Ontario Energy Board | Commission de l'énergie de l'Ontario

BY E-MAIL

September 23, 2020

Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Long:

Re: Oshawa PUC Networks Inc. (Oshawa PUC Networks)
Application for 2021 Electricity Distribution Rates
OEB Staff Interrogatories
Ontario Energy Board File Number: EB-2020-0048

In accordance with Procedural Order No. 1, please find attached OEB staff's interrogatories in the above noted proceeding. Oshawa PUC Networks and all intervenors have been copied on this filing.

Oshawa PUC Networks' responses to interrogatories are due by October 20, 2020.

Yours truly,

Original Signed By

Georgette Vlahos
Advisor, Electricity Distribution: Major Rate Applications & Consolidations

Attach.

OEB Staff Interrogatories
Oshawa PUC Networks Inc.
2021 Cost of Service Application

Exhibit 1 – Administrative Documents

1-Staff-1
Updated Revenue Requirement Workform (RRWF) and Models

Upon completing all interrogatories from Ontario Energy Board (OEB) staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. Entries for changes and adjustments should be included in the middle column on Sheet 3 (Data_Input_Sheet). Sheets 10 (Load Forecast), 11 (Cost Allocation), and 13 (Rate Design) should be updated, as necessary. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 14 (Tracking Sheet), and may also be included on other sheets in the RRWF to assist understanding of changes.

In addition, please file an updated set of models, as applicable, that reflects the interrogatory responses, including an updated Tariff Schedule and Bill Impact model for all classes at the typical consumption/demand levels (e.g. 750 kWh for residential, 2,000 kWh for GS<50, etc.).

1-Staff-2
Cost of Power – Updated Model
Ref 1: Exhibit 2, Pages 20-22
Ref 2: 2021 Chapter 2 Appendices – Tab 2-ZB – Cost of Power

OEB staff notes that the Chapter 2 Appendices originally posted on the OEB's website contained a formula error in Tab 2-ZB. The error was in the Smart Meter Entity Charge section, which did not multiply column J by 12 in order to get an annual number.

OEB staff has updated Oshawa PUC Networks' model and has provided a copy along with these interrogatories.

(a) Please confirm the accuracy of the updated model.
(b) Please update all the necessary workforms for the updated cost of power.

(c) Please utilize this model going forward for any changes as a result of interrogatories.

1-Staff-3
Responses to Letters of Comment

Following publication of the Notice of Application, the OEB received 5 letters of comment. Section 2.1.7 of the Filing Requirements state that distributors will be expected to file with the OEB their response to the matters raised within any letters of comment sent to the OEB related to the distributor's application. If the applicant has not received a copy of the letters, they may be accessed from the public record for this proceeding.

Please file a response to the matters raised in the letters of comment referenced above. Going forward, please ensure that responses to any matters raised in subsequent comments or letter are filed in this proceeding. All responses must be filed before the argument (submission) phase of this proceeding.

1-Staff-4
Evolution of Customer Engagement

Please describe the differences between customer engagement conducted in preparation for the current application and previous customer engagement. Please explain how customer engagement has been enhanced, adapted etc.

1-Staff-5
Ref: Exhibit 1, Page 7

Oshawa PUC Networks is implementing a "Three-Year Culture Transformation Plan" with an aim of building and developing the workforce of the future, focussing on diversity of thought, expertise, and backgrounds.

Please explain how this plan is different/enhanced when compared to Oshawa PUC Networks' current strategy with respect to its workforce, and the resulting changes expected.

1-Staff-6
Customer Engagement
Ref: Exhibit 1, Page 11

Oshawa PUC Networks notes that it conducts a customer satisfaction survey on a biannual basis to obtain feedback on the overall value of service offered to customers. The latest survey took place in 2018 with the 2020 survey process currently taking place. The purpose of the survey is for customers to be able to provide feedback on their perceptions of Oshawa PUC Networks' performance, desired service improvements, customer priorities, among other matters.

(a) Has Oshawa PUC Networks adapted the 2020 survey in any way as a result of its learnings from previous customer engagement surveys? If yes, please explain how. If not, please explain why.
(b) If available, have any of the 2020 survey results to date varied significantly in any aspect from the results utilized to form the proposals in Oshawa PUC Networks' current application? If yes, please describe those aspects.
(c) Does Oshawa PUC Networks anticipate that the COVID-19 pandemic will have an impact on the priorities of its customers in relation to reliability, cost etc. currently and on a go-forward basis?
    i. Is Oshawa PUC Networks comfortable that its past survey results continue to indicate the priorities of its customers given the COVID-19 pandemic?

1-Staff-7
Reference to Conditions of Service
Ref: Exhibit 1, Page 26

Oshawa PUC Networks is in the process of updating its Conditions of Service to include changes to the format so as to mirror the OEB's template, as well as, to include any new connection and disconnection activities available by customer rate class.

Please further explain what is meant by "any new connection and disconnection activities available by customer rate class".

1-Staff-8
Ref 1: Exhibit 1, Page 36, Table 1-8
Ref 2: EB-2017-0069 – OPUCN_Rev_Reqt_Work_Form_V4_RUN-1_20180122

The OEB-approved Operations, Maintenance & Administration (OM&A) expenses in the table in reference 1 shows an amount of $13,307k in 2019, while reference 2 show an

amount of $13,102k. Please confirm if the difference is due to the inclusion of LEAP and Property Taxes.

1-Staff-9
OM&A Cost Drivers
Ref: Exhibit 1, Page 51, Table 1-15

Annual OM&A cost drivers are shown in Table 1-15. In the table, bad debt expense is forecasted to increase by $195,266 in 2020 and a further $8,932 in 2021. In the August 14, 2020 accounting order[1], Account 1509 – Impacts Arising from the COVID-19 Emergency, Sub-account Bad Debt was established.

(a) Please explain whether the increases in bad debt for 2020 and 2021 reflect considerations for COVID-19.
(b) Please also explain whether the increases in bad debt include any amounts recorded or to be recorded in Account 1509, Sub-account Bad Debt.
(c) If yes, please indicate the bad debt amounts excluding any bad debt recorded or to be recorded in the Account 1509, Sub-account Bad Debt.

1-Staff-10
Ref 1: Exhibit 1, Page 52
Ref 2: Exhibit 1, Appendix 1.1 - Oshawa Power 5 Year Infrastructure Investment Plan Virtual Town Hall, Page 3
Ref 3: Exhibit 2, Distribution System Plan (DSP) – Appendix A, Page 175

Oshawa PUC Networks notes that in recent years, there has been increased levels of:

> …theft, attempted thefts, and vandalism which has necessitated additional security measures provided by subcontractors to protect the security of station buildings, pole yard, and head office. This is consistent with the increased crime growth in Downtown Oshawa, where the head office is located. **As well, this supports our need to assess other head office locations (emphasis added)**.

As it relates to a new facility and re-locating, Oshawa PUC Networks notes that there is a majority of customer support for doing so. These findings will affect decisions made around Oshawa PUC Networks' facility in the future.

At reference 3, Oshawa PUC Networks provides a business case noting that through inspection of its office and facilities equipment, it determined investments are required

[1] Accounting Order for the Establishment of a Sub-account to Record Impacts Arising from the COVID-19 Emergency from Bad Debt

to ensure the **existing office space continues to provide efficient and effective operational support (emphasis added)**.

(a) Please reconcile the two statements which are bolded.
(b) Is Oshawa PUC Networks in any current discussions to move office locations?
(c) If yes, please provide a status update of those discussions.
(d) If discussions are currently not underway, when does Oshawa PUC Networks expect those discussions to commence?

Reference 2 shows that only 12.3% of customers who participated in the survey supported investing and retrofitting the existing facility.

(e) Please explain why planned expenditures to update Oshawa PUC Networks' current facilities is a prudent expenditure at this time given that a decision is yet to be made on moving locations, and second, only 12.3% of customers supported investments in the existing facility.

1-Staff-11
Ref: Exhibit 1, Appendix 1.1 - Taking A.I.M. (Applied Insights Methodology) Survey, Page 34

Customers were asked "…To relocate and build a new facility that will accommodate our operational demands and growth in today's market will generate a monthly cost increase, beginning in 2022 of $1.53 per month. Which of the following statements best reflects your view about going to a modern facility?"

(a) Given that there seems to be no concrete plans in place for a new building, please explain the assumptions behind the $1.53/month figure.
(b) Please confirm that there are no amounts included in the proposed capital spending for a new building in this application for the test year and beyond.

1-Staff-12
Ref: Exhibit 1, Page 69

Oshawa PUC Networks provides the total number of customers engaged through surveys, in person town halls, and virtual town halls in the table below.

Customer Engagement Activity	Methodology	Customers Engaged
Customer Engagement Surveys (2014, 2017, 2018)	Telephone	**1,207**
Taking A.I.M. (Applied Insights Methodology) Survey - 2019	Online	**1,240**
Public Open House (Nov 2017, May 2018, Nov 2018)	In-person	**275**
Virtual Telephone Town Hall (Oct 2019)	Telephone (Live)	**9,798**
Four separate information sessions (Nov-Dec 2019)	In-person	**50**
Total number of customers who participated in the engagement:		**12, 570**

(a) For the line item "Virtual Town Hall" which notes over 9,000 customers engaged, was there a metric used to determine if a call would count towards this quantum (for example, would a customer need to stay on the line for a minimum amount of time for it to count towards this number)?
(b) If yes, what was this metric?
(c) If not, please provide a discussion on Oshawa PUC Networks' thoughts regarding whether this number is skewed for those customers that were on the line for a very short period, and did not participate in the full call?

1-Staff-13
Customer Feedback
Ref: Exhibit 1, Page 73

Oshawa PUC Networks states that it posts a listing of its capital investment projects for the upcoming years on its website and that it has posted its capital projects for 2020-2022. This allows customers to review the upcoming projects and submit their concerns or questions. Any customer feedback or concerns are reviewed and responses provided accordingly.

(a) Please provide the link to the posting of capital projects from 2020-2022.
(b) As a result of this posting, has Oshawa PUC Networks received any comments or questions on the proposed projects? If yes, please file those comments and the responses sent by Oshawa PUC Networks. If no responses have been sent, please explain why.
(c) As a result of any filed comments, did Oshawa PUC Networks alter any of its capital projects for the 2020-2022 period? If not, please explain why.

1-Staff-14
Current Performance Measurement
Ref: Exhibit 1, Page 91

Oshawa PUC Networks introduced a new estimating software (Quadra) to enhance the quality of estimates as well as a new Centralized Maintenance Management System (CMMS) software to better manage and operate its maintenance program. Oshawa PUC Networks identified key measures within each department in order to highlight organizational efficiencies as well as highlight areas for improvement.

(a) When was Quadra acquired and rolled out?
(b) What were the costs associated with the acquisition of the Quadra system and where are they included?
(c) Is Oshawa PUC Networks aware of any other utilities utilizing this software?

1-Staff-15
Future Performance Measurement
Ref 1: Exhibit 1, Pages 19-21, 91-93
Ref 2: Exhibit 2
Ref 3: Exhibit 4

Under the heading "Current Performance Management," it's noted that:

> OPUCN [Oshawa PUC Networks] identified key traceable measure within each department in order to highlight organizational efficiencies as well as highlight areas for improvement which includes project schedule, project cost and response time. Such KPI's have been implemented within the Capital Design department, responsible for the design of all capital construction jobs, in order to track key elements aligned with the overall goals of the company. Response time for new connection offers, residential upgrade response time, and controllable capital project spending are just some of the newly implemented performance metrics measured internally.

(a) When were these metrics/indicators implemented?
(b) Oshawa PUC Networks provides some of the metrics above. Please list <u>all</u> new performance metrics that were implemented and the results, if available.
(c) How have these metrics influenced Oshawa PUC Networks' capital and OM&A spending? Please provide specific examples.

Under the heading "Future Performance Measurement," Oshawa PUC Networks notes it is planning on implementing the following new metrics:

Financial	Asset Management	Capital Design Cost $/km UG conductor to be replaced
		Capital Design Cost $/pole to be replaced
		Capital Expansion Design Cost $/Lot energized
	Cost Control	$/km - Vegetation Management
		$/km - System Patrol
		$/pole installed
		$/Pad-mount Transformer Replaced
		$/Pole-mount Transformer Replaced
		Wrench Time Categories TBD by CMMS system

(d) When will these new metrics be implemented?

1-Staff-16
Ref 1: Exhibit 1, Appendix 1.2 Customer Engagement – Virtual Town Hall Summary, Page 2
Ref 2: Exhibit 1, Page 65
Ref 3: Exhibit 2, Appendix 2-1 Distribution System Plan, Page 95

A portion of reference 1 is reproduced below:

Question 1: Many customers have indicated that they would like to see more automated, self serve options allowing them to conduct their business with us at their convenience similar to the banking or retail shopping industry. Do you feel Oshawa Power should:

Answer	Responses	Percentage
Invest in new customer facing technology that will give customers self serve options to conduct their hydro account business at their convenience.	127	29.5%
I do not think it necessary to invest in self serve options at this time.	238	55.2%
Unsure or Undecided	66	15.3%

At reference 2, Oshawa PUC Networks states that customers would like to see more automated options to look after their account at their convenience. Although customers were concerned with rates, reliable safe electricity service was more important to them.

At reference 3, Oshawa PUC Networks notes that 2020 General Plant spending increases are partly attributable to the $140k addition of Customer Self-Serve Online Portal (Green Button Dashboard).

Please reconcile the references given that 55% of Oshawa PUC Networks customers do not think it necessary to invest in self-serve options, however it seems as though Oshawa PUC Networks is doing so.

1-Staff-17
Leases
Ref 1: Exhibit 1, Page 102, Appendix 3, Audited Financial Statements
Ref 2: Exhibit 1, Page 103, Appendix 4, Reconciliation of 2019 Audited Financial Statements

In Note 14 of Oshawa PUC Networks' 2019 audited financial statements, Oshawa PUC Networks recognized a right of use asset in its transition to IFRS 16 Leases. Right of use assets of $838,000 and $509,000 were recognized on January 1, 2019 and December 31, 2019, respectively for a building and IT equipment.

(a) Please explain whether these leases were previously treated as operating or finance lease for regulatory purposes in the prior rebasing application, and whether the associated costs were included in OM&A or rate base.
(b) Please explain whether the cost associated for these leases are included in OM&A or rate base in this rate application.
    i. If it is included in rate base, please indicate which account(s) it is included in in the Fixed Asset Continuity Schedules in Exhibit 2 and the amount(s) included.
    ii. In the Appendix 4 Reconciliation, there are adjustments to reduce the right of use asset and lease liability to $0 in the RRR. Please explain how the leases are accounted for in the RRR.
(c) If Oshawa PUC Networks is changing the treatment of the leases between OM&A and rate base from the previous rebasing application to the current application,
    i. Please explain the nature of the change.
    ii. Please quantify the revenue requirement difference between including the costs in OM&A versus capital.
    iii. Please explain how Oshawa PUC Networks plans to treat this revenue requirement difference for rate purposes.

1-Staff-18
Capital Contributions
Ref: Exhibit 1, Page 103, Appendix 4, Reconciliation of 2019 Audited Financial Statements

In the Appendix 4 Reconciliation, there are adjustments to deferred developer contribution revenues and depreciation expense. Deferred developer contribution revenues are adjusted by $1,654,000, from ($1,654,000) in the audited financial statements to $0 in the RRR. Depreciation expense is reduced by $2,014,000 from $7,717,000 to $5,703,000.

(a) Please explain the reason for the adjustments made to developer contribution revenues and depreciation expense.
(b) Please explain whether the adjustment for developer contribution revenues correlates to the adjustment in depreciation expense. If it does correlate, please explain how. If not, explain why not.

Exhibit 2 – Rate Base

2-Staff-19
Ref 1: Exhibit 4, Page 12
Ref 2: Chapter 2 Appendices, Tab 2-AB - Capital Expenditures

Oshawa PUC Networks notes that while the COVID-19 pandemic has had current impacts to its business environment, “it has prepared this application on the assumption the COVID-19 crisis will have abated by 2021.”

Since the preparation and filing of this application, does Oshawa PUC Networks still consider this to be a prudent decision in the context of its capital expenditures? If yes, please explain why.

2-Staff-20
Cost of Power
Ref 1: Exhibit 2, Page 20
Ref 2: Filing Requirements for Electricity Distribution Rate Applications – 2020 Edition for 2021 Rate Applications, Section 2.2.1.3 Allowance for Working Capital, Page 16

At the above reference, Oshawa PUC Networks notes:

> In accordance with the Filing Requirements, the commodity price estimate used to calculate COP was determined using a split between RPP and non-RPP Class A and Class B customers based on 2019 actual data and uses the most current RPP price. Non-RPP consumption data has been further split between customers eligible for the Global Adjustment (GA) modifier vs. non-eligible.

Please confirm that the reference to the GA modifier is incorrect and in accordance with reference 2, Oshawa PUC Networks has included the impact of the Ontario Electricity Rebate of 31.8% (and not the GA modifier) on the total bill.

2-Staff-21
Rate Base
Ref: Exhibit 2, Page 5

Oshawa PUC Networks' rate base for the 2021 test year is forecast to increase by approximately 50% from 2015 OEB-approved amount and 12% from the 2019 OEB-approved amount.

(a) In its annual capital planning and implementation for the years 2015 to 2019, did Oshawa PUC Networks take into account the cumulative impact its capital expenditures would have on rate base and rates in 2021?
(b) How did this inform the pacing of investments identified in the Distribution System Plan?

2-Staff-22
Capital Contributions Paid
Ref: Exhibit 2, Page 12, Table 2-6 Fixed Asset Continuity Schedule

In the 2019 Fixed Asset Continuity Schedule, there is a $4,136,705 addition for capital contributions paid. Please explain Oshawa PUC's basis for accounting of capital contributions paid. In particular:

(a) Please explain whether the related asset has been put into service and whether the full capital contribution was paid in 2019.
(b) If the full capital contribution was not paid in 2019, please indicate the period in which the capital contribution will be paid and provide a supporting schedule of payments.
(c) If the full capital contribution was not paid in 2019, please explain whether the $4,136,705 represents the full cost capital contribution or only the portion of the capital contribution paid.
    i. If the $4,136,705 represents the full capital contribution, please explain why the full capital contribution has been included and not just the portion of capital contribution paid.

2-Staff-23
Deferred Revenues
Ref : Exhibit 2, Page 12, Table 2-6 to 2-9 Fixed Asset Continuity Schedules

In the 2019 (actual) to 2021 Fixed Asset Continuity Schedules, there are additions to contribution and grants, and deferred revenues for ($6,198,919), ($1,958,057) and ($2,043,057) for 2019, 2020 and 2021 respectively. Please explain Oshawa PUC's basis for accounting of capital contributions. In particular:

(a) In 2019, Account 1995 Contributions & Grants is used and Account 2440 Deferred Revenues is not used. It appears that starting in 2020, new capital contributions are recorded in Account 2440 going forward. Please explain why Account 2440 was not used from 2015 to 2019 even though Oshawa PUC is applying regulatory accounting under MIFRS.
(b) Please explain the basis in which Oshawa PUC Networks has recorded the capital contributions, in particular, whether the amounts recorded reflect assets that are in-service.
(c) Please explain whether the capital contributions are received over a period of time or as a lump sum. If received over a period of time, please explain if the amounts recorded in the Fixed Asset Continuity Schedule reflect the full capital contribution or the paid portion of capital contributions.
    i. If the amounts recorded in the Fixed Asset Continuity Schedule are received over a period of time and reflect the full capital contribution, please explain why the full capital contribution is recorded and not the paid portion.

2-Staff-24
Ref 1: 2021 Chapter 2 Appendices, Tab 2-BA – Fixed Asset Continuity Schedule
Ref 2: Exhibit 2, Page 29, Table 2-20

Please provide a breakdown of the $4.5m addition in 2018 to Account 1808 – Buildings.

The 2018 OEB-approved closing balance was $2.5m for this account, while the 2018 actual was $5.3m, resulting in a $2.8m variance.

2-Staff-25
Capitalized Overhead
Ref 1: Exhibit 2, Page 60, Table 2-35 Appendix 2-D Overhead Expense
Ref 2: Exhibit 4, Pages 25-26

On page 25 of Exhibit 4, there is a section titled “Increase in OM&A Expense in Relation to a Decrease in Capitalized Overhead”. Page 26 indicates that this application does not include any further capitalization changes since the changes made in Oshawa PUC Networks’ transition to MIFRS in its last rebasing application.

(a) Please clarify if OM&A increased in the current application as a result of a decrease in capitalized overhead. If so, please explain why OM&A would have increased due to capitalized overhead changes if there were no further capitalization policy changes made in this application.
(b) In Table 2-35, capitalized overhead information is provided from 2017 to 2021. Please provide the same information for 2015 approved, 2015 actual and 2016.

2-Staff-26
Ref: DSP, Page 44, 72, 76

With respect to the customer engagement, the DSP notes on page 72:

> OPUCN considers all customer feedback and preferences in determining the pacing of its investments and in optimal selection of projects. Furthermore, OPUCN has been prudent when incurring costs since the Customer Satisfaction survey results indicate that low price of electricity is an important factor to customers.

And additionally, on page 76:

> In addition to the asset condition and risk assessment, customer engagement sessions were held to receive feedback and determine customer preferences for service quality level and rate increase, which assisted in shaping the preliminary investment portfolio to address customer needs.

(a) Please explain how customer feedback has informed the pacing of Oshawa PUC Networks’ capital plans. In particular, please explain how Oshawa PUC Networks determined the balance between maintaining service quality and keeping costs low.
(b) How is customer feedback used to help determine the optimal selection of projects?
(c) How does Oshawa PUC Networks determine whether the costs it has incurred are prudent?
(d) In quantitative terms (e.g. SAIDI, SAIFI), what is the level of service quality that Oshawa PUC Networks is aiming for?
(e) On page 44 of the DSP, Oshawa PUC Networks notes that it does not have formal analytical tools/methods for risk management and does not have a

quantitative risk assessment methodology. Given that Oshawa PUC Networks has no quantitative means to manage risk, how does Oshawa PUC Networks determine the necessary level of capital spending required to achieve the level of service quality specified in part (d)?

2-Staff-27
OEB Directions from Previous OEB Decisions and/or Orders
Ref 1: Exhibit 1, Pages 19-20
Ref 2: Exhibit 2, Page 30
Ref 3: DSP, Page 79

Oshawa PUC Networks notes that in 2016 it developed and implemented the use of an internal corporate scorecard to provide insights into its performance. These performance measures cover the categories of financial earnings, cost control, reliability, customer service, and safety and people. These targets are embedded in the management at-risk compensation plan to ensure alignment between corporate and individual performance outcomes. The scorecard, along with departmental level metrics that directly or indirectly feed the metrics in the scorecard, is reviewed by Oshawa PUC Networks executives and management at monthly meetings.

(a) Please provide the results from the internal corporate scorecard from 2016 to the most recent available.
(b) Please provide the departmental metrics within each category that directly or indirectly feed the metrics in the scorecard.
(c) Please explain in more detail how the scorecard is linked to management at-risk compensation.
(d) Have the results from the internal corporate scorecard shaped any of the proposals in this application, specifically in relation to capital? If so, please provide a table linking the metrics to those specific proposals.

As shown in Table 2-AB and Oshawa PUC Networks' approved vs. actual net fixed assets, Oshawa PUC Networks has generally underspent in its capital projects in historical years and deferred projects/programs.

(e) How has the internal corporate scorecard helped address the issue of program underspend and under-delivery?

2-Staff-28
Ref 1: Exhibit 2, Page 51-57
Ref 2: Exhibit 1, Page 24-25

The DSP shows the variance between Oshawa PUC Networks' actual capital expenditure amounts versus OEB-approved amounts. For system renewal, the DSP notes a variance (net of capital contributions) of:

- 2015: ($1.3) million
- 2016: ($0.9) million
- 2017: $0.9 million
- 2018: ($1) million
- 2019: $1.2 million

OEB staff notes the sum of the variances above is ($1.1m), which indicates cumulative underspending; however, Exhibit 1 states that Oshawa PUC Networks overspent in system renewal between 2015-2019 by $1.3m and therefore there is a balance of $0 in Account 1508, Sub-account Revenue Requirement Differential Variance Account related to System Renewal Capital Additions.

(a) Please provide a continuity schedule showing the annual actual and approved capital expenditure amounts, net of capital contributions, including 2020 capital expenditures to date for each of the System Access, System Renewal, System Service and General Plant categories. Please reconcile the variances shown in the Exhibit 2 with the statement in Exhibit 1 with respect to System Renewal.

(b) Please confirm whether Oshawa PUC Networks has changed capitalization policy since its last rebasing application. If so, please provide the continuity schedule requested in part (a) above based on both the old capitalization policy used in the last rebasing application as well as the new capitalization policy used in the current application.

(c) Per the accounting order[2] for the Account 1508 – Revenue Requirement Differential Variance Account "The purpose of this account is to record the revenue requirement associated with the difference between actual and forecasted cumulative capital additions (net of capital contributions) for 2015-2019, should in-service capital additions be lower than, or the pacing of capital additions be slower than, forecast over the 2015-2019 period." If Oshawa PUC Networks underspent in system renewal (net of capital contributions), please calculate the appropriate balance in the sub-account, provide the calculation and update the DVA Continuity Schedule.

[2] EB-2014-0101, Rate Order, December 22, 2015

2-Staff-29
Ref 1: Exhibit 1, OPUC Business Plan, Page 19
Ref 2: DSP, Page 28

Customer engagement revealed that 78% of customers supported increasing investment in tree trimming to help reduce the number of outages.

(a) Oshawa PUC Networks' tree trimming cycle is currently three-years. Has Oshawa PUC Networks considered increasing the frequency of the tree trimming cycle given the preferences of its customers?

The DSP notes a Major Event outage involving a major windstorm in 2018. In part, high winds uprooted and broke limbs off trees and contributed to outages.

(b) Given the increasing impacts of climate change, has Oshawa PUC Networks adapted its tree management strategies to help mitigate the impact of major weather events in the future?

2-Staff-30
Ref 1: EB-2014-0101, Oshawa PUC DSP (2015-2019), Page 51
Ref 2: DSP, Page 79

Page 51 of Oshawa PUC Networks' 2015 DSP noted: "OPUCN's critical system renewal capital investment requirements have stabilized, with future capital expenditures on existing assets being more at a "sustaining" level (i.e. in line with annual depreciation expense) of $4.5-$5 million per year."

Page 79 of the current DSP notes that: "In the System Renewal Investment Category forecast net expenditure is expected to increase by 51% from historical net actual expenditure to support the renewal of assets that are at or near, or at the end of Typical Useful Life as per the ACA (Asset Condition Assessment)".

A budget of $4.5m-$5m was characterized as sufficient to sustain Oshawa PUC Networks' distribution system in its 2015 DSP. Please explain what has changed to necessitate a 51% increase.

2-Staff-31
Ref: DSP, Pages 40, 74, 105

The DSP describes all System Renewal projects that are recommended by the ACA as mandatory projects and the list of System Renewal Projects on page 105 are all listed

as “high” priority. The DSP also notes that Oshawa PUC Networks does not currently have any formal analytical tools or methods for risk management.

Without a process for risk management, please explain how Oshawa PUC Networks compares different System Renewal projects and ranks their relative priority.

2-Staff-32
Ref: DSP, Pages 39, 44, 105

On page 44, the DSP explains that Oshawa PUC Networks does not currently have processes to quantitatively prioritize its investments. Instead, Oshawa PUC Networks prioritizes its investment based on a set of qualitative criteria presented on page 39.

(a) Given the lack of quantitative assessments, please explain how Oshawa PUC Networks calculated the Asset Management (AM) scores found in table 43 on page 105.
(b) If two projects achieve the same the AM objectives, how does Oshawa PUC Networks determine which project has higher priority?
(c) Without quantitative assessments, how does Oshawa PUC Networks determine the cost effectiveness of a project?

2-Staff-33
Ref 1: EB-2014-0101, Decision and Order, November 12, 2015, Pages 18-19
Ref 2: DSP, Page 105
Ref 3: Exhibit 1, Page 23

The OEB’s decision for Oshawa PUC Networks’ 2015 Custom IR application, noted specifically:

> The OEB agrees that the Capital Investment Plan requires improvements. The main area of concern is that the investment prioritization process resulted in the majority of the proposed capital projects being ranked equally in terms of priority. Of 103 projects identified over the 2015-2019 period, 89 were assigned a high priority and only 3 projects were identified as being less than “high priority.” […] The OEB finds that these prioritization results are an indication that the tools used by Oshawa PUC lack the necessary refinement to classify the relative priority of the projects involved.

OEB staff notes there are 34 material projects identified on page 105 of Oshawa PUC Networks’ current DSP, of which 31 projects are assigned a “HIGH” prioritization, and only three projects being identified as less than “HIGH.”

On page 23 of Exhibit 1, Oshawa PUC Networks notes that it improved the investment prioritization process by introducing AM objectives.

(a) Please explain how introducing AM objectives has improved Oshawa PUC Networks' ability to classify the relative priority of the projects involved.

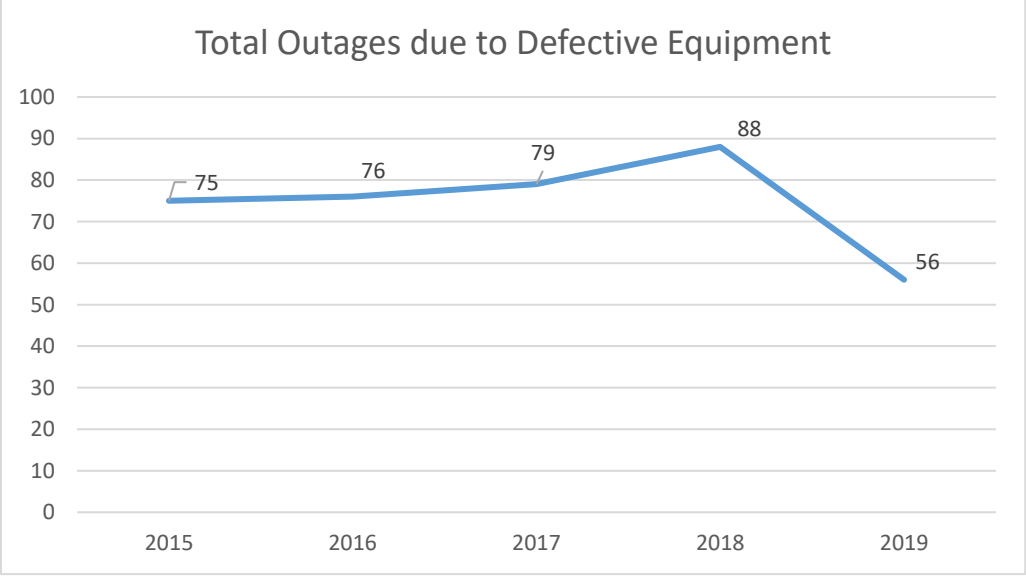
(b) Given that most projects have been classified as "HIGH" priority (31 out of 34), please explain how Oshawa PUC Networks has addressed the OEB's comments from the previous Decision.

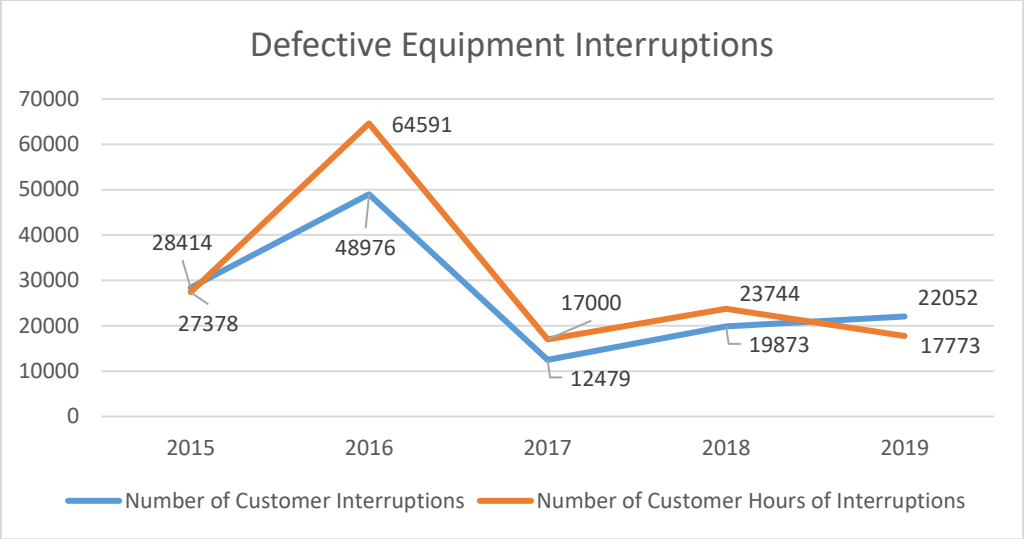
(c) Does Oshawa PUC Networks use any quantitative measures to rank the priority of its projects?

(d) Has Oshawa PUC Networks made any other improvements to its capital planning process to help classify the relative priority of projects, other than the introduction of AM objectives?

2-Staff-34
Ref 1: DSP, Pages 29-31, 79
Ref 2: Customer Engagement Report, Page 6

OEB staff has graphed Oshawa PUC Networks' statistics on outages due to defective equipment:





OEB staff notes that total outages due to defective equipment have improved in 2019, and the number of interruptions to customers/customer-hours due to defective equipment have generally improved over the historical period.

(a) Given the improvement, please explain why it is necessary for Oshawa PUC Networks to increase system renewal spending by 51% over historical levels of spending.

(b) In quantitative terms, what impact on SAIDI and SAIFI does Oshawa PUC Networks expect to achieve through its planned System Renewal spending over 2021-2025?

According to Oshawa PUC Networks' customer engagement, customers' top two priorities are continuing to improve the safety and reliability of the electricity network and keeping costs low.

(c) Please explain how Oshawa PUC Networks has balanced the incremental benefits against the incremental costs of increased System Renewal spending.

2-Staff-35
Ref 1: DSP, Pages 42, 54
Ref 2: DSP, Appendix A, Page 50
Ref 3: EB-2014-0101, Exhibit 2, Tab B, Schedule 7, Attachment D, Page 5

Oshawa PUC Networks proactively replaces poles through two programs: the Pole Replacement Program and the Overhead Line Renewal Program.

(a) Please explain how Oshawa PUC Networks determines which poles are suitable for replacement under the Pole Replacement Program and which are suitable for replacement under Overhead Line Renewal.

(b) How does Oshawa PUC Networks determine which areas of its distribution system require Overhead Line Renewal?
(c) In the previous 2015 DSP, Oshawa PUC Networks' Pole Replacement Program paced the replacement at 10-15 poles per year based on the results of the ACA. The Pole Replacement Program proposed in the current DSP is 35-40 poles per year. Please explain why the rate of pole replacement has more than doubled.
(d) Please explain why there was no capital spending in the pole replacement program in 2015 and 2016.

2-Staff-36
Ref 1: DSP, Page 55
Ref 2: EB-2014-0101, Exhibit 2, Tab A, Page 148

Oshawa PUC Networks is implementing a new program to replace all porcelain switches and insulators due to repeated failures of these assets. On page 55 of the DSP, Oshawa PUC Networks notes that it had a previous program to replace porcelain type units, but the program was not able to address all porcelain assets.

In Oshawa PUC Networks' previous application, it noted that it had implemented a program to replace porcelain switches and insulators (i.e. the previous program). Page 148 of Exhibit 2 of the previous application noted that it was "…a 2-3 year program that was intended to replace ***all*** porcelain insulators and switches with polymer type units." [emphasis added]

Please explain why Oshawa PUC Networks was not able to completely replace all porcelain type units under the previous program.

2-Staff-37
Ref 1: DSP, Page 79
Ref 2: Exhibit 2, Page 30

Based on Table 2-AB, Oshawa PUC Networks has underspent in terms of net capital expenditures in every historical year (2015-2019) except 2017. The variance analysis on page 30 of Exhibit 2 shows that Oshawa PUC Networks' 2019 actual Gross Assets are $8.43 million less the 2019 OEB-approved amounts. In part, Oshawa PUC Networks explained that underspent can be attributed to deferred projects, including third-party driven System Access projects.

Please explain what steps Oshawa PUC Networks has taken to address and prevent underspending in future years.

2-Staff-38
Ref: Oshawa PUC Networks 2019 Scorecard

Oshawa PUC Networks' benchmarking metrics from its 2019 scorecard are reproduced below (the columns correspond to 2014-2018):

Total Cost per Customer	3	$519	$545	$546	$532	$569
Total Cost per Km of Line	3	$29,881	$31,719	$31,962	$31,280	$33,915

Oshawa PUC Network's total cost per customer and total cost per km of line have been trending upwards from 2014-2018. Please explain why Oshawa PUC Networks' unit costs are becoming more expensive.

2-Staff-39
Ref: DSP, Appendix A, Page 1

The reference notes that detailed planning with respect to third party driven relocation projects are not yet available at this time.

(a) Please explain how Oshawa PUC Networks determined the yearly budgets for these projects without detailed plans.
(b) Please explain why the 2021 budget is significantly higher (i.e. more than double) than the annual budgets for the rest of years (2022-2025).

2-Staff-40
Ref 1: DSP, Page 8
Ref 2: DSP, Appendix A, Page 16

The DSP on page 8 notes that the projected customer growth rate over the DSP period is 1.4% and is slightly lower than the annual customer growth rate between 2015-2019.

Oshawa PUC Networks' annual system expansion budget is increasing by $847k on average from the historical period, which will allow it to connect approximately 791 lots per year at $2,100 per lot.

(a) How many lots did Oshawa PUC Networks connect annually over the historical period 2015-2019?

(b) Given that the customer growth rate over the DSP period is projected to be lower than the growth experienced over the historical period, please explain why the system expansion budget is increasing by almost double.

2-Staff-41
Ref: DSP, Appendix A, Page 55

Oshawa PUC Networks notes that quick sleeves were historically used to splice 44kV conductors and that it is replacing all quick sleeves because they are prone to failure.

Does Oshawa PUC Networks continue to use quick sleeves to splice conductors, or what other method is currently being used?

2-Staff-42
Ref 1: ACA, Pages 45, 49, 97
Ref 2: DSP, Appendix A, Page 60

The ACA assesses vault transformers based on three criteria: service age, overall condition and peak loading. Based on these criteria, none of Oshawa PUC Networks' vault transformers are in "Poor" or "Very Poor" condition. Further, the ACA on p. 97 recommends that:

> ...it is recommended for OPUCN to continue to inspect transformers planned for replacement. It is recommended for a transformer to be replaced if the condition of the transformer has deteriorated, **otherwise OPUCN should consider continuing to operate and maintain the existing asset until a later date. [emphasis added]**

Given the conclusions of the ACA, please explain why Oshawa PUC Networks has budgeted to replace 12 vault transformers annually.

2-Staff-43
Ref 1: ACA, Page 68
Ref 2: DSP, Page 51
Ref 3: DSP, Appendix A, Page 76

According to the ACA, all of Oshawa PUC Networks' substation power transformers are in "Fair" condition or better. Further, Oshawa PUC Networks operates a primary loop distribution system, which offers more flexibility in switching loads and dealing with outages.

Given the above, please explain why the proactive replacement of three substation power transformers is preferable to keeping a spare transformer (e.g. maintaining one spare transformer rather than replacing three).

2-Staff-44
Ref: DSP, Appendix A, Page 91

Oshawa PUC Networks is implementing a Municipal Substation Transformer Monitoring Telemetry project to better monitor its municipal substation power transformers.

Has Oshawa PUC Networks considered installing the Municipal Substation Transformer Monitoring Telemetry technology on the three power transformers being slated for replacement (under the SR-07 project) to provide for better monitoring and to defer replacement of the three transformers?

2-Staff-45
Ref: DSP, Appendix A, Page 101

Oshawa PUC Networks is continuing to replace 13.8kV manual “dumb” switches with “smart” switches that have remote and automatic capabilities.

(a) What benefits has Oshawa PUC Networks gained from historical installation of smart switches in its distribution system?
(b) Please explain why this project is considered “High” priority; do existing “dumb” switches no longer work?

2-Staff-46
Ref: DSP, Appendix A, Page 113

The DSP notes that the implementation of SCADA operated 44kV switches will help accommodate and integrate DERs/REGs.

Please further elaborate what benefits SCADA operated 44kV switches provide to DERs/REGs. In particular, will the introduction of SCADA operated 44kV switches allow for the connection of new DERs/REGs that cannot currently be accommodated on Oshawa PUC Networks’ system?

2-Staff-47
Ref: DSP, Appendix A, Page 137

Oshawa PUC Networks has several planned capital expenditures to upgrade/enhance its GIS. One of the expenditures is to upgrade the GIS every 2 years at a cost of $50,000 per upgrade.

(a) How was it determined to update the GIS software every 2 years? What are the benefits/tradeoffs to updating the software on a shorter or longer timeframe?
(b) How did Oshawa PUC Networks select the vendor for the GIS software and what processes are in place to ensure the best pricing for the GIS software?

2-Staff-48
Ref: DSP, Appendix A, Page 156

Oshawa PUC Networks intends to implement a new Operational Data Store (ODS).

(a) What is Oshawa PUC Networks currently using as its ODS system?
(b) What are the quantitative benefits from implementing the new ODS system?
(c) How did Oshawa PUC Networks select the vendor for the ODS system and what processes are in place to ensure the best pricing for the ODS?

2-Staff-49
Ref: DSP, Appendix A, Pages 184-185

Please explain how Oshawa PUC Networks determined the annual budget of $100k for the Major Tools and Equipment project.

2-Staff-50
Ref: DSP, Appendix A, Pages 190-195

Oshawa PUC Networks notes that it is procuring an in-house Customer Information System (CIS) solution to stop being reliant on a third party to host the existing CIS.

(a) If Oshawa PUC Networks were to stay status quo and continue to pay for third party hosting, what is the likelihood that the third party for the CIS system ceases its business or terminates its business relationship with Oshawa PUC Networks?
(b) Please explain the difference between the “do nothing” alternative versus the “Acquire CIS Hosted by a Third Party” alternative. Under the “Acquire CIS Hosted by a Third Party” option, if Oshawa PUC Networks continues to pay for hosting fees, what would be the benefit of “acquiring” the CIS?

(c) What is the anticipated lifespan of the in-house CIS solution? Will there be ongoing capital costs to periodically upgrade the CIS system?

2-Staff-51
Ref: DSP, Appendix A, Page 196

Oshawa PUC Networks is proposing to invest in a "Document Management System."

(a) How does Oshawa PUC Networks currently archive and capture documents?
(b) Please quantify the benefits of implementing this new system. Specifically, how much efficiency savings does Oshawa PUC Networks expect to achieve?

2-Staff-52
Ref: ACA, Page 95

The ACA notes that:

> …the condition data collected to date does not support that wood poles past the TUL are experiencing unfavorable conditions and require attention for replacement. METSCO recommends for OPUCN to conduct a visual inspection on a subset of wood poles past the TUL to determine if the wood poles are in fact in acceptable service conditions or require asset intervention (i.e. asset renewal.)

Please discuss how Oshawa PUC Networks has applied METSCO's recommendations. Has Oshawa PUC Networks considered deferring pole renewals in favor of more testing to avoid replacing poles that are in acceptable service conditions?

2-Staff-53
Ref: ACA, Page 96

The ACA recommends that Oshawa PUC Networks test cables slated for replacement using proven test techniques to validate that the condition of the cable is unfavorable and should be replaced.

Has Oshawa PUC Networks started testing the conditions of its cables as suggested by the ACA? If yes, how have the results of testing affected the underground cable renewal program? If no, why not?

Exhibit 3 – Operating Revenue

3-Staff-54
Load Forecast
Ref: Exhibit 3, Page 4

Oshawa PUC Networks states that there are no COVID-19 related impacts forecasted for inclusion in rates in this application on the assumption that the costs of those impacts will be tracked in the generic deferral and variance accounts established by the OEB and disposed of by the OEB at a later date.

(a) What impacts does Oshawa PUC Networks anticipate resulting from the COVID-19 pandemic?
(b) Has there been a consideration of Oshawa PUC Networks' exposure to certain business sectors or customers and corresponding risk?

3-Staff-55
Load Forecast
Ref: Exhibit 3, Pages 11-14

The regression model used includes variables for heating degree days, cooling degree days, number of days in the month, and a spring/fall flag. Oshawa PUC Networks notes that it tested variables for employment and unemployment in Oshawa as well as the population of the service territory, but found that none of these had a statistically significant relationship to energy use.

The graph "OPUCN Purchases (GWh)" on the top of page 14 indicates that in every year from 2010 to 2015, actual purchases exceeded predicted purchases, and in every year from 2016 to 2019, predicted purchases exceeded actual purchases.

(a) Has Oshawa PUC Networks considered other variables such as a trend variable that would capture changes in energy consumption over time?
(b) Please provide a regression model and load forecast results scenario where a trend variable is used. The trend variable should have a value of 1 in January 2010, incrementing by 1 each month, to a value of 144 in December 2021.

3-Staff-56
Load Forecast
Ref 1: Exhibit 3, Pages 20, 21, 31, 34, 2021
Ref 2: Chapter 2 Appendices, Tab 2-IB – Load_Forecast_Analysis

On pages 20 and 21, the Street Lighting rate class is forecasted to demand 12,504 kW in 2021, while on pages 31, 34, and in Tab 2-IB of the Chapter 2 Appendices, it is forecasted to demand 12,698 kW.

Please explain the difference between the two values, and indicate how much demand is forecasted for 2021.

3-Staff-57
Other Revenue
Ref: Exhibit 3, Page 36, Table 3-36

OEB staff is unable to reconcile the OEB-approved amounts in the table below to the OEB-approved amounts in Oshawa PUC Networks' previous RRWFs filed as part of its Custom IR draft rate order for the following:

- 2015: Specific Service Charges line item
- 2016: Specific Service Charges line item
- 2017: Specific Service Charges line item
- 2018: the total of $1.385m does not reconcile to the 2018 RRWF of $1.395m; Specific Service Charges and Late Payment Charges line items
- 2019: the total of $1.434m does not reconcile to 2019 RRWF $1.456m; Specific Service Charges and Late Payment Charges line items

TABLE 3-26 - SUMMARY OF OTHER OPERATING REVENUE (APPENDIX 2-H)

USoA #	USoA Description	Board Approved					Actual					Bridge	Test
	$'000s	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	2020	2021
4235	Specific Service Charges	$801	$814	$827	$843	$859	$939	$1,078	$697	$719	$469	$484	$483
4225	Late Payment Charges	$286	$292	$297	$303	$310	$285	$326	$309	$254	$247	$254	$257
4086	SSS Administration Revenue	$155	$159	$164	$169	$173	$165	$175	$181	$190	$196	$190	$197
4210	Rent from Electric Property	$176	$176	$176	$176	$176	$184	$184	$184	$195	$294	$200	$346
4084	Service Transaction Requests (STR) Revenues	$1	$1	$1	$1	$1	$1	$1	$0	$0	$0	$0	$0
4325	Revenues from Merchandise, Jobbing, Etc.	$1,389	$1,389	$1,389	$1,389	$1,389	$153	$48	$185	$176	$183	$191	$191
4330	Costs of Merchandising, Jobbing, Etc	$(1,376)	$(1,376)	$(1,376)	$(1,376)	$(1,376)	$(134)	$(68)	$(204)	$(119)	$(200)	$(190)	$(190)
4355	Gain on Disposition of Utility/Other Property	$0	$0	$0	$0	$0	$1	$8	$(74)	$34	$10	$0	$0
4360	Loss on Disposition of Utility/Other Property	$(396)	$(265)	$(182)	$(403)	$(381)	$(107)	$(429)	$(440)	$(387)	$189	$(278)	$(278)
4375	Revenues from Non-Utility Operations	$2,377	$2,377	$2,377	$2,377	$2,377	$1,589	$3,209	$2,851	$2,918	$3,483	$3	$3
4380	Expenses of Non-Utility Operations	$(2,369)	$(2,369)	$(2,369)	$(2,369)	$(2,369)	$(1,455)	$(2,933)	$(2,706)	$(2,372)	$(3,482)	$0	$0
4390	Miscellaneous Non-Operating Income	$147	$147	$147	$147	$147	$154	$123	$207	$190	$146	$150	$150
4405	Interest and Dividend Income	$128	$128	$128	$128	$128	$191	$145	$159	$169	$132	$74	$74
4245	Government Assistance & Other Contributions											$22	$66
Total Other Revenue		$1,319	$1,472	$1,579	$1,385	$1,434	$1,965	$1,867	$1,351	$1,968	$1,669	$1,100	$1,300

OEB staff utilized the following documents to compare figures:
EB-2014-0101_OPUCN_Rev_Reqt_Work_Form_V4_2015_RUN_6_xlsm_20151123
EB-2014-0101_OPUCN_Rev_Reqt_Work_Form_V4_2016_RUN_6_xlsm_20151123
EB-2014-0101_OPUCN_Rev_Reqt_Work_Form_V4_2017_RUN_6_xlsm_20151123
EB-2014-0101_OPUCN_Rev_Reqt_Work_Form_V4_2018_RUN_6_xlsm_20151123

EB-2014-0101_OPUCN_Rev_Reqt_Work_Form_V4_2019_RUN_6_xlsm_20151123

Please provide an explanation for the discrepancies.

3-Staff-58
Other Revenue
Ref: 2021 Chapter 2 Appendices, Tab 2-H

Please explain why Oshawa PUC Networks has not entered forecasted amounts in each of 2020 and 2021 for the following:

- Account 4084 – Service Transaction Requests
- Account 4355 – Gain on Disposition of Utility and Other Property
- Account 4380 – Expenses of Non-Utility Operations

3-Staff-59
Other Revenue
Ref: 2021 Chapter 2 Appendices, Tab 2-H – Other_Oper_Rev

For Account 4405 – Interest and Dividend Income, Oshawa PUC Networks is forecasting an approximate 43% decrease for the 2021 test year when compared to 2019 actuals and 2020 forecasted amounts.

Please provide the drivers for this decrease.

3-Staff-60
Other Revenue
Ref: 2021 Chapter 2 Appendices, Tab 2-H – Other_Oper_Rev

Please confirm that any revenue related to microFIT charges are recorded as a revenue offset in Account 4235 and not included as part of the base distribution revenue requirement.

Exhibit 4 – Operating Expenses

4-Staff-61
Ref: Exhibit 4, Page 12

Oshawa PUC Networks notes that while the COVID-19 pandemic has had current impacts to its business environment, "it has prepared this application on the assumption the COVID-19 crisis will have abated by 2021."[3]

(a) Since the preparation and filing of this application, does Oshawa PUC Networks still consider this to be a prudent decision in the context of its OM&A expenses? If yes, please explain why.
(b) Please provide a table showing the planned and actual OM&A costs to date for 2020.

4-Staff-62
Operations, Maintenance, and Administration Summary
Ref 1: 2021 Chapter 2 Appendices – 2-JA OM&A_Summary Analysis
Ref 2: 2021 Chapter 2 Appendices – 2-JC OM&A Programs
Ref 3: Revenue Requirement Workform – 9. Revenue Requirement

OM&A expenses proposed for 2021 as listed in the RRWF are $14,107,550. This figure reconciles to Tab-JA of the Chapter 2 Appendices.

OEB staff is unable to reconcile the $14,107,550 figure to a figure of $14,141,923 in Tab 2-JC. OEB staff is also unable to reconcile the 2015 OEB-approved, 2015-2019 actual, and the 2020 bridge year between Tabs 2-JA and 2-JC.

Please provide a reconciliation or make any changes as required.

4-Staff-63
Ref: 2021 Chapter 2 Appendices – 2-JC OM&A Programs

OEB staff notes that the formula in column M for the total variance between the test year and 2019 OEB-approved amounts is incorrect. The formula is K60-C60 when it should be J60-G60.

Please make the necessary correction to the model.

[3] EB-2020-0048, Exhibit 4, Page 12

4-Staff-64
Ref 1: Exhibit 4, Pages 5-6
Ref 2: EB-2014-0101, OPUCN_Chapter 2_Appendices_for 2015 to 2019_RUN 6_20151207

Based on the table below populated by OEB staff using reference 2, the proposed OM&A costs in 2021 of $14,107,550 represent an increase of approximately:

- $2.05m or 17% over the 2015 OEB-approved OM&A
- $1.57m or 13% over the 2016 OEB-approved OM&A
- $1.28m or 10% over the 2017 OEB-approved OM&A
- $1.07m or 8% over the 2018 OEB-approved OM&A
- $1.00m or 8% over the 2019 OEB-approved OM&A

	2015 OEB-Approved	2015 Actual	2016 OEB-Approved	2016 Actual	2017 OEB-Approved	2017 Actual	2018 OEB-Approved	2018 Actual	2019 OEB-Approved	2019 Actual	2020 Bridge Year	2021 Test Year
Operations	$ 1,288,019	$ 1,591,251	$ 1,484,147	$ 1,646,675	$ 1,593,497	$ 1,711,345	$ 1,579,144	$ 2,070,199	$ 1,410,513	$ 1,995,035	$ 2,063,979	$ 1,855,101
Maintenance	$ 1,346,279	$ 1,205,389	$ 1,375,515	$ 1,370,654	$ 1,405,469	$ 1,012,688	$ 1,436,077	$ 1,083,940	$ 1,467,354	$ 1,019,828	$ 1,206,635	$ 1,313,348
Sub-Total	**$ 2,634,298**	**$ 2,796,640**	**$ 2,859,662**	**$ 3,017,329**	**$ 2,998,966**	**$ 2,724,033**	**$ 3,015,221**	**$ 3,154,138**	**$ 2,877,866**	**$ 3,014,864**	**$ 3,270,614**	**$ 3,168,448**
Billing and Collecting	$ 2,653,062	$ 2,169,794	$ 2,715,401	$ 2,481,194	$ 2,780,102	$ 2,724,859	$ 2,846,477	$ 2,478,411	$ 2,914,572	$ 2,176,290	$ 2,523,102	$ 2,573,086
Community Relations	$ 1,161,723	$ 1,192,223	$ 1,309,846	$ 1,303,215	$ 1,337,732	$ 1,191,230	$ 1,366,218	$ 1,268,113	$ 1,395,314	$ 1,171,525	$ 1,497,532	$ 1,553,443
Administrative and General	$ 5,604,762	$ 5,519,231	$ 5,647,747	$ 5,572,713	$ 5,707,425	$ 6,269,214	$ 5,804,965	$ 6,683,955	$ 5,914,459	$ 6,511,282	$ 6,554,230	$ 6,812,572
Sub-Total	**$ 9,419,547**	**$ 8,881,248**	**$ 9,672,993**	**$ 9,357,121**	**$ 9,825,260**	**$10,185,304**	**$10,017,660**	**$10,430,478**	**$10,224,346**	**$ 9,859,098**	**$ 10,574,863**	**$ 10,939,101**
Total	**$12,053,844**	**$11,677,888**	**$12,532,655**	**$12,374,450**	**$12,824,225**	**$12,909,337**	**$13,032,881**	**$13,584,617**	**$13,102,212**	**$12,873,961**	**$ 13,845,477**	**$ 14,107,550**

(a) Please confirm the data OEB staff added to the table above (highlighted) show the correct OM&A amounts approved by the OEB for each of 2016, 2017 and 2018.

(b) Please identify what improvements in services and outcomes Oshawa PUC Networks' customers will experience in 2021 and during the subsequent IRM term as a result of increasing the provision for OM&A at the rates indicated.

(c) How has Oshawa PUC Networks communicated these benefits and the associated costs to its customers, and how did customers respond? Please provide some examples, including a synopsis of any customer feedback. If no communications took place, please explain why not.

4-Staff-65
Ref: Exhibit 4, Page 9

Oshawa PUC Networks provides an analysis of various metrics with respect to its OM&A costs and notes that its projected OM&A per customer of $231 would rank in the top ten of lowest OM&A per customer expense.

(a) Please confirm if this is the top ten lowest OM&A per customer based on a comparison against all Ontario LDCs or against comparable LDCs.
(b) If against all Ontario LDCs, please provide a table against comparable LDCs. An example is shown below.

	LDC A	LDC B	LDC C	LDC D	LDC F
Number of Customers					
OM&A					
OM&A/Customer					
Number of FTEs					
Customer/FTE					

4-Staff-66
Ref: Exhibit 4, Page 13-14

Oshawa PUC Networks notes that it has developed and implemented a People Strategy that is centered on employee engagement and aligning the workforce to business objectives and strategic outcomes. This initiative has been adopted and measured through regular employee engagement surveys, the development of action items to address results and improve drivers of engagement, and implementation of programs to improve workforce engagement, focus, and productivity.

Please explain what types of programs are being implemented to improve workforce engagement, focus and productivity.

4-Staff-67
Ref 1: EB-2014-0101, Decision and Order, November 12, 2015, Page 25-26
Ref 2: E-2014-0101, OPUCN_ReplyARG_20151112, Pages 27-28
Ref 3: 2021 Chapter 2 Appendices, Tab 2-K – Employee Costs

In its previous Custom IR application, Oshawa PUC Networks indicated the primary driver for the cumulative average growth rate in OM&A for the forecast period of its

Custom IR application was the increase of six full-time equivalent employees (FTEs), from 75 to 81, to support the expected increase in customer connections. Forecast customer connections were expected to increase by more than 16% over the same period. The comparable proposed growth in FTEs over the period was forecasted to be 8%.

Further, in its previous Custom IR reply argument[4], Oshawa PUC Networks noted that "despite both customer growth and increasing regulatory requirements, FTE's at the end of the rate plan period are to be maintained at today's level, which in the face of forecast customer growth represents the avoidance of 6 FTEs."

In approving the OM&A expenses proposed in Oshawa PUC Networks' last rebasing application, the OEB noted "Despite projected growth, Oshawa PUC proposes to increase OM&A at less than the forecast rate of inflation and does not propose to increase its overall staffing. The OEB finds that this demonstrates a commitment to achieving efficiencies."

OEB staff has calculated the following increases in customer connections between 2015 and 2019: [5]

- Residential connections increased from 51,121 to 54,652 (6.9%)
- Metered customer connections (inclusive of Residential, General Service and Large User classes) increased from 55,663 to 59,396 (6.7%)
- Total customer connections (inclusive of Street Lighting and other Unmetered connections) increased from 68,651 to 73,631 (7.3%)

Based on Tab 2-K of the Chapter 2 Appendices filed in the current application, the actual growth in FTEs over the same period is 14% (from 79 to 90 FTEs).

(a) Please confirm the increases in customer connections and FTEs calculated above are correct.
(b) Please provide a discussion on the deviations in staffing from what was previously forecasted by Oshawa PUC Networks.

[4] EB-2014-0101, OPUCN_ReplyARG_20151112, Pages 27-28
[5] Based on Oshawa PUC's 2021 Chapter 2 Appendices, Tab 2 IB – Load_Forecast_Analysis

4-Staff-68
FTEs
Ref 1: Exhibit 4, Pages 19-21, 30-31, 37-42
Ref 2: Exhibit 4, Page 50

Please provide a summary table of all FTEs added from 2015-2020 similar to that as provided in reference 2, but with added information on whether these FTEs are a result of replacements, retirements, or incremental new hires. For each FTE, please also distinguish whether their position is considered management or non-management.

4-Staff-69
Operations and Maintenance Costs
Ref 1: Exhibit 4, Page 19
Ref 2: 2021 Chapter 2 Appendices, Tab 2-JA – OM&A_Summary_Analysis
Ref 3: EB-2014-0101, OPUCN_Chapter 2_Appendices_for 2015 to 2019_RUN 6_20151207

Oshawa PUC Networks is proposing Operations and Maintenance costs 20% higher from those approved by the OEB in 2015, and approximately 10% from the 2019 OEB-approved amount. When compared to 2019 actuals, the increase is 5%.

One of main drivers for the increase in Operations and Maintenance costs is the addition of a new position of Maintenance Planner to implement a new Computerized Maintenance Management System and to lead the planning and scheduling of work activities required to maintain, repair, upgrade, expand, and renew the electrical distribution system.

(a) Did Oshawa PUC Networks have an FTE responsible for the planning and scheduling of work activities prior to adding this new position?
(b) If yes, please explain why an additional FTE was required.
(c) If not, how was Oshawa PUC Networks' scheduling of work activities to maintain its distribution system done historically?
(d) Please explain the driver(s) behind the 18% increase in the Maintenance line item between 2019 actuals and the 2020 bridge year.

4-Staff-70
Community Relations
Ref 1: Exhibit 4, Page 20
Ref 2: 2021 Chapter 2 Appendices, Tab 2-JA – OM&A_Summary_Analysis
Ref 3: EB-2014-0101, OPUCN_Chapter 2_Appendices_for 2015 to 2019_RUN 6_20151207

Oshawa PUC Networks is proposing Community Relations costs 34% higher from those approved by the OEB in 2015, and approximately 11% higher from the 2019 OEB-approved amount. When compared to 2019 actuals, the increase is 33%.

Among others, a couple of the main drivers for the increase in Community Relations costs are the addition of 1 FTE to manage website development and maintenance, along with fulfilling additional requirements covering customer engagement and communications, and second, the transfer of 1 FTE from the parent company. This individual was previously dedicated solely to CDM, and will continue with CDM activities but also lead a key account management initiative.

(a) Did Oshawa PUC Networks have any FTE's responsible for website development and maintenance, as well as handling customer engagement prior to the addition of this new position?
(b) If yes, please explain why an additional FTE was required.
(c) What additional activities are required to be undertaken relating to requirements around customer engagement and communications that are not currently done?
(d) What was the business decision behind transferring the FTE responsible for CDM activities to Oshawa PUC Networks from the parent company? Please describe the expected efficiencies/benefits behind this decision.
    i. Please confirm the OM&A cost of CDM staff in 2021, and clarify what CDM programs or planned initiatives the FTE will help support in 2021.
    ii. Please explain the appropriateness of including CDM staffing costs in OM&A.

4-Staff-71
Community Relations
Ref: 2021 Chapter 2 Appendices, Tab 2-JA – OM&A_Summary_Analysis

Please explain the driver(s) behind the 29% increase in the Community Relations line item between 2019 actuals and the 2020 bridge year.

4-Staff-72
Administrative and General
Ref: Exhibit 4, Page 20

Oshawa PUC Networks added 1 FTE to Human Resources to:

> Accommodate a shift from tactical to strategic resource, necessary due to increased levels of recruitment activity across the company, employee engagement initiatives and development of a strategy to focus efforts on high impact areas to enhance

productivity and organizational performance, and assumption of responsibility for Privacy at OPUCN.

(a) Please explain what a shift from “tactical to strategic resource” means.
(b) How is this change in strategy different from how things were done previously?
(c) Would the addition of this Human Resources FTE been required if Oshawa PUC Networks had maintained the level of forecasted FTEs from its previous rebasing application?

4-Staff-73
Administrative and General
Ref: Exhibit 4, Page 21

Oshawa PUC Networks added 1 FTE to its purchasing/stores function in order to pursue a modernized and more strategic approach to job planning, buying and securing greater value from the supply base. This position replaced a retired store person position not previously forecast to be re-filled.

(a) Please further elaborate on the statement a “modernized and strategic approach to job planning, buying and securing value from the supply base”.
(b) What are the associated improvements and efficiencies in job planning and purchasing anticipated?
(c) Please explain what necessitated the change to the previous decision to not re-fill this position.

4-Staff-74
Administrative and General
Ref: Exhibit 4, Page 21

Oshawa PUC Networks notes that there was a transfer of 1 FTE (the CEO position) from the parent company to Oshawa PUC Networks. Although this presents as an FTE increase, the net cost impact is neutralized through adjustments to parent company management fees and service charges to affiliate companies.

(a) Why was the decision made to transfer the CEO position from the parent to Oshawa PUC Networks?
(b) Are there associated efficiencies and/or benefits for transferring the CEO position to Oshawa PUC Networks?
(c) What were the associated reductions in the allocated corporate costs?
(d) Is any of CEO’s time still allocated to the parent company? If yes, how are the costs allocated to the parent company?

4-Staff-75
Administrative and General
Ref 1: Exhibit 4, Page 21
Ref 2: Exhibit 4, Page 29

Reference 1 notes the addition of 0.5 FTE to the IT function to help manage increasingly complex IT infrastructure, and increased cost pressures associated with modernizing IT infrastructure, including new Disaster Recovery site at MS9 and developing and maintaining a cyber-security framework. Reference 2 notes the addition of 1.0 FTE for the same reasoning.

(a) Please reconcile. Are these two separate additions?
(b) Please explain what the Disaster Recovery site is.
(c) Does Oshawa PUC Networks currently have a cyber-security framework in place? If yes, how will it be enhanced as a result of the addition of this FTE?

4-Staff-76
Ref 1: 2021 Chapter 2 Appendices, Tab 2-JB – OM&A_Cost_Drivers
Ref 2: Exhibit 4, Page 23

The cumulative increase for OM&A expenses related to Labour from 2015 to 2021 is approximately $1.68m of the total OM&A budget change, which is slightly greater than $2.0m. The increase in Labour also has a direct impact on Benefits costs. The cumulative increase for OM&A expenses related to Benefits from 2015 to 2021 is approximately $467k.

Tab 2-JC shows significant increases between 2017 and 2018 in relation to replacements and new hires, and in turn increases in the Benefits line item as well.

(a) Please explain the drivers that necessitated the increases in new hires between 2017 and 2018.
(b) Please explain why new hires and replacements are outpacing retirements and leavers.
(c) Please identify what improvements in services and outcomes the applicant's customers will experience as a result of increasing the provision for OM&A at the rate indicated.
(a) Please identify any initiatives considered and/or undertaken by Oshawa PUC Networks, including any analysis conducted, to optimize plans and activities relating to hiring from a cost perspective.

4-Staff-77
Ref 1: 2021 Chapter 2 Appendices, Tab 2-JB – OM&A_Cost_Drivers
Ref 2: 2021 Chapter 2 Appendices, Tab 2-JC – OM&A Programs
Ref 3: Exhibit 4, Page 24
Ref 4: Exhibit 4, Pages 39-40
Ref 5: Exhibit 4, Pages 60-64, Tables 4-36 to 4-40

The cumulative increase for OM&A expenses related to Subcontractors from 2015 to 2021 is approximately $550k of the total OM&A budget change, which is slightly greater than $2.0m.

Oshawa PUC Networks notes that recent years have seen increased levels of theft, attempted thefts, and vandalism which has necessitated additional security measures provided by subcontractors to protect the security of station buildings, pole yard, and head office. At reference 4, Oshawa PUC Networks adds that this increase, plus cost pressures related to waste disposal and recycling are the primary drivers behind the Maintenance, Janitorial & Security increase.

(a) Please describe what types of additional security measures these subcontractors are providing.
(b) Since the increase in spending on additional security measures, have levels of theft, attempted theft, and vandalism decreased?
(c) Please provide any analysis conducted which shows any decrease in trends in accordance with question (b).
(d) Did Oshawa PUC Networks conduct a business case to support the increase in spending to confirm that the theft and vandalism outweigh the assets that have been stolen/vandalized? If yes, please provide any documentation.
(e) Please explain why waste disposal and recycling costs are increasing at a higher rate than historically.
(f) Are the costs for the subcontractors listed in tables 4-36 to 4-40 noted in reference 5 relating to non-affiliate suppliers? If yes, please identify those costs. If not, please explain why.

4-Staff-78
Corporate – Labour and Other Costs
Ref: 2021 Chapter 2 Appendices, Tab 2-JC – OM&A Programs

The Corporate – Labour and Other Costs line item saw an 85% increase between 2016 actuals and 2015 actuals, a further smaller increase in 2017, followed by a 31% increase between 2018 actuals and 2017 actuals.

(a) Please explain the drivers between the 2016 actuals and 2015 actuals.
(b) Please explain the drivers between the 2018 actuals and 2017 actuals.

4-Staff-79
Operations & Metering
Ref 1: 2021 Chapter 2 Appendices, Tab 2-JC – OM&A Programs
Ref 2: OPUCN_Chapter 2_Appendices_for 2015 to 2019_RUN_6_20151207, Tab 2-JC – OM&A Programs

Under its Operations & Metering Program, Oshawa PUC Networks lists "Materials, Tools & Consumables" in reference 1 but this program was not in the last application (reference 2). The difference between 2016 actuals and 2017 actuals shows an increase of approximately 168%, followed by a further increase in 2018, followed by decreases and then a leveling off. The 5-year historical average (2015-2020) is approximately $132k. Oshawa PUC Networks is proposing an approximate 59% increase over this amount in 2021.

(a) Please reconcile the "Materials, Tools & Consumables" program to the OM&A programs provided in reference 2.
(b) Please describe what this line item consists of.
(c) Please provide an explanation for the bump between 2016 and 2017 and the increase in 2021 over the historical average.

4-Staff-80
Ref 1: Exhibit 4, Page 40
Ref 2: Exhibit 2, Page Appendix A DSP, Pages 190 and 192
Ref 3: 2021 Chapter 2 Appendices, Tab 2-JC – OM&A Programs

Reference 1 notes that the customer service department is responsible for activities related to billing (mostly outsourced to a non-affiliated third party), call centre, collections, and other back office functions.

Reference 2, page 190 states that currently, Oshawa PUC Networks does not own the CIS software in use, and that the acquisition will remove risk from its current operating model and will allow Oshawa PUC Networks to operationalize and advance customer service improvements.

Page 192 notes that this acquisition will result in cost efficiencies as the CIS will be hosted in-house **which allows Oshawa PUC Networks to do in-house billing** (**emphasis added**).

Given the above, please explain why the "Customer Billing (outsourced)" line item in reference 3 is increasing by 24% (about $122k) in the 2021 test year over the 2019 OEB-approved amount, and 13% over 2019 actuals.

4-Staff-81
Ref: 2021 Chapter 2 Appendices, Tab 2-JC – OM&A Programs

Note 1 on Tab 2-JC asks to provide a breakdown of the major components of each OM&A Program undertaken in each year and to ensure that all programs below the materiality threshold are included in the "miscellaneous" line item.

Oshawa PUC Networks has not entered information in the "miscellaneous" line item. Please populate the "miscellaneous" line item, as applicable.

4-Staff-82
Ref 1: Exhibit 4, Page 47, Table 4-21
Ref 2: 2021 Chapter 2 Appendices, Tab 2-K – Employee Costs
Ref 3: EB-2014-101, OPUCN_Chapter 2 Appendices_for 2015 to 2019_RUN_6_20151207, Tab 2-K – Employee Costs

OEB staff is unable to reconcile the OEB-approved number of Non-Management FTEs for 2015 and 2019 in the current application to those listed in Oshawa PUC Networks' previous draft rate order Chapter 2 Appendices (reference 3).

The following table is from Oshawa PUC Networks' current application:

	Last Rebasing Year (2015 OEB Approved	2015 Actuals	2016 Actuals	2017 Actuals	2018 Actuals	Last Rebasing Year (2019 OEB Approved	2019 Actuals	2020 Bridge Year	2021 Test Year
Number of Employees (FTEs including Part-Time)									
Management (including executive)	19	18	18	20	27	20	27	28	28
Non-Management (union and non-uni	65	60	58	64	63	65	63	64	63
Total	85	79	76	84	90	85	90	92	91
Total Salary and Wages including overtime and incentive pay ($000's)									
Management (including executive)	$ 2,113	$ 1,991	$ 1,994	$ 2,240	$ 2,942	$ 2,351	$ 3,274	$ 3,295	$ 3,287
Non-Management (union and non-uni	$ 5,400	$ 5,158	$ 5,136	$ 5,192	$ 5,594	$ 5,939	$ 5,533	$ 5,864	$ 5,913
Total	$ 7,512	$ 7,149	$ 7,131	$ 7,431	$ 8,536	$ 8,290	$ 8,806	$ 9,159	$ 9,201
Total Benefits (Current + Accrued) ($000's)									
Management (including executive)	$ 668	$ 646	$ 627	$ 707	$ 858	$ 750	$ 899	$ 934	$ 945
Non-Management (union and non-uni	$ 1,666	$ 1,752	$ 1,709	$ 1,737	$ 1,738	$ 1,786	$ 1,730	$ 1,786	$ 1,821
Total	$ 2,334	$ 2,399	$ 2,336	$ 2,444	$ 2,595	$ 2,536	$ 2,628	$ 2,719	$ 2,766
Total Compensation (Salary, Wages. Benefits) ($000's)									
Management (including executive)	$ 2,781	$ 2,637	$ 2,621	$ 2,947	$ 3,800	$ 3,101	$ 4,172	$ 4,228	$ 4,232
Non-Management (union and non-uni	$ 7,065	$ 6,910	$ 6,845	$ 6,929	$ 7,331	$ 7,725	$ 7,262	$ 7,650	$ 7,735
Total	$ 9,846	$ 9,548	$ 9,466	$ 9,875	$ 11,131	$ 10,825	$ 11,434	$ 11,878	$ 11,967

A portion of reference 3 is reproduced below which is from Appendix 2-K of Oshawa PUC Networks' draft rate order from its 2015-2019 Custom IR application:

	2011 Actuals	Last Rebasing Year -2012- Board Approved	Last Rebasing Year -2012 - Actual	2013 Actuals	2014 Bridge Year	2015 Test Year	2016 Test Year	2017 Test Year	2018 Test Year	2019 Test Year
Number of Employees (FTEs including Part-Time)[1]										
Management (including executive)	17	18	18	18	18	19	20	20	20	20
Non-Management (union and non-union)	52	57	56	56	56	61	65	64	63	61
Total	69	75	74	74	74	80	85	84	83	81

The current application shows 65 OEB-approved Non-Management FTEs in 2015, whereas the information filed with the draft rate order in Oshawa PUC Networks' previous Custom IR application shows 61. Similarly for 2019, the current application shows 65 OEB-approved Non-Management FTEs, whereas the draft rate order from the previous Custom IR application shows 61. Consequently, OEB staff is unable to reconcile the total approved FTEs (i.e. for 2015, 85 versus 80, and for 2019, 85 versus 81).

(a) Please confirm, and provide supporting details, that the number of FTEs approved by the OEB in 2015 and 2019 listed in the current application are correct. If there are any corrections required, please identify and also provide the corrected compensation numbers as well, as applicable.
(b) Please provide the number of FTEs (management and non-management) approved by the OEB for 2016, 2017, and 2018.

4-Staff-83
Management FTEs and Compensation
Ref 1: Exhibit 4, Page 47, Table 4-21
Ref 2: 2021 Chapter 2 Appendices, Tab 2-K – Employee Costs

OEB staff notes that Oshawa PUC Networks' proposed Management FTEs have increased by 40% in the 2021 test year from 2019 the OEB-approved number. OEB staff notes that the large increase happened between 2017 and 2018. As a result, the increase in Management total compensation from the 2019 OEB-approved total Management compensation is 36%.

(a) Please explain the spike in Management FTEs from 2017-2018.
(b) How does Oshawa PUC Networks classify management versus non-management FTEs?
(c) How does the increase in Management FTEs help Oshawa PUC Networks achieve its corporate objectives?

(d) What alternative methods for achieving these objectives were considered and rejected in favour of the proposed headcount and compensation increases.
(e) What benefits will Oshawa PUC Networks' customers see as a result of the increase in management level FTEs.

4-Staff-84
Ref: 2021 Chapter 2 Appendices, Tab 2-K – Employee Costs

Please provide the driver(s) behind the 9.8% increase in Management total compensation between 2018 and 2019 actuals, while Non-Management total compensation decreased, given that the number of FTEs in both categories remained constant.

4-Staff-85
Employee Compensation
Ref: Exhibit 4, Page 44 and 45

Oshawa PUC Networks states that one of the key elements underpinning its workforce planning and compensation strategies is regularly benchmarking compensation planning against relevant industry comparators.

Oshawa PUC Networks also states that with respect to executive and management compensation, each employee's position within their respective pay scale is reviewed based on performance and an inflationary adjustment and is regularly benchmarked against industry comparators.

(a) Please explain, and provide specific examples, of what analyses and data Oshawa PUC Networks has utilized to benchmark against industry comparators.
(b) Please file any analysis conducted, either by Oshawa PUC Networks or an external party, relating to compensation.

4-Staff-86
Employee Compensation
Ref: EB-2015-0101, OPUCN_Ex 4_IRR_20150508, Response to School Energy Coalition Interrogatory 4.0-SEC-33

In its 2015 Custom IR application, an interrogatory was asked about how Oshawa PUC Networks determines the reasonableness of its management, both executive and non-executive, compensation costs. Oshawa PUC Networks noted that it participates in the annual MEARIE Salary Survey, which allows it to review compensation levels with

industry trends. Oshawa PUC Networks noted that it planned a compensation review with the Hay Group for management and non-management positions for 2015.

(a) What were the results of this survey?
(b) Did Oshawa PUC Networks change any part of its compensation strategy as a result of this review?
(c) Does Oshawa PUC Networks plan to undertake any further compensation strategies in the near term? If so, when? If not why not?

4-Staff-87
Shared Services and Corporate Cost Allocation
Ref 1: Exhibit 4, Page 51-57
Ref 2: 2021 Chapter 2 Appendices, Tab 2-N – Corp_Cost_Allocation

Oshawa PUC Networks notes that activity has increased significantly within the affiliate companies, particularly Oshawa PUC Energy Services Inc., and admin fees have been adjusted to reflect this. OEB staff notes that 2019 actual price for services relating to admin fees are over 400% higher than the 2019 OEB-approved amount.

(a) What type of activities have increased?
(b) Does Oshawa PUC Networks anticipate this level of increased services going forward?

4-Staff-88
Shared Services and Corporate Cost Allocation
Ref 1: Exhibit 4, Page 51
Ref 2: 2021 Chapter 2 Appendices, Tab 2-N – Corp_Cost_Allocation
Ref 3: Exhibit 4, Page 57

(a) Please provide a breakdown of the elements of the management fee.
(b) Please explain how the management fee is calculated. Reference 2 notes “Cost Based”. Please elaborate.

Reference 3 notes that a new CEO was appointed in 2016, with the headcount within Oshawa PUC Networks where the previous CEO headcount was in the parent company. This is the primary driver in the management fee reduction in the current application.

(c) Please explain why the management fee did not decrease in 2016, but instead decreased significantly in 2019 as shown in reference 2.
(d) Please explain how the percentage of corporate costs are derived and the fluctuations in them, specifically from 2016 to 2018, as seen below.

	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 OEB-Approved	2019 Actual	2020 Bridge Year	2021 Test Year
% of Corporate Costs Allocated	51.6%	28.5%	55.6%	68.5%	55.4%	49.8%	51.3%	51.3%

4-Staff-89
Ref: 2021 Chapter 2 Appendices, Tab 2-N – Corp_Cost_Allocation

Beginning in 2018, Oshawa PUC Networks began charging admin fees to its parent company. Please explain what these consist of, and why these were not charged between 2015-2017.

4-Staff-90
Regulatory Costs
Ref: 2021 Chapter 2 Appendices, Tab 2-M – Regulatory Costs

Oshawa PUC Networks estimates that it will incur incremental costs of $687,786 in respect of this application. Of these costs, $344k are for consultants, and $105k for intervenors.

(a) Please provide a breakdown of the different types of consultants that make up the $344k cost and the amount spent to date.
(b) Please provide the number of intervenors Oshawa PUC Networks used to estimate the $105k amount.

4-Staff-91
Ref 1: Exhibit 4, Pages 70 and 73
Ref 2: ACA, Page 75

Oshawa PUC Networks has proposed a typical useful life of 8 years for the SCADA system. This is below the minimum useful life of 15 years in the Kinectrics report on useful lives.

As described in Exhibit 4 page 70, the SCADA system consists of several components, including remote terminal units (RTU), software, workstations, etc. OEB staff notes that, according to the ACA, all of Oshawa PUC Networks' SCADA RTUs have an age between 11-15 years.

(a) Please explain how a typical useful life of 8 years was calculated. Does the 8 years take into account the useful lives of individual components?
(b) Page 70 of Exhibit 4 mentions major upgrades to SCADA systems to incorporate smart grid functions. Once these major upgrades are completed, will the upgraded SCADA system be treated as a new asset with an eight year lifespan?

4-Staff-92
Depreciation Expense
Ref: Exhibit 4, Pages 79-82, Tables 4-49 to 4-52

In the "variance" column of Tables 4-49 to 5-52, the largest variances (between the depreciation calculated in Tables 4-49 to 4-52 and the depreciation in the fixed asset continuity schedules 2-BA) is for Account 1995 Contributions and Grants. The variances range from $232,089 to $420,039 between 2018 and 2021. Please explain the reason for the variances and reconcile the variances.

4-Staff-93
PILS
Ref: Exhibit 4, Page 83

In the Chapter 2 Filing Requirements for 2021 Rate Applications, page 38 states:

> Applicants may propose a mechanism to smooth the tax impacts over the five year IRM term. The OEB will assess applicants' smoothing proposals on a case by case basis. If the OEB is satisfied with the smoothing proposals applicants may not be required to use Account 1592 going forward.

The Accelerated Investment Incentive (AII) program is expected to be phased out after 2023.

(a) Please confirm that Oshawa PUC Networks is not proposing a mechanism to smooth the tax impacts over the IRM term.
(b) If confirmed, please confirm that Oshawa PUC Networks will continue to use Account 1592 going forward to capture the impact of any future CCA rule changes, including the impacts from the phasing out of the AII program.
(c) If not confirmed, please discuss and quantify the smoothing mechanism.

4-Staff-94
PILS
Ref 1: PILS Workform
Ref 2: Exhibit 4, Appendix 4-5 2019 Corporate Tax Return

Regarding CCA:

(a) Schedule 8 CCA of the 2019 tax return shows total ending UCC to be $119,559,086. In the PILS Workform, the ending UCC in the historical year is $113,673,475. Please explain and reconcile the difference. Please update the PILS Workform as needed.
(b) Schedule 8 CCA of the 2019 tax return shows $1,008,098 of the total $22,879,547 additions are accelerated investment incentive properties (AIIP) eligible for accelerated CCA (i.e. 0.8%). In the bridge year of the PILS Workform, $15,709,971 of the total $16,289,971 total additions are AIIP (i.e. 96%). In the test year of the PILS Workform, $13,846,782 of the $14,146,782 total additions are AIIP (i.e. 98%). Please explain why the majority of 2019 additions were not AIIP while the majority of assets are AIIP in 2020 and 2021.
(c) Please provide Oshawa PUC Networks' interpretation of the eligibility criteria for AIIP and explain how Oshawa PUC Networks determined the amount of AIIP in their 2019 tax filings.

4-Staff-95
PILS
Ref 1: PILS Workform
Ref 2: Exhibit 4, Page 46

The PILS Workform for the bridge and test year do not include changes in reserves for accrued employee future benefits. Please update the PILS Workform to include the change in reserves in accordance with information provided in Exhibit 4.

4-Staff-96
Account 1592, Sub-account CCA Changes
Ref: Exhibit 4, Page 84

Oshawa PUC Networks indicates that the Account 1592, Sub-account CCA Changes amount pertaining to 2019 was not recorded in Account 1592 until after the 2019 audit was finalized. Oshawa PUC Networks will forward the balance for disposition in a future cost-based rate application.

(a) Please explain whether there are any amounts recorded in Account 1592 pertaining to 2018. If no, why not.
(b) Please provide the balance in Account 1592 pertaining to 2018 and 2019 and the related calculations.
(c) Please explain whether the amount calculated in Account 1592 is based on actual additions in the year or approved capital additions from Oshawa PUC

Networks' last rebasing application and provide justification for the approach taken.

(d) Please provide the calculation for the Account 1592 entries in 2018 and 2019 on both of the following bases:
   i. The difference in CCA between the calculations embedded in Oshawa PUC Networks' rates and what that calculation would have been had the AIIP rules been applied in its last rebasing application (i.e. based on approved capital additions)
   ii. The difference in CCA between the amounts claimed in 2018 and 2019 and what the claims would have been had the AIIP program not been introduced (i.e. based on actual capital additions in the year).

(e) If Oshawa PUC Networks were to dispose of Account 1592 balances pertaining to 2018 and 2019, please confirm that Oshawa PUC Networks would be returning the full revenue requirement impact (including any gross-up required) to ratepayers. If not, please explain Oshawa PUC's position.

Exhibit 5 – Cost of Capital

5-Staff-97
Affiliated Long-term Debt
Ref 1: 2019 Audited Financial Statement, filed as an attachment to Exhibit 1
Ref 2: Exhibit 5, Page 4
Ref 3: Exhibit 5, Appendix 5-1
Ref 4: 2021 Chapter 2 Appendices, Appendix 2-OB_Debt Instruments
Ref 5: *Report of the Board on the Cost of Capital for Ontario's Regulated Utilities (EB-2009-0084)*

On page 27 of Exhibit 1, Oshawa PUC Networks states that "OPUCN has a note payable to OPUC [the parent company] for approximately $60 million bearing interest at a rate of 7.25% per annum".

The 2019 Audited Financial Statements are filed as an attachment to Exhibit 1. Note 10 of the 2019 Audited Financial Statements (p. 276 of the PDF document of Exhibit 1) documents the following with respect to the debt due to Oshawa PUC Networks' parent company:

> **10. NOTE PAYABLE TO SHAREHOLDER**
>
> The note payable to the shareholder of $60,064 [2018 - $60,064] has an interest rate of 4.54% [2018 - 4.54%] per annum and is due on demand.

> The Corporation does not anticipate that the note will be called upon within one year and, accordingly, the note remains classified as a long-term liability.
>
> In 2019, the Corporation made interest payments of $2,187 [2018 - $1,091] to the shareholder.

On page 4 of Exhibit 5, Oshawa PUC Networks states:

> Funded Debt represents the amount of long-term debt obligations that OPUCN has issued and that are outstanding as at the date of this Application. These amounts represent Notes Payable of $60.064 million to the parent company, Oshawa Power and Utilities Corporation ("OPUC"). The effective interest rate on the Note is 3.65%. The Note is due on demand to the parent company. The rate used for this loan in calculation of the weighted average is the actual rate of 3.65%, which is the effective rate payable by OPUC to the Toronto Dominion Bank on a loan of a similar amount. This loan, for $60.0 million, is due in one repayment obligation at maturity in October 2028. The Loan is structured with a ten-year interest rate swap agreement with the Bank, effectively converting OPUC's obligations to a fixed interest rate of approximately 3.65%. The Note is provided in Appendix 5-1 of this Exhibit.

OEB staff note that Appendix 5-1 contains copies of two agreements between OPUC, Oshawa PUC Networks' parent company with Toronto-Dominion Bank.

(a) Please file a copy of the Notes Payable between Oshawa PUC Networks and OPUC.
(b) In Appendix 2-OB, the affiliated debt has no documented maturity. Please indicate the term of the Notes Payable between Oshawa PUC Networks and OPUC.
(c) Please confirm the interest rate due per the executed Demand Note. If the note has a variable or negotiable rate, please provide a detailed explanation of how the rate is determined for each year or period.
(d) Is the Notes Payable only callable by OPUC? Does Oshawa PUC Networks have any rights with respect to retiring this debt? If so, please provide details.
(e) If this affiliated debt has no fixed maturity and is callable on demand, please provide further explanation on why Oshawa PUC Networks believes that a long-term debt rate of 3.65% applies to the Notes Payable between Oshawa PUC Networks and OPUC, with reference to the deemed long-term debt rate acting as a ceiling on affiliated debt in accordance with the policies documented on pages 50-54 of the *Report of the Board on the Cost of Capital for Ontario's Regulated Utilities (EB-2009-0084)*, issued December 11, 2009.

5-Staff-98
New Long-term Debt in 2020 and 2021
Ref 1: Exhibit 5, Pages 4-5
Ref 2: 2021 Chapter 2 Appendices, Appendix 2-OB_Debt Instruments

With respect to anticipated new Long-term Debt, on pages 4-5 of Exhibit 5, Oshawa PUC Networks states:

> OPUCN anticipates a requirement to issue new long-term debt in 2020 and 2021. OPUCN estimates an issuance of approximately $10.0 million in 2020, and $5.0 million in 2021. The actual timing, amount, and term of a new debt issuance will be influenced by several factors such as actual versus anticipated cash flow and financial market conditions. OPUCN requests that the Long-Term debt rate used to determine distribution rates be updated as necessary in the applicable Test Year, in a manner consistent with Board policy applicable at that time, in the event that OPUCN issues any new long-term debt during this period.

On Appendix 2-OB for the calendar years 2020 and 2021, Oshawa PUC Networks shows the new forecasted debt as commencing on October 1, 2020 for the $10.0 million debt, at a rate of 3.21% and with no identified maturity, and July 1, 2021 for the $5.0 million debt, as a similar rate of 3.21% and with no identified maturity.

(a) Please provide further information on the need for, principal, issuance date, maturity, and expected rate, commensurate with the loan term and current market conditions, for the debt forecasted for October 1, 2020.
(b) If available, please provide further information on the need for, principal, issuance date, maturity, and expected rate, commensurate with the loan term and current market conditions, for the debt forecasted for July 1, 2021.

5-Staff-99
Notional Debt
Ref 1: Exhibit 5, Page 6
Ref 2: 2021 Chapter 2 Appendices, Appendix 2-OB_Debt Instruments
Ref 3: *Filing Requirements For Electricity Distribution Rate Applications, 2020 Edition for 2021 Rate Applications, Chapter 2, Cost of Service*, May 14, 2020, Pages 44-45

On page 6 of Exhibit 5, Oshawa PUC Networks documents the following:

> OPUCN's deemed debt for 2021 is $88.5 million as provided in Table 5-2, and the actual debt, per Table 5-11, is projected to be $75.0 million. Accordingly, OPUCN has positive notional debt of $13.5 million. In this application, as directed in the Chapter 2 Filing Requirements for Electricity Distribution Rate Application, the notional debt attracts the weighted actual cost of long-term debt of 3.21%. At the time of this application, this is the

same rate as the deemed long-term debt rate prescribed by the OEB in its October 31, 2019 letter.

Pages 44-45 of the current Chapter 2 Filing Requirements documents the following:

> Notional debt is that portion of the deemed debt capitalization that results from differences between the distributor's actual debt and the deemed debt thickness of 60% (56% long-term debt and 4% short-term debt). Notional debt can arise for a number of reasons such as the difference between actual capital assets and regulatory rate base due to the addition of the formulaic working capital allowance.
>
> Divergence from the deemed capital structure is generally under the control of the utility as it may relate to timing for debt financing for planned capital investments, as well as the interests of shareholders, with regards to dividend policy (paying out earnings) versus reinvesting retained earnings.
>
> Notional debt can be either positive (i.e. deemed debt is greater than actual debt) or negative (where deemed debt is less than actual debt). *Since the factors which cause notional debt to arise are largely under the control of the utility, notional debt should attract the weighted average cost of actual long-term debt rather than the current deemed long-term debt rate issued by the OEB.* This approach has been upheld in several decisions in recent years.[29]
>
> The possible exception to this is that the deemed long-term debt rate should apply as a ceiling in a situation where a utility is 100% equity financed and has no current debt or recent history of debt financing (and thus no current or historical information on actual debt costs for the utility). ***[Emphasis Added]***

29 December 19, 2014 (Updated August 11, 2016) Hydro One Remote Communities Decision with Reasons, EB-2008-0232, page 12, London Hydro Inc. Decision with Reasons, EB-2008-0235, pages 36-37.

In Appendix 2-OB, Oshawa PUC Networks documents a weighted average cost of long-term debt of 3.63% for 2020 and 3.57% for 2021.

Please explain how Oshawa PUC Networks' proposed treatment of "notional" debt is consistent with the policy as summarized in the Chapter 2 Filing Requirements and originally articulated in *Report of the Board on the Cost of Capital for Ontario's Regulated Utilities (EB-2009-0084)*, issued December 11, 2009.

Exhibit 6 – Calculation of Revenue Deficiency or Sufficiency

6-Staff-100
Ref 1: Exhibit 6, Page 4, Table 6-1
Ref 2: Revenue Requirement Workform, Tab 9 – Rev_Reqt

The revenue deficiency/(sufficiency) and gross revenue deficiency/(sufficiency) in reference 1 is the same.

Please confirm that the gross revenue deficiency/(sufficiency) is $1,684,085 and the revenue deficiency/(sufficiency) associated with base revenue requirement is $1,431,472 as noted in reference 2.

Exhibit 7 – Cost Allocation

7-Staff-101
Cost Allocation
Ref: Cost Allocation Model, Tab O1 - Revenue to cost|RR
Ref: Revenue Requirement Workform, Tab 11 - Cost_Allocation

The allocated revenue requirement and revenues in the cost allocation model do not reconcile to the RRWF as identified below:

Revenue Requirement:

	Cost Allocation Revenue Requirement	Revenue Requirement Workform Allocated Class Revenue Requirement	Difference
Residential	19,194,323	19,126,383	67,940
GS < 50 kW	3,112,011	3,097,435	14,576
GS 50 to 999 kW	4,932,042	4,939,274	-7,232
GS 1,000 to 4,999 kW	566,937	568,472	-1,535
Large Use	272,554	273,426	-872
Street Lighting	492,347	495,552	-3,205
Sentinel Lights	1,998	2,008	-10
USL	77,850	78,111	-261
Total	**28,650,063**	**28,580,665**	**69,398**

Distribution Revenue

	Cost Allocation Distribution Revenue at Status Quo Rates	Revenue Requirement Workform LF X current approved rates (1+d)	Difference
Residential	17,553,126	17,552,396	730
GS < 50 kW	3,344,006	3,343,866	140
GS 50 to 999 kW	4,700,655	4,700,460	195
GS 1,000 to 4,999 kW	586,444	586,420	24
Large Use	273,766	273,755	11
Street Lighting	820,015	819,981	34
Sentinel Lights	2,338	2,338	-
USL	69,731	69,728	3
Total	**27,350,082**	**27,348,945**	**1,137**

Miscellaneous Revenue

	Cost Allocation Miscellaneous Revenue	Revenue Requirement Workform Miscellaneous Revenues	Difference
Residential	930,934	880,841	50,093
GS < 50 kW	123,475	116,376	7,099
GS 50 to 999 kW	157,083	148,582	8,501
GS 1,000 to 4,999 kW	23,482	22,509	973
Large Use	9,544	9,069	475
Street Lighting	52,238	51,298	940
Sentinel Lights	125	121	4
USL	3,099	2,925	174
Total	**1,299,981**	**1,231,721**	**68,260**

(a) Please reconcile the differences noted above.

(b) If model entries are in error, please file corrected models.

7-Staff-102
Services Weighting Factor
Ref: 2021 Chapter 2 Appendices, Tab 2-H – Other_Oper_Rev

Oshawa PUC Networks states that:

The weighting factor for customer classes GS<50 kW and Street Lighting have been set to 1.5 and 3.5, respectively, to reflect the additional effort in maintaining, reviewing and auditing data for these customers with associated parameters for billing.

The weighting factors for customer classes GS 50kW to 999 kW, GS 1,000 kW to 4,999 kW, and Large Use, have been set to 7.0, 7.0 and 15.0, respectively, to reflect that billing is significantly more complex due to validating, editing and adjustment of interval data, incorporation of manual reads, and review of global adjustment amounts. From a customer service and collection perspective, these accounts often require escalation to a supervisor, increased follow up, and occasionally face-to-face meetings.

The billing and collecting weighting factor is used to allocate the following account balances:

Account Number	Account Name	Balance
5305	Supervision	$145,880
5315	Customer Billing	$1,228,072
5320	Collecting	$274,283

(a) In determining the weighting factors, has Oshawa PUC Networks considered all costs associated with billing and collecting from customers, both internal staff costs as well as external or vendor costs such as postage and financial services?
(b) Please provide a derivation of the weighting factors which itemizes internal staffing costs separately from external costs such as postage, financial services, and other service providers.

7-Staff-103
Customer Count
Ref: Cost Allocation Model, Sheet I6.2 Customer Data, I7.1 Meter Capital

Oshawa PUC Networks has populated the Meter Capital worksheet with differing number of meters than customers as indicated in the table below:

	Forecasted Customers per I6.2 Customer Data	Total Meters per I7.1 Meter Capital	Difference
Residential	56,190	56,932	742 (1.3%)

General Service < 50 kW	4,269	4,182	-87 (-2.0%)
General Service > 50 kW to 999 kW	535	557	22 (4.1%)
General Service 1,000 to 4,999 kW	13	13	-
Large Use	1	2	1 (100%)

Please reconcile the differences in meter counts to customer counts.

Exhibit 8 – Rate Design

8-Staff-104
Fixed/Variable Proportion
Ref: Exhibit 8, Page 8

Oshawa PUC Networks proposes to maintain the fixed/variable proportions. Table 8-5 indicates that General Service Intermediate 1,000 to 4,999 kW and Large Use have fixed charges that are already above the Minimum System with Peak Load Carrying Capability (PLCC) Adjustment (the Ceiling Fixed Charge from the Cost Allocation Model), and are proposed to increase.

Please calculate the variable charges that would result from the scenario where the fixed charges for the General Service Intermediate 1,000 to 4,999 and Large Use classes were held at the existing rates.

8-Staff-105
Ref 1: RTSR Workform, Tab 3 – RRR Data
Ref 2: EB-2019-0062, Decision and Rate Order, Schedule A – Tariff of Rates and Charges

OEB staff is unable to reconcile the retail transmission rates for network, and line and transformation connection entered in column E to Oshawa PUC Networks' current Tariff of Rates and Charges for all rate classes.

Please provide an updated RTSR Workform to reflect the rates as found on Oshawa PUC Networks' current 2020 tariff.

8-Staff-106
Loss Adjustment Factors
Ref 1: Exhibit 8, Page 14
Ref 2: Chapter 2 Appendices, Tab 2-R – Loss Factors

Please explain the drivers for the increases in 2018 and 2019 total losses relative to 2016 and 2017 levels.

Exhibit 9 – Deferral and Variance Accounts

9-Staff-107
DVA Disposition
Ref 1: Exhibit 9, Page 3
Ref 2: Exhibit 1, Pages 18-19 and 59-60

Oshawa PUC Networks is not requesting the disposition of any Group 1 or Group 2 DVA balances however is requesting disposition of Account 1568 – LRAMVA.

In Oshawa PUC Networks' 2020 IRM decision[6], the OEB directed Oshawa PUC Networks to carry out a review by way of external special purpose audit, at a minimum for accounts 1588 and 1589, for the period January 1, 2017 to December 31, 2019. The special purpose audit was to be completed prior to any request for disposition of 1588 or 1589 deferral and variance accounts. The OEB gave the option to extend this special purpose audit to all Group 1 accounts.

In its current application, Oshawa PUC Networks notes that it is exercising that option and is planning an external special purpose audit for **all DVA accounts** for the three year period noted above (**emphasis added**). The Audit is planned for August/September 2020 and is expected to be completed before the end of the year.

(a) It is unclear as to whether Oshawa PUC Networks is extending the audit to Group 2 accounts as well as Group 1. Please clarify.
(b) If the audit is not being extended to Group 2 accounts, please explain why Oshawa PUC Networks is not proposing Group 2 accounts for disposition.
(c) When does Oshawa PUC Networks anticipate requesting disposition of the Group 1 and 2 accounts? Does Oshawa PUC Networks plan to request disposition of the accounts in the current proceeding if the audit is completed prior to the close of record?

[6] EB-2019-0062

(d) Please provide a status update of the audit.

9-Staff-108
RSVAs
Ref 1: Exhibit 8, Page 11
Ref 2: EB-2015-0304, Decision and Order, February 14, 2019, Schedule B - Accounting Order - Account 1508 other regulatory assets, sub-account retail service charges incremental revenue
Ref 3: 2021 Deferral/Variance Account Workform
Ref 4: Exhibit 9, Page 11

Reference 1 notes that Oshawa PUC Networks is not using Accounts 1518 - Retail Cost Variance Retail and 1548 Retail Cost Variance STR (RSVAs). Reference 4 states that Oshawa PUC Networks has a zero balance in Accounts 1518 and 1548 and has followed Article 490 of the Accounting Procedures Handbook.

At reference 2, the OEB noted that electricity distributors who have discontinued the use of RCVAs 1518 and 1548 are required to establish the two new variance accounts[7], in order to track the difference between the revenue collected from the current electricity distributor Retail Service Charges (electricity RSCs) and the revenue to be collected when the updated electricity RSCs come into force on May 1, 2019, for eventual disposition to distribution ratepayers.

In the DVA Continuity Schedule, there are no entries on Tab 2b for these accounts.

(a) Please explain if Oshawa PUC Networks is using Accounts 1518 and 1548 or the new Account 1508 sub-accounts.
(b) If Account 1518 and 1548 are used, why does Oshawa PUC Networks have zero balances in the accounts?
(c) Please update the DVA Continuity Schedule for balances pertaining to retail cost variances as needed, including a forecast up to December 31, 2020.[8]
(d) Please confirm that amounts can be forecast with reasonable accuracy up to December 31, 2020.
(e) Please provide the supporting calculation for the amounts recorded in the accounts.

[7] 1508 Other Regulatory Assets, Sub-account Retail Service Charges Incremental Revenue and 1508 Other Regulatory Assets, Sub-account Retail Service Charges Incremental Revenue Carrying Charges
[8] Per page 65 of Chapter 2 Filing Requirements for 2021 Rate Applications, “Distributors can forecast a balance up to December 31, 2020 or April 30, 2021 and the OEB may consider disposing of the forecasted amount”.

(f) Please confirm that Accounts 1518, 1548 and the 1508 sub-account will be discontinued after December 31, 2020.

9-Staff-109
Account 1508, Sub-account OEB Cost Assessment
Ref: 2021 Deferral/Variance Account Workform

In the DVA Continuity Schedule, Oshawa PUC Networks has a balance of $416,658 in Account 1508, Sub-account OEB Cost Assessment as at December 31, 2019 including forecasted interest.

(a) Please update the DVA Continuity Schedule to include the balance recorded in the sub-account including the forecasted balance up to December 31, 2020 as no new transactions are expected to be recorded in the sub-account after rebasing.
(b) Please confirm that the amounts can be forecast with reasonable accuracy up to December 31, 2020

9-Staff-110
Account 1508, Sub-account Pole Attachment Revenue Variance
Ref 1: 2021 Deferral/Variance Account Workform
Ref 2: Exhibit 8, Page 13
Ref 3: Exhibit 9, Page 10

At reference 2, it states that Oshawa PUC Networks has recorded the excess of incremental revenues from the increased pole attachment charge into Account 1508, Sub-account Pole Attachment Revenue Variance. In the DVA Continuity Schedule, there is no balance recorded in the sub-account.

(a) Please update the DVA Continuity Schedule to include the balance recorded in the sub-account including the forecasted balance up to December 31, 2020[9].
(b) Please provide a calculation of the amount recorded in the sub-account.
(c) Please confirm that the amounts can be forecast with reasonable accuracy up to December 31, 2020.

[9] Per page 57, Chapter 2 Filing Requirements for 2021 Rate Applications, “In a letter issued March 22, 2018, the OEB instructed distributors to record the excess incremental revenue as of September 1, 2018 until the effective date of its rebased rates in a new variance account related to pole attachment charges. Distributors will need to refund the closing balance in the distributor’s next cost of service application.”

9-Staff-111
Ref 1: Exhibit 9, Page 5 Table 9-3
Ref 2: Exhibit 4, Page 45
Ref 3: 2021 Deferral/Variance Account Workform
Ref 4: Report of the Ontario Energy Board, Regulatory Treatment of Pension and Other Post-Employment Benefit (OPEBs) Costs, May 18, 2017

At reference 2, Oshawa PUC Networks indicates that it uses the default accrual basis for recovery of pensions and OPEBs. Per reference 4, the OEB established Account 1522 to track the difference between the forecasted accrual pension and OPEB amounts in rates and actual cash payment(s) made, with an asymmetric carrying charge in favour of ratepayers applied to the differential. Reference 1 Table 9-3 shows that Account 1522 is not an active account. There is also no balance in for Account 1522 (control account, contra-account and carrying charge account) in the DVA Continuity Schedule.

(a) Please explain why Account 1522 is not an active account that will be continued going forward.
(b) Please update the DVA Continuity Schedule for Account 1522.
(c) Please provide a calculation of the amount recorded in the sub-account(s).

9-Staff-112
Account 1508, Sub-account Lost Revenue for Collection of Account and Reconnection Charges
Ref 1: Exhibit 9, Page 10
Ref 2: Exhibit 1, Page 25

Due to timing of establishment of the sub-account, Oshawa PUC Networks did not record a balance in Account 1508, Sub-Account Lost Revenue for Collection of Account and Reconnection Charges that was effective July 1, 2019. The sub-account will record lost revenue from the elimination of the Collection of Account charge and the waiving of the Reconnection charge to eligible low-income customers from July 1, 2019 to December 31, 2020. Oshawa PUC Networks has proposed that this sub-account be brought forth for disposition in its next rebasing application.

(a) Please provide a continuity schedule showing the calculation of the amount recorded in the sub-account for each of the charges to date, including the OEB-approved amount used as the basis to calculate the lost revenues.
(b) Please include a forecast of the balance in the sub-account up to December 31, 2020 and discuss the whether this amount can be reasonably forecasted.

(c) Please discuss the materiality of the amount recorded in the sub-account in consideration of Oshawa PUC Networks' 2020 IRM Decision and Rate Order[10] and the appropriate Chapter 2 Appendix 2-H to use as a basis to calculate the amount in the sub-account. In particular, the Decision and Rate Order stated:

> With respect to materiality, OEB notes that there are discrepancies between the amounts reported in table 23 of the application and the amounts reported in the Chapter 2 Appendix 2-H supporting Oshawa PUC's 2015 Custom IR decision and order, which lead to different conclusions on whether the amount to be included in the account would be material. The OEB will nonetheless approve the establishment of the account at this time, but the onus will be on Oshawa PUC to demonstrate at the time of disposition that the amounts included in table 23 are the appropriate amounts".

9-Staff-113
Continuation of DVAs
Ref 1: Exhibit 9, Page 5 Table 9-3
Ref 2: Exhibit 9, Pages 9-10
Ref 3: 2021 Deferral/Variance Account Workform
Ref 4: Exhibit 1, Page 24

In Oshawa PUC Networks' decision and order[11] for 2015 rates, the OEB approved the continuation of both the Tax Rates Changes and Pension Cost Differential Deferral Accounts, and the establishment of the System Renewal Capital Variance Account.

(a) The DVA Continuity Schedule shows an Account 1508, Sub-account OPEB Deferral. Please confirm that this is the Pension Cost Differential Deferral Account. If not, please explain what the 1508 sub-account is and what it is to record. Please also update the DVA Continuity Schedule for the Pension Cost Differential Deferral Account.
(b) The DVA Continuity Schedule does not include the System Renewal Capital Variance Account. Please update the DVA Continuity Schedule to include the account for completeness purposes, updating the balance as needed.
(c) In reference 2, Oshawa PUC Networks has not discussed the request for continuation or discontinuation of the three noted accounts above.
    i. Please indicate whether Oshawa PUC Networks proposes to continue or discontinue the Pension Cost Differential Account and the System Renewal Capital Variance Account and provide supporting rationale.

[10] EB-2019-0062, December 12, 2019
[11] EB-2014-0101, November 12, 2015

ii. For the Tax Rate Changes, please confirm that Oshawa PUC Networks will discontinue the account and use the generic Account 1592 PILs and Tax Variance for 2006 and Subsequent Years instead to record the tax impact of any differences that result from a legislative or regulatory change to the tax rates or rules that are not reflected in the distributor's rates. If not confirmed, please explain

9-Staff-114
Continuation of DVAs
Ref: Exhibit 9, Pages 9-10

Oshawa PUC Networks proposes to continue:

- Account 1508, Sub-account OEB Cost Assessment Variance,
- Account 1508, Sub-account Pole Attachment Revenue Variance,
- Account 1508, Sub-account Lost Revenue for Collection of Account and Reconnection Charges

Though Oshawa PUC Networks may be requesting to continue these accounts as Group 2 accounts are not requested for disposition, please confirm that Oshawa PUC Networks will not record any new transactions into these accounts after December 31, 2020 as the expectation for these accounts is that they are to be discontinued after rebasing. If not confirmed, please explain.

9-Staff-115
Account 1509
Ref 1: Exhibit 9, Page 9-10/Exhibit 1, Page 32
Ref 2: Exhibit 3, Page 4
Ref 3: Exhibit 4, Page 12

Per reference 1, Oshawa PUC Networks has requested approval to continue to use Account 1509 – Impacts Arising from the COVID-19 Emergency for the test year. Per reference 2, Oshawa PUC Networks states that it has no ability to forecast 2021 impacts of COVID-19 on the load forecast or other revenue. There are no COVID-19 related impacts forecasted for inclusion in rates in this Application on the assumption that the costs of those impacts will be tracked in the DVAs and disposed of by the OEB later. Per reference 3, Oshawa PUC Networks has noted that while the COVID-19 pandemic has had current impacts to its business environment, "it has prepared this application on the assumption the COVID-19 crisis will have abated by 2021."

(a) Oshawa PUC Networks has requested approval to continue the account in the test year. Please confirm that Oshawa PUC Networks is asking that the Account

remains open through 2021 even if future OEB guidance that is issued for the account as a result of the consultation is different (e.g. the OEB finds that the deferral account for the COVID-19 impacts is effective until the end of 2020).

i. If yes, please clarify the effective time period for which Oshawa PUC Networks proposes to use the account and the underlying rationale.

(b) Please provide the amounts Oshawa PUC Networks has recorded in each of the Account 1509 sub-accounts to date.

i. Please explain the types of costs/savings/lost revenues and the amounts associated that Oshawa PUC Networks has recorded in the sub-account(s).

ii. Please discuss any other types of costs/savings/lost revenues and the amounts associated that Oshawa PUC Networks anticipates recording in the sub-accounts.

9-Staff-116
Carrying Charges
Ref 1: Exhibit 9, Page 7
Ref 2: 2021 Deferral/Variance Account Workform

As stated in reference 1, the interest forecasted on DVA balances (including LRAMVA) are based on the rates for Q1 and Q2 2020. Please update the Q3 and Q4 2020 forecasted interest to be based on the Q3 and Q4 2020 prescribed rates.

9-Staff-117
LRAMVA
Ref 1: Exhibit 4, Pages 90-93
Ref 2: LRAMVA Workform, Tab 8 (street lighting)
Ref 3: EB-2019-0062, Follow-up Questions Update (dated Nov. 13, 2019)
Ref 4: EB-2019-0062, Report (March 26 2016 City of Oshawa - Investment Grade Audit of Streetlights_20191105)

Exhibit 4 of the application did not include statements confirming the calculations of the street lighting savings as noted in section 2.4.6.2 of the Filing Requirements.

(a) Please confirm that the report entitled “March 26 2016 City of Oshawa - Investment Grade Audit of Streetlights_20191105” filed in the 2020 rate application (EB-2019-0062) remains applicable to the review of street lighting savings filed in Tab 8 of the LRAMVA workform.

(b) Please confirm that the statements made in relation to the accuracy of the street lighting savings that were previously filed in Questions #8 and 9 of the “Follow-up

Questions Update" from the 2020 rate application (dated Nov. 13, 2019) remain applicable to the review of the current application.

9-Staff-118
LRAMVA
Ref: LRAMVA Workform, Tab 8 (street lighting)

Annual cumulative savings from street lighting projects increases from 16,233 kW in 2017 to 17,195 kW in 2018, and remains at 17,195 kW in 2019.

(a) Please confirm whether the 106% factor to increase street light demand savings of 16,233 kW to 17,195 kW represents the realization rate for street lighting sourced from the IESO verified results report. If not, please clarify the source of this assumption.
(b) Please confirm that there were no new street light replacements to LED bulbs in 2018, as the savings resulted from LED replacements took place between October 2016 and August 2017. If this is the case, please provide rationale for escalating 2017 street light savings by a factor 106% to estimate 2018 savings.
(c) For 2019 street light savings, please provide the rationale for claiming 100% persistent savings.
(d) Please confirm any revisions to the 2018 and 2019 street light savings amounts, if any.

9-Staff-119
LRAMVA
Ref 1: LRAMVA Workform, Tab 5 (Table 5-d)
Ref 2: Participation and Cost Report (dated July 24, 2020)

The following program savings are included below:

	LRAMVA Workform – kWh (2018)	LRAMVA Workform – kWh (2019)
2018 Residential programs	3,211,984	3,188,821
2018 Save on Energy Retrofit Program	1,890,432	1,881,084
2018 Save on Energy Small Business Lighting Program	286,645	184,310

(a) Please explain the calculation of the persistence of energy savings for 2018 CDM program savings into 2019 savings, and clarify whether the assumptions used are consistent with historical savings for the same program in past years.

(b) Please explain how the persistence of the corresponding demand savings for 2018 CDM program savings into 2019 savings were calculated.

9-Staff-120
LRAMVA
Ref: LRAMVA Workform, Tab 1/ Tab 1-a

(a) In Tab 1, please revise the workform calculations for cell references H19 to H22 to ensure the table is properly linked to Table 1-b.
(b) If Oshawa PUC Networks made any changes to the LRAMVA workform as a result of its responses to the above LRAMVA interrogatories, please file an updated LRAMVA Workform, and confirm the LRAMVA balance requested for disposition, the disposition period and the revised rate riders.
(c) Please confirm any changes to the LRAMVA Workform in response to these LRAMVA interrogatories in "Table A-2. Updates to LRAMVA Disposition (Tab 1-a)"