January 1, 2015. GOCC submits that rates should be effective when implemented – being the month after the rate order is issued. This is consistent with recent Board decisions.[20] This was confirmed in the OPG case:

> In cases where utilities have not filed their applications in time to have rates in place prior to the effective date, the OEB's practice has typically been to not allow the utility to retrospectively recover the amounts from the period where the interim order was in effect.[21]

57. As rates were declared interim effective January 1, 2015, there is no strict legal prohibition against rates being made effective January 1, 2015. However, given the Board's stated practice, GOCC submits it would take compelling evidence of events beyond the control of the distributor to justify setting rates effective January 1, 2015. There is no such evidence in this proceeding.

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[20] EB-2012-0165 (Sioux Lookout), EB-2013-0139 (Hydro Hawkesbury); EB-2012-0113 (Centre Wellington); EB-2013-0130 (Fort Frances).
[21] EB-2013-0321 Decision, page 135.

58. GOCC would note that the Application was filed and dated January 29, 2015 almost 1 month after the January 1, 2015 requested effective date. Typically rebasing applications require 8 months or more to be completed. As such, Oshawa was at least 9 months late in making its application to the Board.

59. GOCC would note that Oshawa identified in July 2013 that the then existing rates were not sufficient to achieve its target return on equity. In fact, Oshawa knew then it was going to be more than 300 basis points below the Board's target return on equity and that it would be seeking to rebase early for 2015 rather than 2016. However, preparation of the Application did not commence immediately.

60. Oshawa chose to rebase 1 year early, it chose when it to begin the preparation of the Application; it chose the resourcing of the preparation of the Application and it chose a more costly and complicated form of Application that extended the consideration of the Application. Ratepayers should not bear the consequence of management's decisions in this regard.

61. Further, there was no inordinate delay in the process of the Application beyond Oshawa's control or foreseeability that would indicate that the Board should depart from its recent practice.

62. Therefore, GOCC submits there is no reason for the Board to depart from the practice in its recent decisions and that rates should be effective in the month following the rate order.

63. The Board should deny the variance account to recover foregone revenue unless the rate order is delayed beyond January 1, 2016 in which case foregone revenue from January 1, 2016 to the implementation date should be recoverable by Oshawa.

64. Given the current schedule it is unlikely a decision and rate order would be issued that would permit implementation prior to October 1, 2015 and GOCC is of the view that it is more likely that a November or December 1, 2015 implementation date would be ordered.

65. Under normal circumstances, the next adjustment in rates would occur January 1, 2016. GOCC is concerned about multiple rate increases in such a short time period. Further, rates are to be set based upon updated information from 2015 – information that is maybe only one or two months later than the information currently before the Board. When would such a process commence? Could such process be completed, incorporating the results of this proceeding prior to January 1, 2016?

66. How much effort will be required from all parties to process such an application? Would customers understand two rate increases in such a short period of time?

67. GOCC raised the implementation issue Oshawa during cross-examination but Oshawa had not given any substantive consideration to the issue.[22] The Board should avoid multiple rate increases within the span of a couple of months. Further, GOCC is concerned that given the time a decision is expected that there will not be any substantive update information for 2016 that is not currently available. As such, parties would go through the substantive costs of a 2016 update for very little benefit.

Part VII. Summary

68. GOCC would respectfully request the Board not approve the Application as filed and that it consider imposing a Price Cap IR framework on Oshawa with reductions as identified by GOCC in these submissions. If the Board is not inclined to accept such an approach, GOCC

[22] Transcript Volume 2, July 2, 2015, page 1 line 18 to page 2, line 24.

would submit a mid-term update rather than annual updates would be more appropriate than the annual update proposed by Oshawa.

69. Rates should be effective in the month following the Board's decision and there should be no provision for recovery of foregone revenue.

70. GOCC submits it has participated in a responsible manner and should therefore be permitted to make a submission in respect of costs.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

Dated: July 24, 2015

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