



Ontario
Energy
Board

Commission
de l'énergie
de l'Ontario

BY EMAIL

September 26, 2025

Mr. Ritchie Murray
Acting Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Mr. Murray:

**Re: Ontario Energy Board (OEB) Staff Submission
Oshawa PUC Networks Inc.
Cost of Service
OEB File Number: EB-2025-0014**

Please find attached OEB staff's submission in the above referenced proceeding pursuant to the OEB's letter dated September 24, 2025. Oshawa PUC Networks Inc. and all intervenors have been copied on this filing.

Yours truly,

Tyler Davids
Advisor – Electricity Distribution Rates

Encl.

cc: All parties in EB-2025-0014



ONTARIO ENERGY BOARD

OEB Staff Submission

Oshawa PUC Networks Inc.

Cost of Service Application

EB-2025-0014

September 26, 2025

1. Introduction

Oshawa PUC Networks Inc. (Oshawa PUC Networks) filed a cost of service application with the Ontario Energy Board (OEB) on April 30, 2025, under section 78 of the *Ontario Energy Board Act, 1998* seeking approval for the rates that Oshawa PUC Networks charges for electricity distribution, effective January 1, 2026.

The OEB issued an approved issues list for this proceeding on June 24, 2025. Oshawa PUC Networks filed a motion for threshold question determination on Issue 7.3 of the approved Issues List on July 10, 2025. The OEB denied the motion on July 15, 2025. A settlement conference took place on August 18-20, 2025. Oshawa PUC Networks filed a Settlement Proposal setting out an agreement among all the parties to the settlement on September 22, 2025. Oshawa PUC Networks, Association of Major Power Consumers in Ontario (AMPCO), Coalition of Concerned Manufacturers and Businesses of Canada (CCMBC), Consumers Council of Canada (CCC), Distributed Resource Coalition (DRC), Pollution Probe, School Energy Coalition (SEC), and Vulnerable Energy Consumers Coalition (VECC) participated in the settlement conference. Oshawa PUC Networks and the intervenors are collectively referred to as the “Parties”.

The Settlement Proposal represents a partial settlement. Full settlement was reached on the following issues.

- Issue 3.1 – Cost of Capital and Capital Structure
- Issue 3.3 – Other Revenue
- Issue 3.4 – Impacts of Accounting Changes
- Issue 5.3 – Retail Transmission Service Rates and Low Voltage Service Rates
- Issue 5.4 – Loss Factor
- Issue 5.5 – Specific Service Charges, Retail Service Charges

Partial settlement was reached on the following issues.

- Issue 1.2 – Rate Base and Depreciation
- Issue 3.2 – Payment-in-Lieu of Taxes (PILs)
- Issue 5.1 – Cost Allocation
- Issue 5.2 – Rate Design, Including Fixed/Variable Splits
- Issue 6.1 – Deferral and Variance Accounts (DVAs)

No settlement was reached on the remaining issues.

- Issue 1.1 – Capital and In-Service Additions
- Issue 2.1 – Operations, Maintenance & Administration Expenses (OM&A)

- Issue 2.2 – Shared Service Cost Allocation Methodology
- Issue 3.5 – Revenue Requirement Determination
- Issue 4.1 – Load Forecast
- Issue 5.6 – Rate Mitigation
- Issue 7.1 – Effective Date
- Issue 7.2 – Responding to All Relevant OEB Directions from Previous Proceedings
- Issue 7.3 – Plan to Seek Additional Funding for a New Operational and Administrative Building in a Subsequent Incentive Rate-setting Mechanism (IRM) Application

This submission is based on the status of the record at the time of the filing of the Settlement Proposal and reflects observations that arise from OEB staff's review of the evidence and the Settlement Proposal. It is intended to assist the OEB in considering and making its determination on the Settlement Proposal.

2. Settlement Proposal

With respect to the partially or fully settled issues, OEB staff submits that the Settlement Proposal reflects a reasonable evaluation of the distributor's planned outcomes in this proceeding and appropriate consideration of the relevant issues.

OEB staff further submits that the explanations and rationale provided by the Parties in support of the Settlement Proposal and the outcomes arising from the OEB's approval of the Settlement Proposal would reflect the public interest and would result in just and reasonable rates for customers.

Below, OEB staff provides its submissions on all issues that have either been partially settled or fully settled.

3. OEB Staff Submissions on the Settlement Proposal

Issue 1: Capital Spending and Rate Base

1.1 Are the proposed capital expenditures and in-service additions appropriate?

No settlement.¹

1.2 Are the proposed rate base and depreciation amounts appropriate?

OEB staff supports the Parties' view that the working capital and depreciation calculation methodologies are appropriate. The agreed upon methodologies include the use of the default allowance of 7.5% of the sum of the Cost of Power and controllable expenses, and the use of the proposed asset service lives consistent with Appendix 2-BB for the purposes of calculating the depreciation expense.

OEB staff recognizes that the Parties have not agreed to the rate base and depreciation amounts. These amounts include the final determination of the Cost of Power, controllable expenses, the opening balance of 2026 rate base, the 2026 capital additions and the closing balance of the 2026 rate base. The final determination of these amounts are contingent on the OEB's determination on Issues 1.1 and 2.1.²

Issue 2: OM&A

2.1 Are the proposed OM&A expenditures appropriate?

No settlement.³

2.2 Is the proposed shared services cost allocation methodology and the quantum appropriate?

No settlement.⁴

Issue 3: Cost of Capital, PILs, and Revenue Requirement

3.1 Is the proposed cost of capital (interest on debt, return on equity) and capital structure appropriate?

The Parties agreed to the capital structure and cost of capital methodology as proposed by Oshawa PUC Networks, subject to the finalization of rate base by decision of the OEB, and updates to reflect the 2026 Cost of Capital Parameters, which will be issued

¹ Settlement Proposal, p.13

² Settlement Proposal, p.14

³ Settlement Proposal, p.16

⁴ Settlement Proposal, p.17

by the OEB in the fourth quarter of 2025.⁵

OEB staff submits that the agreed upon capital structure and cost of capital methodologies have been appropriately determined in accordance with OEB policies and practices, subject to the above. OEB staff also agrees with the Parties that all recalculations resulting from the OEB's decision on unsettled issues or the 2026 Cost of Capital Parameters shall only be addressed as part of the draft rate order process. OEB staff agrees that it is not necessary to adduce any evidence or argument at a hearing related to this issue except to the extent necessary to understand the mathematical consequences of the OEB's decision on the unsettled issues.

3.2 Is the proposed PILs (or Tax) amount appropriate?

While the Parties agreed to the PILs methodology as proposed by Oshawa PUC Networks, the Parties have not agreed on the quantum of PILs to be included in the revenue requirement, as these amounts are contingent on the OEB's determination of Issues 1.1 and 2.1.⁶

OEB staff has no concerns with the proposed methodology used to forecast PILs as agreed to by the Parties, the quantum of which will be subject to any adjustments arising from the OEB's decision on the unsettled issues.

Oshawa PUC Networks applied Accelerated Investment Incentive Program (AIIP) to its Capital Cost Allowance (CCA) for its 2025 and 2026 Test Year capital additions. OEB staff notes that AIIP provides enhanced first-year CCA deductions for the eligible capital additions. During the phasing-out period from 2024 to 2027, the effect of the AIIP is twice the normal first-year claim as compared to the legacy half-year rule for the CCA. OEB staff does not have concerns with the application of AIIP in its CCA claim for Oshawa PUC Networks' PILs for the 2026 Test Year because Account 1592 sub account CCA Changes will be used to record the differences in the CCA rules during 2028 until its next rebasing.

Additional details of Account 1592, sub account CCA Changes are discussed under Issue 6.1.

3.3 Is the proposed Other Revenue forecast appropriate?

OEB staff has no issues with the agreed upon revised 2026 Test Year Other Revenue of \$3.83 million, an increase of \$349k compared to \$3.48 million in the as-filed application. This adjustment is mainly driven by increases in Late Payment Charges, reflecting an adjusted forecast based on 2025 actual year-to-date amounts, and in Miscellaneous Non-Operating Income, reflecting an adjusted forecast based on

⁵ Settlement Proposal, p.18

⁶ Settlement Proposal, p.19

historical averages.⁷

- 3.4 Have all impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified and recorded, and is the rate-making treatment of each of these impacts appropriate?

OEB staff agrees with the Parties that, subject to changes arising from the OEB's determination on Issue 2.2, the impacts of any changes in accounting standards, policies, estimates and adjustments have been properly identified and recorded, and the rate-making treatment of these impacts is appropriate.⁸

- 3.5 Is the proposed calculation of the Revenue Requirement appropriate?

No settlement.⁹

Issue 4: Load Forecast

- 4.1 Is the proposed load forecast methodologies and the resulting load forecasts appropriate?

No settlement.¹⁰

Issue 5: Cost Allocation, Rate Design, and Other Charges

- 5.1 Are the proposed cost allocation methodology, allocations, and revenue-to-cost ratios, appropriate?

OEB staff has no concerns with the cost allocation methodology as agreed to by the Parties and as outlined below, noting that the proposed allocated costs and revenue-to-cost ratios are subject to any adjustments arising from the OEB's decision on the unsettled issues.¹¹

- Oshawa PUC Networks will continue to follow the cost allocation methodology described in Exhibit 7 of its evidence and Section 2.7 of the Chapter 2 Filing Guidelines.
- Changes to the cost allocation model will be limited to updating trial balance data according to the approved revenue requirement, and updating volumes, customer counts, and demand data according to the approved load forecast.
- Revenues will be adjusted to move revenue-to-cost ratios within the OEB-approved ranges and additional revenue rebalancing to maintain revenue

⁷ Settlement Proposal, p.20

⁸ Settlement Proposal, p.22

⁹ Settlement Proposal, p.23

¹⁰ Settlement Proposal, p.24

¹¹ Settlement Proposal, p. 25

neutrality will be applied to the class(es) furthest away from unity, unless otherwise approved for rate mitigation purposes.

OEB staff acknowledges that the Parties have not agreed to the final results of the Cost Allocation model as the required financial inputs are not settled.

5.2 Is the proposed rate design, including fixed/variable splits, appropriate?

OEB staff has no concerns with the Parties' view that the proposed rate design, including the fixed/variable splits, is appropriate, subject to any adjustments arising from the OEB's decision on the unsettled issues.¹²

OEB staff agrees with the Parties' proposal as outlined below.

- Oshawa PUC Networks will continue to follow the rate design methodology described in Exhibit 8 of its evidence and section 2.8 of the Chapter 2 Filing Guidelines.
- Existing fixed/variable splits will be maintained, unless a fixed charge exceeds either the existing fixed charge and the maximum that is calculated in the cost allocation model.

OEB staff acknowledges that the Parties have not agreed upon the final customer class Rate Design as the required financial inputs are not settled.

5.3 Are the proposed Retail Transmission Service Rates (RTSR) and Low Voltage (LV) Service rates appropriate?

OEB staff has no concerns with the Parties' view that the proposed RTSR are appropriate, subject to any adjustments arising from the OEB's decision on the unsettled issues and from updated Uniform Transmission Rates (UTRs) or preliminary UTRs as available when preparing the draft rate order. Oshawa PUC Networks does not have LV Service rates.¹³

OEB staff agrees with the Parties that all recalculations resulting from the OEB's decision on unsettled issues and any updated or preliminary UTRs shall only be addressed as part of the draft rate order process. OEB staff agrees that it is unnecessary to adduce any evidence or argument at a hearing related to this issue except to the extent necessary to understand the mathematical consequences of the OEB's decision on the unsettled issues.

5.4 Are the proposed loss factors appropriate?

The Parties accepted that Oshawa PUC Networks' supply facilities loss factor of 1.0045

¹² Settlement Proposal, p. 27

¹³ Settlement Proposal, p. 28

and total loss factor of 1.0407 for customers under 5,000kW were appropriate.

OEB staff supports the proposed loss factors as shown in the settlement proposal.¹⁴

5.5 Are the Specific Service Charges and Retail Service Charges appropriate?

Through settlement, the Parties accepted that Oshawa PUC Networks' proposed Specific Service Charges and Retail Service Charges are appropriate.¹⁵

OEB staff has no issues with the agreed upon approach for the Specific Service charges and Retail Service charges.

5.6 Are rate mitigation proposals required and appropriate?

The sentinel lighting service classification has rate impacts over 11% based on the outcomes of the settlement proposal.¹⁶ No settlement has been reached on this issue.¹⁷

Issue 6: Deferral and Variance Accounts

6.1 Are the proposals for DVAs, including the balances in the existing accounts and their disposition, requests for new accounts, requests for discontinuation of accounts, and the continuation of existing accounts, appropriate?

Overall, OEB staff submits that the proposal for disposition of the Group 1 and Group 2 accounts, requests for discontinuation of accounts, and the continuation of existing accounts is appropriate.¹⁸

The Parties agreed to the disposition of the following DVA balances as of December 31, 2024, and forecasted interest through to December 31, 2025, over a one-year disposition period:¹⁹

- Group 1 DVAs credit balance of \$97,228 including Account 1589 Global Adjustment
- Group 2 DVAs debit balance of \$115,101 for its OEB Cost Assessment Variance Account. The Parties agreed that the 2020 materiality threshold of \$100k shall apply and, as a consequence of using the 2020 materiality threshold, this amount is material.

Through settlement, the Parties agreed that the balances in the following accounts will

¹⁴ Settlement Proposal, Table 5.4, p. 30

¹⁵ Settlement Proposal, p. 32

¹⁶ Settlement Proposal, p. 7, Table C

¹⁷ Settlement Proposal, p. 33

¹⁸ Settlement Proposal, p. 38, Table 6.1C

¹⁹ Settlement Proposal, p. 35-37

be written off since they do not meet the materiality threshold.²⁰

- Account 1508 – Ultra Low Overnight Account (debit of \$18k)
- Account 1508 – sub account LEAP EFA Funding Deferral Account (debit of \$99k)
- Account 1508 – sub account Pole Attachment Revenue (debit of \$84k)
- Account 1508 – sub account Retail Service Charges (credit of \$16k)
- Account 1592 – PILs and Tax Variance for 2026 and Subsequent Years – sub account CCA Changes (credit of \$110k)

The sum of the balance to be written off is a net debit of \$76k including carrying charges. OEB staff notes that typically the credit balance in Account 1592 sub-account CCA changes should be disposed of and refunded to customers. However, in the context of the settlement, OEB staff notes that the agreed upon write-off balances amount to a total debit of \$76k, which is to the benefit of the customers. Therefore, in the context of this settlement proposal, OEB staff does not oppose the write off of the balance in Account 1592 sub-account CCA changes.

OEB staff has no concerns with the disposition of the OEB Cost Assessment Variance Account and the treatment of the remaining Group 2 immaterial balances in the context of settlement.

Account 1592 – PILs and Tax Variances, Sub-account CCA Changes

Bill C-97 introduced the AIIP which provides for a first-year increase in CCA deductions on eligible capital assets acquired after November 20, 2018. The AIIP is expected to be phased out starting in 2024 and fully phased out in 2028.

In its July 25, 2019 letter entitled *Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance* (2019 Letter), the OEB provided accounting direction on the treatment of the impacts from accelerated CCA resulting from the AIIP.²¹ The OEB established a separate sub-account, Account 1592 – PILs and Tax Variances, sub account CCA Changes to track the impact of any differences that result from the CCA change to the tax rate or rules that were used to determine the tax amount that underpins rates.

The credit balance of \$55,915 in sub account CCA Changes of Account 1592 represents the full revenue requirement impact of the application of accelerated CCA through December 31, 2025. The Account 1592 sub-account CCA Changes amount includes 2020 balances, as well as 2024 and a forecast for 2025. Parties agreed to write off the balance because it is immaterial.²² OEB staff has no concerns regarding the

²⁰ Settlement Proposal, p. 34

²¹ OEB letter, [Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance](#), July 25, 2019

²² Oshawa PUC Networks' materiality is \$195k as noted in Exhibit 1, p 118

write off of the balance in this account in the context of the settlement.

As agreed to by the Parties, Oshawa PUC Networks shall continue to keep open Account 1592 – PILs and Tax Variance for 2026 and Subsequent Years – CCA Changes for the purposes of tracking any new legislative tax changes not reflected in OEB approved 2026 PILs.²³ OEB staff has no concerns with this approach and it is in line with past OEB decisions.²⁴

Account 1511/1508 - Cloud Computing Implementation Costs

The Parties agreed that Oshawa PUC Networks will withdraw its request to establish Account 1508 – sub account Cloud Computing Implementation Costs Deferral Account, a new distributor-specific cloud implementation deferral account at this time. If Oshawa PUC Networks elects to implement a cloud-based ERP (or related cloud solution) before its next rebasing, the Parties agreed that the utility may bring a future request to establish such an account, in either an IRM application or a standalone application. Oshawa PUC Networks agreed to discontinue the current generic account, Account 1511 – Cloud Computing Implementation Costs Deferral Account.

OEB staff finds that the above is consistent with OEB's guidance on cloud computing implementation requests including the OEB's Cost of Capital and Other Matters decision (Cost of Capital Decision).²⁵ OEB staff notes that this reflects good regulatory practice and avoids creating a deferral account until scope, timing and costs are sufficiently defined to assess the criteria of materiality, need and prudence.

The OEB's guidance on the implementation of cloud solutions characterizes the cloud computing deferral account as a transitional mechanism intended for a utility's initial transition from on-premise to cloud solutions.²⁶ The account is not meant to be an ongoing generic account. OEB staff finds that the above approach addresses the intention of the deferral account and that the agreed upon flexibility to bring forward a request in either an IRM or standalone application is procedurally efficient.

²³ Settlement Proposal, p. 38, Table 6.1C

²⁴ EB-2024-0058, Welland Hydro, [Decision and Order](#), Schedule A, p. 43

²⁵ EB-2024-0063, [Decision and Order](#), p. 102-103

²⁶ [Accounting Order \(003-2023\) for the Establishment of a Deferral Account to Record Incremental Cloud Computing Arrangement Implementation Costs](#), p. 3

Issue 7: Other

7.1 Is the proposed effective date appropriate?

Oshawa PUC Networks has requested an effective date of January 1, 2026. Parties did not settle on this issue.²⁷

7.2 Has the applicant responded appropriately to all relevant OEB directions from previous proceedings?

No settlement.²⁸

7.3 Is the plan to seek additional funding for a new operational and administrative building in a subsequent IRM application appropriate?

No settlement.²⁹

~All of which is respectfully submitted~

²⁷ Settlement Proposal, p. 40

²⁸ Settlement Proposal, p. 41

²⁹ Settlement Proposal, p. 42