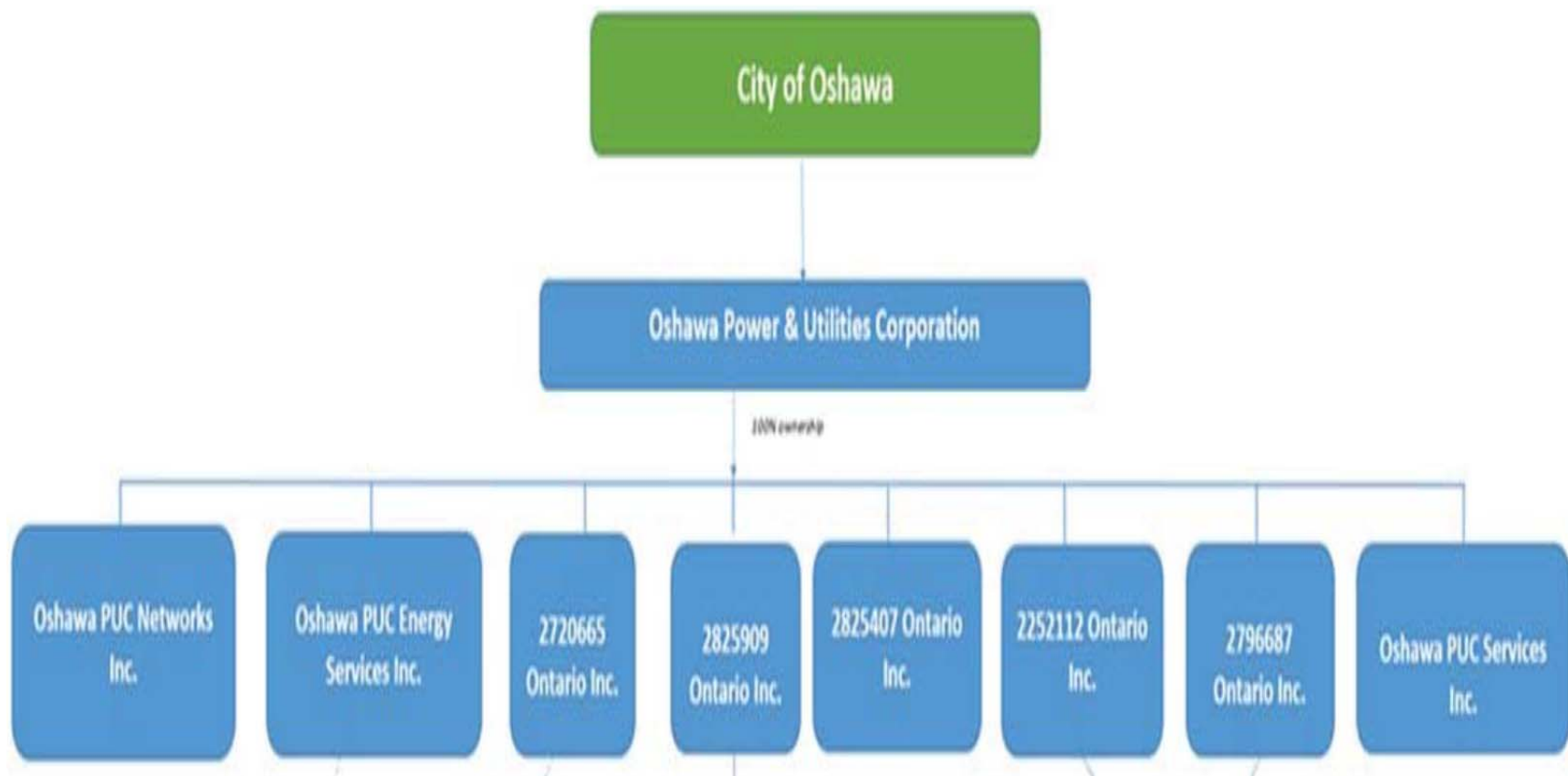
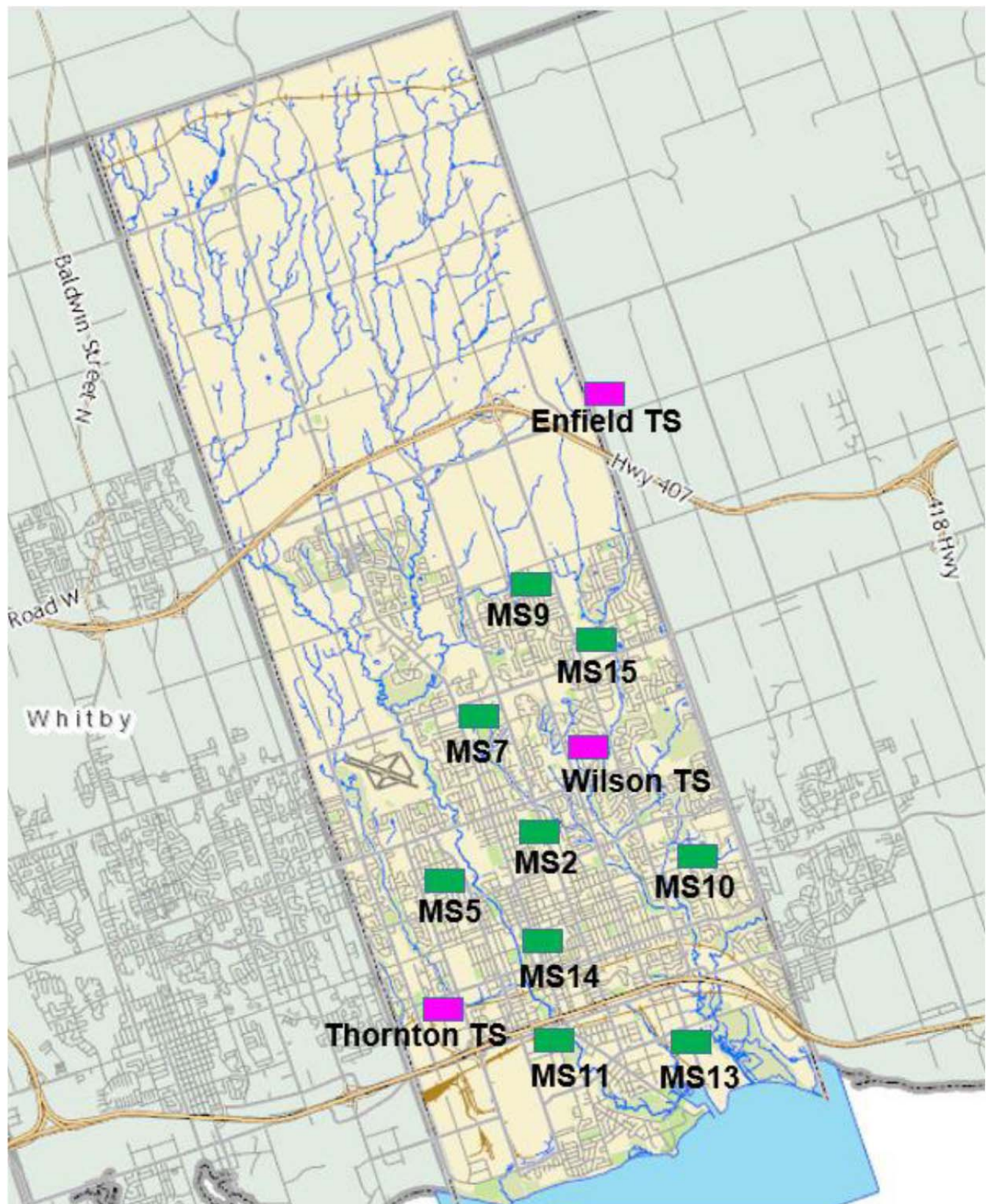


EB-2025-0014
OSHAWA POWER
COMPENDIUM OF MATERIALS VOL. 1
SCHOOL ENERGY COALITION





October 25, 2025
EB-2025-0014

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, ON M4P 1E4

Attn: Ritchie Murray, Acting Registrar

Dear Mr. Murray:

Re: OEB File No. EB-2025-0014
Oshawa PUC Networks Inc. (Oshawa Power)
2026 Rates Application
Hearing – Summary of Opening Remarks

In advance of the Hearing on October 28, 2025, please find enclosed a summary of opening remarks of Oshawa Power's witness panel.

Sincerely,

Valerie Bennett
Director, Regulatory & Commercial Affairs
Oshawa Power

Cc: John Vellone, Borden Ladner Gervais LLP
Parties to proceeding EB-2025-0014 (by email)

Summary of Opening Remarks

The following is an outline of the opening remarks that the Oshawa PUC Networks Inc. (Oshawa Power) witness panel plans to provide at the outset of its testimony at the oral hearing for the unsettled items in this proceeding.

A. Revenue Requirement

Oshawa Power has been operating as a very lean organization. As described in Exhibit 1, Oshawa Power had the lowest operating expenses per customer when compared to its local distribution company (LDC) peers by cohort, geography, and size.¹ As shown in benchmarks and analysis shown in the Resource Optimization Review prepared by expert consultant Ms. Galli,² Oshawa Power's organizational structure is too lean for the size and scope of the organization, which could result in the inability to meet targets and successfully execute its strategic plan. The Review showed that Oshawa Power has the most customers served per full-time equivalent (FTE) when compared to LDCs of the same size, and had among the top 10 highest number of customers served per FTE when compared to all Ontario LDCs.³

Nevertheless, Oshawa Power is facing the same pressures as these other organizations – to meet customer demand, modernize, and address a rapidly evolving policy and regulatory environment. As a result, Oshawa Power staff must do more with less, which is driving an average turnover rate of 15% each year from 2021 to 2024.⁴ Difficulty attracting and retaining staff is exacerbated by having Ontario Power Generation move its headquarters to Oshawa.⁵ If this turnover trend were to continue uncorrected, there would be a 75% turnover of staff by the next rebasing application. This is simply unsustainable to run a utility.

In 2023, Oshawa Power established its new senior management team, with a renewed focus on business transformation. Efforts in 2024 to modernize while continuing to meet customer demand and regulatory requirements included:

- New Strategy & Business Plan⁶
- Overhaul of the Conditions of Service document after 21 years⁷

¹ 1.7 Performance Measurement, 1.7.4

² Exhibit 4, Attachment 4-1 Resource Optimization Review

³ Resource optimization study, attachment 4-1 of exhibit 4

⁴ Exhibit 4 IRR 4-AMPCO-139

⁵ Exhibit 1, Attachment 1-2, p. 8

⁶ 1.2 Executive Summary and Business Plan, Attachment 1-2 and 1-3

⁷ Exhibit 1, 1.4 Administration, 1.4.10 Conditions of Service

- Implementation of Dayforce software to improve staff time coding and cost categorization⁸
- Negotiation of a new collective bargaining agreement for unionized staff⁹
- Increasing collections efforts to reduce the growth of bad debt¹⁰
- Ensuring customers have access to programs such as the Low-income Energy Assistance Program,¹¹ Ontario Electricity Support Program¹² and the new Save on Energy programs¹³
- Planning for non-wires solutions to effectively reduce future infrastructure costs needed to meet new customer demand¹⁴
- Because Oshawa Power's shareholder requires the organization to vacate its current facilities to allow for downtown redevelopment, planning for a new consolidated administrative and operational facility. The costs associated with this new facility are not included in this Application and will be filed as part of an Incremental Capital Module (ICM) to the OEB in the future,¹⁵ because these costs will be outside of the base upon which rates are derived.
- And finally, preparation of this Application by a staff team with no experience from the previous rebasing.

This level of effort led to significant overtime as employees juggled numerous high priority projects and burnout, as cited in exit interviews.¹⁶ It also led to a return on equity of 4.70% in 2024,¹⁷ with similar results expected in 2025. In this context, Oshawa Power is requesting a 25% increase in its revenue requirement to ensure it to sustainably continue modernizing to meet customer needs and regulatory requirements in 2026 and beyond.¹⁸

B. Business Transformation

The Information Technology (IT) Business Transformation Strategy¹⁹ aims to create capacity through digitization, automation, modernization on the foundation of three major projects:

- ERP software to replace soon-to-be unsupported existing software

⁸ 1.8 Facilitating Innovation, 1.8.2

⁹ 4.4 Workforce Planning, 4.4.5

¹⁰ Exhibit 4, 4.3.4 Customer Service Programs – Customer Success & Collecting, Bad Debt Expense

¹¹ Exhibit 4, 4.7.1 Low-income Energy Assistance Program (LEAP)

¹² Exhibit 4, 4.3.4 Customer Service Programs – Communications and Community Relations

¹³ Exhibit 2, IRR 2-PP-88

¹⁴ Exhibit 2, Attachment 2-1 2026-2030 Oshawa Power Distribution System Plan, Appendix A Business Cases

¹⁵ Exhibit 2, 2.6 Policy Options for the Funding of Capital, Exhibit 1 IRR

¹⁶ Exhibit 4, 4.4.2 Outcomes of Previous Plans – Managing Shortages, Skill Gaps and Vacancies

¹⁷ Exhibit 5, 5.4 Return on Equity

¹⁸ Settlement Proposal Table B for 2026 Revenue Requirement / Exhibit 6 Table 6-5 for 2025 Revenue Requirement

¹⁹ Exhibit 1, Attachment 1-4

- A Customer Information System (CIS) billing system change, which was approved as part of the 2021 rebasing application
- A paperless field initiative, which aims to eliminate the use of inefficient and error-prone paper-based processes from the field

Business transformation is achieved by performing full business process documentation, analysis and optimization as part of the implementation of these projects.

In terms of capital spend, over the last four years, multiple major technology upgrades were completed, including financial software updates, SCADA enhancements, an outage management system replacement integrated with SCADA and GIS, GIS system upgrades, a new phone system, rebuilt self-serve capabilities, meter data management upgrades, a new customer portal supporting Green Button, and modernization of networking equipment and servers.²⁰ Most of these software and systems were obsolete and were well overdue for replacement. Comprehensive cybersecurity controls were implemented to meet OEB standards by year-end. Although average annual in-service amounts decline by about \$100,000 per year from 2021–2025 to 2026–2030 (excluding the CIS project), OM&A spending on technology rises from \$1.1 million in 2021 to \$1.9 million in 2026. Approximately \$350,000 of this increase is consolidation of IT spending from other budgets, with inflationary increases.²¹

In terms of OM&A, increases in software and hardware spending focus on cybersecurity and adapting to subscription licensing models.²² The proposed IT staffing additions reflect only essential positions needed to support ongoing changes, particularly efforts to maintain and modernize technology systems. The increase includes 7.3 additional FTEs between 2021 and 2026; five were hired in 2023–2024, with 2.3 planned for 2026.²³ These roles are critical to effective operations.

OM&A and capital investments have transformed the technology department into one properly resourced, hiring only where necessary and emphasizing technology, process optimization, and automation in ongoing transformation efforts.

C. Capital and In-Service Additions

The Distribution System Plan (DSP)²⁴ reflects Oshawa Power’s commitment to a robust, cost-effective capital investment strategy focused on pacing, prudence, reliability, safety, and customer needs. Over the past several years, significant advancements have been made in capital planning, asset management, and operational and maintenance program efficiency. These improvements

²⁰ Exhibit 2, Attachment 2-1 2026-2030 Oshawa Power Distribution System Plan

²¹ Exhibit 2, Attachment 2-1 Distribution System Plan, Appendix 2-AA

²² Exhibit 4, 4.2.3 Analysis 1 of Principal Cost Drivers – Software and Hardware Fees, Exhibit 4 IRR, 4-CCC/VECC/AMPCO/Staff-135

²³ Exhibit 4, 4.3.5 Administration and General Programs – Information Technology, Exhibit 4 IRR, 4-CCC/VECC/AMPCO/Staff-135

²⁴ Exhibit 2, Attachment 2-1 2026-2030 Oshawa Power Distribution System Plan

have positioned Oshawa Power with one of the strongest and most effective distribution systems observed in the industry, supported by exemplary SAIDI and SAIFI reliability metrics.²⁵

The DSP outlines a five-year capital plan, excluding the building project, with an overall increase of 16%, of which approximately 40% is allocated to system access. While system access expenditures are largely outside of Oshawa Power's direct control, they are essential to accommodate future customer connections. The DSP integrates a comprehensive asset management strategy that balances risk and long-term costs through consistent service delivery, asset condition assessments,²⁶ and a prioritization methodology to guide project selection within the forecast period.²⁷

Planning incorporates internal system knowledge and coordination with external stakeholders to maintain a risk-based and adaptable capital program. In 2024, management weighed operational and financial risks to develop a DSP annual capital expenditure level for 2026 to 2030 that would balance system needs with anticipated costs associated with the new facility going into service in 2027. Projects were then prioritized within these envelopes to ensure completion of all mandatory, critical, and vital equipment work. The envelope selected required deferral of ~\$30M of non-critical projects and a ~\$15M station until the next rebasing application,²⁸ with Oshawa Power instead choosing to optimize existing capacity to support community growth.²⁹

The 2026-2030 DSP balances cost and risk over the next five years, ensuring the continued delivery of reliable electricity to customers while supporting sustainable system growth and modernization.

D. OM&A

Oshawa Power, under its new management team, identified numerous risks across all areas of the organization. Managing these risks is a complex task that requires a strategic mindset, strong execution capabilities, and a willingness to embrace change. The actions Oshawa Power has taken, and continues to take, demonstrates a disciplined approach to risk mitigation. The organization carefully prioritizes investments to maximize benefits within limited resources, focusing specifically on areas critical to the long-term sustainability of operations.

While some risks have been addressed, the risk register³⁰ shows that many remain. Reflecting a risk-based approach similar to the Distribution System Plan (DSP), over 90% of the increase in OM&A

²⁵ Exhibit 2, Attachment 2-1 2026-2030 Oshawa Power Distribution System Plan, 5.2.3.2.2 Reliability Performance

²⁶ Exhibit 2, Attachment 2-1 2026-2030 Oshawa Power Distribution System Plan, Appendix C Asset Condition Assessment and Options Analysis Report

²⁷ Exhibit 2, Attachment 2-1 2026-2030 Oshawa Power Distribution System Plan, Appendix C Asset Condition Assessment and Options Analysis Report, Appendix H Asset Management Policy and SAMP

²⁸ Oshawa Power October 23, 2025 Application for 2026 Rates - EB-2025-0014 Decision and Procedural Order No. 5

²⁹ Exhibit 2, Attachment 2-1 2026-2030 Oshawa Power Distribution System Plan, p. 24; Exhibit 2 IRR Attachment 2-11

³⁰ Oshawa Power's October 10, 2025 letter regarding SEC Motion Follow up, OPUCN Risk Register_20251010

relates to areas with the highest risks or those deemed essential for future-proofing. These include labour, asset protection, technology, and bad debt management.³¹

These decisions are prudent to address known risks and macroeconomic challenges, ensuring Oshawa Power balances maintaining service quality with preparing for uncertainties and emerging risks. Sustaining operations at current rates is not viable, especially within an industry undergoing significant transition.³²

The OM&A request in this application is \$22.3 million, which is \$6.2 million higher than the amount included in 2025 rates.³³ This increase will enable Oshawa Power to meet customer expectations,³⁴ OEB performance targets,³⁵ and return on equity,³⁶ while maintaining risk levels management finds acceptable. Without this increase, Oshawa Power risks making operational decisions with insufficient resources, potentially delaying critical risk mitigation to a later, more costly time.

Oshawa Power is aware that a formulaic approach has been used in past decisions to evaluate the reasonableness of OM&A increases. However, strict adherence to such an approach does not fully capture the unique challenges that Oshawa Power is facing. Oshawa Power proposes the following adjustments to the formula:

- Use of a base year no earlier than 2023 to exclude COVID years which involved atypical factors not reflective of future operations
- Adjustment for costs that are beyond management's control:
 1. Increases to OEB regulatory fees³⁷
 2. Incremental cybersecurity costs due to new requirements³⁸
 3. Asset protection and maintenance costs, including vegetation management and security patrols to address copper theft³⁹
 4. Insurance cost increases⁴⁰
 5. Record levels of bad debt⁴¹

³¹ Exhibit 4, 4.2 OM&A Summary and Cost Drivers; Exhibit 4 IRR 4-AMPCO-112

³² Exhibit 4 IRR 4-SEC-180

³³ Exhibit 6, Table 6-5

³⁴ Exhibit 1, 1.6 Customer Engagement; Exhibit 1 Attachments 1-8 to 1-11

³⁵ Exhibit 1, 1.7 Performance Measurement, 1.7.1 Scorecard Results, Analysis, and Performance Measurement; Exhibit 1 Attachments 1-8 to 1-11

³⁶ Exhibit 5, 5.4 Return on Equity

³⁷ Exhibit 4, 4.2 OM&A Summary and Cost Drivers

³⁸ Ibid.

³⁹ Exhibit 4 IRR 4-AMPCO-112, 4-CCC/VECC-118

⁴⁰ Exhibit 4, 4.2 OM&A Summary and Cost Drivers

⁴¹ Exhibit 4, 4.3.4 Customer Service Programs – Bad Debt Expense

6. Incremental labour costs for new positions critical to long-term organizational success and to bring compensation in line with industry averages to improve its ability to attract and retain staff⁴²

Oshawa Power is currently in the midst of business transformation and must ensure customers can continue to rely on Oshawa Power for reliable electricity service while risks related to new technologies, infrastructure needs, and growth expectations are prudently managed.

E. Corrections

The updated Appendix 2-AA included in the interrogatory responses identified a duplicate cost for CRM software in 2025, resulting in a \$50,000 reduction in in-service additions for that year. However, the formula was not adjusted to reflect this revision, and updates to the related appendices will reflect this correction in 2025 in-service additions.⁴³

Following the deployment of the new phone system,⁴⁴ it was discovered that the previous end-of-life system incorrectly recorded incoming call volumes. Consequently, the actual call volumes for 2024 were significantly higher than reported in the reporting and record-keeping requirements (RRRs) but were accurately captured in the Application.⁴⁵ A revision to Oshawa Power's RRRs is planned to correct the call volume and call handle time metrics.

Two shared services costs related to short-term staffing supporting the implementation and stabilization of the new CIS were inadvertently omitted from the 2025 shared services table.⁴⁶ The cost of these two shared services to Oshawa Power from its affiliate 2825407 Ontario Inc. were \$250,000 for CIS implementation and \$100,000 for short-term billing services in 2025, with these costs based on the fully allocated cost of affiliate staff time. As these were short-term services in 2025 only, there are no changes to the 2026 shared services table⁴⁷ as a competitive bidding process is planned for billing services in 2026. There are also no revisions required to the updated 2025 bridge year forecast in the interrogatory responses, because these costs had been captured there as subcontractor costs.⁴⁸

⁴² Exhibit 4, 4.4.5 Employee Compensation Strategy

⁴³ Correct formula: column R = sum columns P and Q

⁴⁴ Exhibit 1, Attachment 1-10, Customer Engagement Survey, p. 11

⁴⁵ Exhibit 4, Figure 4-9

⁴⁶ Exhibit 4, Table 4-39: 2025 Shared Services & Corporate Cost Allocation (Appendix 2-N)

⁴⁷ Exhibit 4, Table 4-40: 2026 Shared Services & Corporate Cost Allocation (Appendix 2-N)

⁴⁸ Exhibit 4 IRR 4-Staff/CCC/VECC/AMPCO-109

Description	2021 OEB Approved	2026 Test Year Forecast	2026 Test Year Forecast vs. 2021 OEB Approved	2026 vs. 2021 - % change
Residential				
Customers	56,190	59,515	3,325	5.9%
kWh	496,495,068	551,504,306	55,009,239	11.1%
GS < 50				
Customers	4,269	4,523	254	6.0%
kWh	128,706,195	128,276,139	(430,056)	-0.3%
GS 50-999				
Customers	535	518	(17)	-3.1%
kWh	328,035,469	326,060,504	(1,974,965)	-0.6%
kW	825,711	826,398	687	0.1%
GS 1,000-4,999				
Customers	13	18	5	40.0%
kWh	76,465,711	74,664,595	(1,801,116)	-2.4%
kW	182,480	178,388	(4,092)	-2.2%
Large Use				
Customers	1	1	-	0.0%
kWh	38,878,939	34,931,300	(3,947,639)	-10.2%
kW	86,319	77,832	(8,487)	-9.8%
Street Light				
Connections	14,391	14,845	454	3.2%
kWh	4,555,628	4,665,082	109,454	2.4%
kW	12,504	13,198	694	5.6%
Sentinel Lights				
Connections	22	19	(3)	-13.6%
kWh	24,360	26,718	2,358	9.7%
kW	81	79	(2)	-2.3%
USL				
Connections	273	263	(10)	-3.7%
kWh	2,506,367	2,866,800	360,433	14.4%
Total				
Customers/Connections	75,694	79,703	4,009	5.3%
kWh	1,075,667,737	1,122,995,443	47,327,706	4.4%
kW from applicable classes	1,107,095	1,095,895	(11,200)	-1.0%

ERTH application & decision comparison details									
	Waterloo North	InnPower	Algoma Power	Milton Hydro	ERTH	ERTH [no land]		Oshawa Power [class B, high level estimated soft costs, land]	Oshawa Power [minus land]
EB#	EB-2010-0144	EB-2014-0086	EB-2019-0019	EB-2015-0089	EB-2024-0021	EB-2024-0021		Not filed	Not filed
Year In Service (YIS)	2011	2015	2022	2015	2025	2025			
Function*	Admin/ Ops.	Admin/ Ops.	Admin./ Ops.	Admin/ Ops.	Admin./Ops.	Admin./Ops.			
Type of Project	New Build	New Build	New Build	Retrofit	New Build	New Build			
Building Sq ft	104,000	36,172	41,703	91,828	50,624	50,624			
Location**	Waterloo	Innisfil	Sault Ste Marie	Milton	Ingersoll	Ingersoll			
Acres	20	7	7	7	6	6			
FTEs	125	55	60	59	39	39			
Customers	52000	19703	12332	42082	24571	24571			
Requested Cost Recovery	\$26,681,739	\$13,246,704	\$14,100,000	\$14,460,000	\$33,439,000	\$27,222,000			
Land costs included***	??	??	??	??	\$6,217,000	NA			
OEB-approved CAPEX (YIS)	??	\$10,896,704	\$12,690,000	\$12,524,798	\$29,500,000	\$23,283,000			
Inflation to 2025 (ERTH application)****	\$58,236,000	\$19,129,000	\$15,361,000	\$24,594,000	\$29,500,000	\$23,283,000			
Escalation to 2027	\$61,782,572	\$20,293,956	\$16,296,485	\$26,091,775	\$31,296,550	\$24,700,935			
Benchmarks									
Customers/acre of land	2600	2815	1762	6012	4095	NA			
Building Sq.Ft./FTE	832	658	695	1556	1298	1298			
Building Sq.Ft./Customer	2.00	1.84	3.38	2.18	2.06	2.06			
Total cost/Customer	\$1,188	\$1,030	\$1,321	\$620	\$1,274	\$1,005			
Total cost/FTE	\$494,261	\$368,981	\$271,608	\$442,233	\$802,476	\$633,357			
Total cost/Sq.Ft.	\$594	\$561	\$391	\$284	\$618	\$488			

* unclear for which LDCs this is was a single consolidated HQ or if they have multiple locations

** insufficient GTA comparators for Oshawa, only GTA comparator was not a new build

*** ERTH application did not show land costs for comparators

**** do not know ERTH's inflationary factors to 2025, assumed 3% in 2026 and 3% 2027 given macroeconomic uncertainty but subject to change

The table below presents Oshawa Power's historical actuals and forecast expenditures for both capital and O&M categories. Note that 2025 figures are forecast spending.

Table 1 - Historical and Forecast Capital Expenditures and System O&M (\$,000)

Category	HISTORICAL (\$ '000)					FORECAST (\$ '000)				
	2021	2022	2023	2024	2025 - Bridge Year	2026 - Test Year	2027	2028	2029	2030
System Access (Gross)	4,219	3,839	7,105	6,694	7,995	9,186	9,270	9,356	9,443	9,532
System Renewal (Gross)	6,507	6,538	12,069	4,585	7,948	8,045	8,756	7,056	7,421	8,108
System Service (Gross)	2,828	953	1,294	1,805	1,093	1,336	300	778	962	588
General Plant (Gross)	1,046	1,271	1,721	576	2,716	1,680	1,655	1,730	1,155	802
Total Capital	14,601	12,601	22,189	13,660	19,752	20,247	19,981	18,920	18,980	19,030
Contributed Capital	-2,049	-1,201	-2,580	-4,856	-2,343	-3,228	-3,253	-3,277	-3,303	-3,328
Net Capital	12,552	11,400	19,609	8,804	17,409	17,019	16,728	15,643	15,677	15,702
System O&M	3,425	3,717	4,319	4,276	3,861	\$5,353	\$5,487	\$5,624	\$5,765	\$5,909

Oshawa Power's historical net capital expenditure from 2021 through 2025 had an average annual expenditure of approximately \$13.95M primarily driven by System Access and System Renewal requirements in order to address customer connections and load growth within the service territory, facilitate community infrastructure improvements through asset relocations, and to address the required replacement of equipment at or approaching the end of their useful life.

In 2024, Oshawa Power reported lower in-service amounts in three of the four investment categories—System Access, System Renewal, and General Plant. This was primarily due to strategic reallocation of budget toward the acquisition of land for Oshawa Power's new Operational and Administrative Building. Deferral of subdivision energizations to 2025 due to delays in developer constructed subdivisions was a significant contributor to lower system access expenditures. The land purchase was a necessary and reactive investment following the City of Oshawa's notice to vacate the current leased facility. Oshawa Power acted prudently, securing the property below market average value as confirmed by Cushman & Wakefield. As the investment remains in Work in Progress until 2027 when the building is anticipated to be placed in service, it is not reflected in the in-service amounts presented in the table above.

IRR Table 1-21: Oshawa Power's Stations CAPEX Results (2019-2026)

Stations CAPEX	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Actuals	2024 Actuals	2025 (Bridge Year Forecast)	2026 (Test Year Forecast)	Average (2019-2023)
Unit Cost (\$/MVA station)	\$ (123.91)	\$0.00	\$2,910.04	\$205.32	\$ (23.73)	\$ 5,265.72	\$ 5,922.78	\$ 5,146.80	\$741.93
	Average 2020-2023								\$772.91

IRR Table 1-22: Oshawa Power's Poles, Towers O&M Results (2019-2026)

Poles, Towers O&M	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Actuals	2024 Actuals	2025 (Bridge Year Forecast)	2026 (Test Year Forecast)	Average (2019-2023)
Unit Cost (\$/Pole)	\$26.98	\$12.94	\$20.75	\$10.01	\$19.72	\$40.98	\$49.53	\$50.59	\$18.08

IRR Table 1-23: Oshawa Power's Poles, Towers CAPEX Results (2019-2026)

Poles, Towers CAPEX	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Actuals	2024 Actuals	2025 (Bridge Year Forecast)	2026 (Test Year Forecast)	Average (2019-2023)
Unit Cost (\$/Pole Addition)	\$30,078	\$13,196	\$29,066	\$2,355	\$21,309	\$39,147	\$15,149	\$14,459	\$19,201

IRR Table 1-24: Oshawa Power's Line Transformers CAPEX Results (2019-2026)

Line Transformers CAPEX	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Actuals	2024 Actuals	2025 (Bridge Year Forecast)	2026 (Test Year Forecast)	Average (2019-2023)
Unit Cost (\$/Line Transformer Addition)	\$28,012	\$16,048	\$16,117	\$19,060	\$69,736	\$67,060	\$50,124	\$39,682	\$29,795

IRR Table 1-25: Oshawa Power's Meters CAPEX Results (2019-2026)

Meters CAPEX	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Actuals	2024 Actuals	2025 (Bridge Year Forecast)	2026 (Test Year Forecast)	Average (2019-2023)
Unit Cost (\$/Customer)	\$18.11	\$16.90	\$23.56	\$10.42	\$11.82	\$12.76	\$8.72	\$24.59	\$16.16

b) See Table below. Please note that 2024 OM&A Per Customer data is not expected to be available until late August 2025.

1-SEC-24

Ref. 1: Exhibit 1, p.69

Ref. 2: Exhibit 1, pp.101-102

Ref. 3: Exhibit 6, p.9

Question(s):

With respect to the Applicant's "superior cost performance", and the following tables of distribution charges for the Applicant compared to the similar-sized LDCs selected by Oshawa PUC Networks and the Other Cohort II LDCs identified by Oshawa PUC Networks:

Comparison to Similar-Sized LDCs

Utility	2015	2025	Increase
PUC Distribution Inc.	7785.24	13445.88	72.7%
Lakeland Power Distribution Ltd.	7033.44	6357.48	-9.6%
Bluewater Power Distribution Corporation	6837.24	8918.76	30.4%
Greater Sudbury Hydro Inc.	6779.40	9633.84	42.1%
Niagara Peninsula Energy Inc.	4689.48	7683.96	63.9%
Synergy North Corporation	4742.40	9229.44	94.6%
Newmarket-Tay Power Distribution	7271.88	7793.88	7.2%
Oakville Hydro Electricity Distribution	6741.24	8847.96	31.3%
Essex Powerlines Corporation	4172.64	5050.80	21.0%
Milton Hydro Distribution Inc.	4317.60	6749.16	56.3%
Entegrus Powerlines Inc.	5801.76	8308.32	43.2%
Oshawa PUC Networks Inc.	6029.76	8416.44	39.6%
Averages	6016.84	8369.66	39.1%

Comparison to Other Cohort II LDCs

Utility	2015	2025	Increase
Fort Frances Power Corporation	5494.44	6927.96	26.1%
Hydro 2000 Inc.	1640.76	4241.88	158.5%

Rideau St. Lawrence Distribution Inc.	6855.00	8057.28	17.5%
Lakeland Power Distribution Ltd.	7033.44	6357.48	-9.6%
Centre Wellington Hydro Ltd.	7734.24	8847.96	14.4%
Niagara Peninsula Energy Inc.	4689.48	7683.96	63.9%
Tillsonburg Hydro Inc.	3156.48	6264.24	98.5%
Niagara-on-the-Lake Hydro Inc.	6286.56	7216.92	14.8%
Burlington Hydro Inc.	3673.32	6003.12	63.4%
EPCOR Electricity Distribution Ontario	4965.48	11320.20	128.0%
Newmarket-Tay Power Distribution	7271.88	7793.88	7.2%
Kingston Hydro Corporation	5756.76	7145.76	24.1%
GrandBridge Energy Inc.	5843.52	9632.40	64.8%
Westario Power Inc.	5239.80	8668.80	65.4%
Oshawa PUC Networks Inc.	6029.76	8416.44	39.6%
Averages	5444.73	7638.55	40.3%

- a) Please confirm that the tables accurately reflect the total annual distribution charge (including Group 2 accounts) for a GS>50 kW customer with 100 kW monthly demand, (such as a typical school) for each of the utilities listed. (An Excel spreadsheet with the calculations is attached.)
- b) Please provide similar tables for a typical residential and GS<50kW customer, together with the Excel spreadsheets used to calculate those comparisons and create those tables.
- c) Please reconcile the idea of “superior cost performance” with the fact that:
 - a. Relative to the similar-sized LDCs, the total costs charged to those typical GS>50kW customers were approximately the same as the average of the peer group in both 2015 and 2025, and in 2025 are lower than five of the peers and higher than six of the peers, making Oshawa PUC Networks slightly above the median for the peer group at the present time.

- b. It is reasonable to expect the Applicant's charges for those customers to be substantially higher than the peer group in 2026 if the current Application is approved.
 - c. Relative to the other Cohort II LDCs, the total costs charged to those typical GS>50kW customers were 10.7% higher than the average of the peer group in 2015 and 10.2% higher than the average of the peer group in 2025, and in 2025 are lower than four of the peers and higher than seven of the peers, making Oshawa PUC Networks well above the median for the peer group at the present time.
 - d. It is reasonable to expect the Applicant's charges for those customers to be substantially higher than the peer group in 2026 if the current Application is approved.
- d) Please confirm that, during the period 2015-2025 when Oshawa PUC Networks increased its charges to customers such as schools by almost 40%, the CPI All Items Ontario increased by under 30%.

Oshawa Power Response

- a) Oshawa Power could confirm the accuracy of most of the fixed and variable charges included in the live excel version of the tables included in this interrogatory. It appears that Newmarket-Tay Power Distribution's 2016 rate was used in the 2015 column in error. The corrected Newmarket-Tay rates for 2015 are provided below.

In addition, a number of the DVA columns could not be replicated, and Oshawa Power has corrected these values where appropriate. The DVA columns in the live excel appear to calculate all rate riders not specifically labeled as Group 1. Oshawa Power notes that Group 2 rate riders are only disposed of in cost of service proceedings and typically only last for one year, and therefore distort bill impacts when included in a comparison such as this.

IRR Table 1-28: Comparison to Similar-Sized LDCs of GS>50 Customer Distribution Charge

Utility	Fixed	Variable	DVA	Total	2015	Fixed	Variable	DVA	Total	2025	Increase	Comments
PUC Distribution Inc.	112.82	535.95	0.00	648.77	7785.24	133.07	902.07	85.35	1120.49	13445.88	72.7%	
Lakeland Power Distribution Ltd.	308.61	277.51	0.00	586.12	7033.44	271.06	323.79	-65.06	529.79	6357.48	-9.6%	
Bluewater Power Distribution Corporation	145.86	423.91	-62.04	507.73	6092.76	176.49	565.27	1.47	743.23	8918.76	46.4%	
Greater Sudbury Hydro Inc.	165.09	428.94	-29.08	564.95	6779.40	193.95	617.52	-8.65	802.82	9633.84	42.1%	
Niagara Peninsula Energy Inc.	102.31	336.29	-47.81	390.79	4689.48	150.17	418.04	72.12	640.33	7683.96	63.9%	
Synergy North Corporation	200.63	255.33	-60.76	395.20	4742.40	237.07	532.05	0.00	769.12	9229.44	94.6%	
Newmarket-Tay Power Distribution	135.41	473.64	-139.55	469.50	5634.00	78.10	422.96	148.43	649.49	7793.88	38.3%	Corrected to 2015 rates (was 2016).
Oakville Hydro Electricity Distribution Inc.	119.81	468.53	-52.27	536.07	6432.84	148.38	580.16	8.79	737.33	8847.96	37.5%	
Essex Powerlines Corporation	224.32	213.06	-356.58	80.80	969.60	262.17	253.99	-95.26	420.90	5050.80	420.9%	
Milton Hydro Distribution Inc.	77.98	259.84	0.00	337.82	4053.84	94.17	412.72	55.54	562.43	6749.16	66.5%	
Entegris Powerlines Inc.	115.32	322.88	94.41	532.61	6391.32	122.36	405.26	164.74	692.36	8308.32	30.0%	
Oshawa PUC Networks Inc.	52.20	447.40	2.88	502.48	6029.76	69.46	594.56	37.35	701.37	8416.44	39.6%	
Averages					5552.84					8369.66	50.7%	

IRR Table 1-29: Comparison to Other Cohort II LDCs of GS>50 Customer Distribution Charge

Utility	Fixed	Variable	DVA	Total	2015	Fixed	Variable	DVA	Total	2025	Increase	Comments
Fort Frances Power Corporation	173.25	261.38	-31.74	402.89	4834.68	214.85	324.12	38.36	577.33	6927.96	43.3%	
Hydro 2000 Inc.	82.10	142.09	-88.83	135.36	1624.32	96.43	204.33	52.73	353.49	4241.88	161.1%	
Rideau St. Lawrence Distribution Inc.	290.85	195.38	85.02	571.25	6855.00	345.04	341.48	-15.08	671.44	8057.28	17.5%	
Lakeland Power Distribution Ltd.	308.61	277.51	0.00	586.12	7033.44	271.06	323.79	-65.06	529.79	6357.48	-9.6%	
Centre Wellington Hydro Ltd.	164.55	358.83	121.14	644.52	7734.24	198.93	495.22	43.18	737.33	8847.96	14.4%	
Niagara Peninsula Energy Inc.	102.31	336.29	-47.81	390.79	4689.48	150.17	418.04	72.12	640.33	7683.96	63.9%	
Tillsonburg Hydro Inc.	133.14	201.35	-71.45	263.04	3156.48	157.04	316.12	48.86	522.02	6264.24	98.5%	
Niagara-on-the-Lake Hydro Inc.	269.88	212.98	6.19	489.05	5868.60	322.05	304.93	-25.57	601.41	7216.92	23.0%	
Burlington Hydro Inc.	58.80	289.49	-112.51	235.78	2829.36	78.66	385.37	36.23	500.26	6003.12	112.2%	
EPCOR Electricity Distribution Ontario	96.90	316.89	105.07	518.86	6226.32	119.31	469.13	354.91	943.35	11320.20	81.8%	
Newmarket-Tay Power Distribution	135.41	473.64	-139.55	469.50	5634.00	78.10	422.96	148.43	649.49	7793.88	38.3%	Corrected to 2015 rates (was 2016).
Kingston Hydro Corporation	280.09	200.63	0.00	480.72	5768.64	133.45	407.11	54.92	595.48	7145.76	23.9%	
GrandBridge Energy Inc.	169.35	351.91	0.00	521.26	6255.12	274.87	391.45	136.38	802.70	9632.40	54.0%	Grandbridge had no Group 2 DVAs in 2015.
Westario Power Inc.	224.33	210.79	221.73	656.85	7882.20	267.56	287.66	167.18	722.40	8668.80	10.0%	
Oshawa PUC Networks Inc.	52.20	447.40	2.88	502.48	6029.76	69.46	594.56	37.35	701.37	8416.44	39.6%	
Averages					5494.78					7638.55	39.0%	

b) See below Tables comparing rates for a typical residential customer and GS<50 customer, and life excel document, Supplemental IRR 24 Rate Comparison. Note that only fixed and variable charges have been used given the distortionary impacts of DVA accounts noted in a).

IRR Table 1-30: Comparison to Similar-Sized LDCs of Residential Customer Distribution Charge

Utility	Fixed	Variable	Total	2015	Fixed	Variable	Total	2025	Increase
PUC Distribution Inc.	9.91	12.83	22.74	272.82	41.40		41.40	496.80	82.1%
Lakeland Power Distribution Ltd.	20.23	11.10	31.33	375.96	40.01		40.01	480.12	27.7%
Bluewater Power Distribution Corporation	15.90	16.28	32.18	386.10	39.73		39.73	476.76	23.5%
Greater Sudbury Hydro Inc.	16.19	9.30	25.49	305.88	36.86		36.86	442.32	44.6%
Niagara Peninsula Energy Inc.	18.43	13.88	32.31	387.66	40.66		40.66	487.92	25.9%
Synergy North Corporation	12.98	9.45	22.43	269.16	35.41		35.41	424.92	57.9%
Newmarket-Tay Power Distribution	15.00	10.95	25.95	311.40	33.57		33.57	402.84	29.4%
Oakville Hydro Electricity Distribution Inc.	14.59	11.93	26.52	318.18	34.52		34.52	414.24	30.2%
Essex Powerlines Corporation	12.94	11.40	24.34	292.08	34.26		34.26	411.12	40.8%
Milton Hydro Distribution Inc.	15.43	10.80	26.23	314.76	36.17		36.17	434.04	37.9%
Entegrus Powerlines Inc.	14.43	10.95	25.38	304.56	30.06		30.06	360.72	18.4%
Oshawa PUC Networks Inc.	11.21	10.65	21.86	262.32	29.79		29.79	357.48	36.3%
Averages				316.74				432.44	36.5%

IRR Table 1-31: Comparison to Other Cohort II LDCs of Residential Customer Distribution Charge

Utility	Fixed	Variable	Total	2015	Fixed	Variable	Total	2025	Increase
Fort Frances Power Corporation	18.88	10.35	29.23	350.76	39.85		39.85	478.20	36.3%
Hydro 2000 Inc.	14.87	11.25	26.12	313.44	44.20		44.20	530.40	69.2%
Rideau St. Lawrence Distribution Inc.	13.19	11.25	24.44	293.28	35.31		35.31	423.72	44.5%
Lakeland Power Distribution Ltd.	20.23	11.10	31.33	375.96	40.01		40.01	480.12	27.7%
Centre Wellington Hydro Ltd.	15.63	10.80	26.43	317.16	34.13		34.13	409.56	29.1%
Niagara Peninsula Energy Inc.	18.43	13.88	32.31	387.66	40.66		40.66	487.92	25.9%
Tillsonburg Hydro Inc.	10.25	18.15	28.40	340.80	37.58		37.58	450.96	32.3%
Niagara-on-the-Lake Hydro Inc.	18.17	9.60	27.77	333.24	35.46		35.46	425.52	27.7%
Burlington Hydro Inc.	12.03	12.30	24.33	291.96	32.64		32.64	391.68	34.2%
EPCOR Electricity Distribution Ontario	10.15	14.93	25.08	300.90	31.80		31.80	381.60	26.8%
Newmarket-Tay Power Distribution	15.00	10.95	25.95	311.40	33.57		33.57	402.84	29.4%
Kingston Hydro Corporation	12.56	11.55	24.11	289.32	31.06		31.06	372.72	28.8%
GrandBridge Energy Inc.	11.98	10.80	22.78	273.36	31.17		31.17	374.04	36.8%
Westario Power Inc.	12.66	11.85	24.51	294.12	32.84		32.84	394.08	34.0%
Oshawa PUC Networks Inc.	11.21	10.65	21.86	262.32	29.79		29.79	357.48	36.3%
Averages				315.71				424.06	34.3%

IRR Table 1-32: Comparison to Similar-Sized LDCs of GS<50 Customer Distribution Charge

Utility	Fixed	Variable	Total	2015	Fixed	Variable	Total	2025	Increase
PUC Distribution Inc.	16.87	40.40	57.27	687.24	24.09	68.80	92.89	1114.68	62.2%
Lakeland Power Distribution Ltd.	43.82	17.80	61.62	739.44	45.47	27.00	72.47	869.64	17.6%
Bluewater Power Distribution Corporation	27.32	38.20	65.52	786.24	33.46	49.80	83.26	999.12	27.1%
Greater Sudbury Hydro Inc.	21.64	37.40	59.04	708.48	25.44	55.40	80.84	970.08	36.9%
Niagara Peninsula Energy Inc.	37.76	27.60	65.36	784.32	48.36	35.20	83.56	1002.72	27.8%
Synergy North Corporation	26.66	27.60	54.26	651.12	40.50	45.60	86.10	1033.20	58.7%
Newmarket-Tay Power Distribution	29.86	39.00	68.86	826.32	27.65	40.80	68.45	821.40	-0.6%
Oakville Hydro Electricity Distribution Inc.	35.11	31.00	66.11	793.32	43.48	38.80	82.28	987.36	24.5%
Essex Powerlines Corporation	33.87	23.20	57.07	684.84	42.09	32.60	74.69	896.28	30.9%
Milton Hydro Distribution Inc.	16.42	34.80	51.22	614.64	22.24	46.80	69.04	828.48	34.8%
Entegrus Powerlines Inc.	26.36	17.20	43.56	522.72	29.62	40.20	69.82	837.84	60.3%
Oshawa PUC Networks Inc.	16.02	34.00	50.02	600.24	20.68	42.20	62.88	754.56	25.7%
Averages				699.91				926.28	32.3%

IRR Table 1-33: Comparison to Other Cohort II LDCs of GS<50 Customer Distribution Charge

Utility	Fixed	Variable	Total	2015	Fixed	Variable	Total	2025	Increase
Fort Frances Power Corporation	43.68	19.80	63.48	761.76	54.18	24.80	78.98	947.76	24.4%
Hydro 2000 Inc.	22.12	19.20	41.32	495.84	30.34	26.40	56.74	680.88	37.3%
Rideau St. Lawrence Distribution Inc.	30.52	18.40	48.92	587.04	36.20	36.40	72.60	871.20	48.4%
Lakeland Power Distribution Ltd.	43.82	17.80	61.62	739.44	45.47	27.00	72.47	869.64	17.6%
Centre Wellington Hydro Ltd.	17.83	37.20	55.03	660.36	23.50	49.00	72.50	870.00	31.7%
Niagara Peninsula Energy Inc.	37.76	27.60	65.36	784.32	48.36	35.20	83.56	1002.72	27.8%
Tillsonburg Hydro Inc.	25.60	35.80	61.40	736.80	30.19	38.80	68.99	827.88	12.4%
Niagara-on-the-Lake Hydro Inc.	37.76	22.60	60.36	724.32	45.06	31.20	76.26	915.12	26.3%
Burlington Hydro Inc.	25.09	27.00	52.09	625.08	29.29	38.60	67.89	814.68	30.3%
EPCOR Electricity Distribution Ontario	20.28	27.00	47.28	567.36	26.94	35.80	62.74	752.88	32.7%
Newmarket-Tay Power Distribution	29.86	39.00	68.86	826.32	27.65	40.80	68.45	821.40	-0.6%
Kingston Hydro Corporation	25.85	21.20	47.05	564.60	17.63	38.60	56.23	674.76	19.5%
GrandBridge Energy Inc.	19.58	21.00	40.58	486.96	35.68	25.80	61.48	737.76	51.5%
Westario Power Inc.	24.30	21.80	46.10	553.20	31.89	28.40	60.29	723.48	30.8%
Oshawa PUC Networks Inc.	11.21	34.00	45.21	542.52	20.68	42.20	62.88	754.56	39.1%
Averages				643.73				817.65	27.0%

- c) Oshawa Power's statement about superior cost performance relies on it being recognized as a Cohort II distributor in the OEB's Total Cost Benchmarking for performing at 10% to 25% better than expected. As noted in the Application, Oshawa Power intends to retain this ranking through the 2026 Test Year.

Oshawa Power does not agree that distributor cost efficiency can or should be judged based on a single rate class, over a small subset of years. Nevertheless, with respect to the specific statements provided, Oshawa Power notes that:

- Relative to the similar-sized LDCs, Oshawa Power's GS>50 distribution charge ranks within the middle of the peer group – 9% higher than the average in 2015, and 1% higher than the average in 2025, with rate of increase just below average between 2015 and 2025.
- It is not reasonable to expect that Oshawa Power's charges for its GS>50 customers will be substantially higher than the peer group in 2026 if the current Application is approved, given it is currently at the average.
- Relative to the other Cohort II LDC, Oshawa Power's GS>50 distribution charge ranks in the middle of the peer group in both years – 10% higher than the average in both 2015 and 2025, with a rate of increase just between 2015 and 2025.

- d. It is not reasonable to expect Oshawa Power's charges for those customers to be substantially higher than the peer group in 2026, given the current rank and the fact that at least one other LDC in this group is in a rebasing proceeding in 2025.
- e) Confirmed. As noted above, Oshawa Power's rate of increase between 2015 and 2025 was the same or below average of the peer LDCs identified.

1-SEC/CCMBC-25

Ref. 1: Exhibit 1, p.114

Question(s):

- a) Please provide a copy of the "review of past innovation projects" referred to.
- b) Please provide copies of the last three "monthly opportunity scans" referred to.

Oshawa Power Response

- a) On June 19, 2024, the Oshawa Power management team gathered to review past innovation projects, the lessons learned through their execution and the new process for implementing innovation projects within the project management office. While much of the discussion was verbal, the following slide captures the overview of past projects and how they fit within the policy themes of their time. Going forward, Oshawa Power intends to review lessons learned at the time of project close, to ensure better implementation of learnings.

Appendix 1

Income Statement

CONSOLIDATED	2023	2024	2025	2026
Total Revenues	175,467,930	157,721,808	162,880,651	184,808,754
Total Expenses (incl Deprn)	169,203,926	150,022,465	153,680,191	171,134,687
Income from Operations	6,264,005	7,699,342	9,200,460	13,674,067
Net Interest Expense	2,375,032	2,887,742	3,222,415	3,885,673
Tax Provision	(423,987)	250,566	408,604	1,305,751
Net Income before regulatory Movements	4,312,960	4,561,035	5,569,440	8,482,643
Net Movements in Regulatory	1,082,000	0	0	0
Net Income	5,394,960	4,561,035	5,569,440	8,492,643
Regulated	6,258,917	3,668,850	3,902,574	6,945,148
Unregulated	(863,957)	892,184	1,666,866	1,537,495

CONSOLIDATED	2027	2028	2029	2030
Total Revenues	190,451,648	200,396,201	206,487,576	212,776,272
Total Expenses (incl Deprn)	176,268,049	183,828,562	189,671,246	195,537,872
Income from Operations	14,183,599	16,567,638	16,816,330	17,238,400
Net Interest Expense	3,816,362	4,950,051	6,052,839	5,980,564
Tax Provision	1,449,466	1,484,314	1,412,288	1,498,670
Net Income before regulatory Movements	8,917,771	10,133,274	9,351,204	9,759,166
Net Movements in Regulatory	0	0	0	0
Net Income	8,917,771	10,133,274	9,351,204	9,759,166
Regulated	6,964,586	8,537,867	7,650,825	7,847,166
Unregulated	1,953,185	1,595,407	1,700,378	1,911,760

Balance Sheet

CONSOLIDATED	2023	2024	2025	2026
ASSETS				
Current assets	45,499,496	41,489,321	47,273,553	49,824,828
Long term assets	218,958,424	237,085,367	241,261,943	253,883,695
Regulatory assets	11,127,009	9,627,009	9,627,009	9,627,009
Total Assets	275,584,929	288,201,698	298,162,506	313,335,532
LIABILITIES				
Current liabilities	31,353,061	26,009,696	25,719,623	26,735,510
Long term liabilities	157,544,334	172,718,432	178,874,873	186,299,369
Regulatory liabilities	3,968,833	3,468,833	3,468,833	3,468,833
Total Liabilities	192,866,227	202,196,961	208,063,329	216,503,712
EQUITY				
Equity	81,897,452	85,250,582	89,403,089	96,257,625
Non Controlling Interest	821,250	754,154	696,087	574,195
Total Equity	82,718,702	86,004,736	90,099,177	96,831,820
Total Liabilities and Equity	275,584,929	288,201,697	298,162,505	313,335,532
Regulated	244,482,031	258,625,208	267,615,196	282,874,412
Unregulated	31,102,898	29,576,489	30,547,310	30,461,120

CONSOLIDATED	2027	2028	2029	2030
ASSETS				
Current assets	53,199,405	58,056,980	62,943,748	67,689,378
Long term assets	276,007,746	285,920,422	287,300,222	288,320,378
Regulatory assets	9,627,009	9,627,009	9,627,009	9,627,009
Total Assets	338,834,160	353,604,412	359,870,979	365,636,765
LIABILITIES				
Current liabilities	26,640,150	27,193,809	28,336,026	28,698,973
Long term liabilities	205,075,587	211,758,906	210,182,052	208,425,725
Regulatory liabilities	3,468,833	3,468,833	3,468,833	3,468,833
Total Liabilities	235,184,570	242,421,548	241,986,911	240,593,532
EQUITY				
Equity	103,135,752	110,714,174	117,494,837	124,667,275
Non Controlling Interest	513,838	468,690	389,231	375,958
Total Equity	103,649,590	111,182,864	117,884,068	125,043,234
Total Liabilities and Equity	338,834,160	353,604,412	359,870,978	365,636,765
Regulated	307,628,779	321,583,444	326,551,491	331,691,665
Unregulated	31,205,381	32,020,968	33,319,488	33,945,100

Cash Flow

CONSOLIDATED	2023	2024	2025	2026
Net Income	5,394,960	4,561,035	5,569,440	8,482,643
Addback Depreciation	11,939,305	10,112,731	10,348,441	10,652,455
Change in other non-cash and working capital	(8,222,320)	(2,581,461)	(3,315,559)	(1,173,045)
Cash generated - Operating	9,111,944	12,092,304	12,602,322	17,962,053
Cash generated - Investing	(18,588,844)	(26,929,223)	(13,216,402)	(21,995,591)
Cash generated - Financing	6,930,899	13,854,066	4,761,699	5,727,585
Net Change in Cash	(2,546,000)	(982,852)	4,157,620	1,734,047
Cash - Opening	13,576,807	11,030,807	10,047,955	14,205,574
Cash - Closing	11,030,807	10,047,955	14,205,574	15,939,622
Regulated	6,746,252	5,328,778	7,873,445	8,141,596
Unregulated	4,284,559	4,719,180	6,332,133	7,798,029

CONSOLIDATED	2027	2028	2029	2030
Net Income	8,917,771	10,133,274	9,351,204	9,759,166
Addback Depreciation	11,012,098	11,771,621	12,531,144	12,890,787
Change in other non-cash and working capital	(2,305,177)	(1,677,563)	(1,110,947)	(1,912,705)
Cash generated - Operating	17,634,692	20,227,332	20,771,401	20,737,248
Cash generated - Investing	(31,817,533)	(20,365,681)	(12,592,327)	(12,592,327)
Cash generated - Financing	16,729,761	4,137,326	(4,172,371)	(4,301,356)
Net Change in Cash	2,536,919	3,998,967	4,006,703	3,843,565
Cash - Opening	15,939,622	18,476,541	22,475,517	26,482,220
Cash - Closing	18,476,541	22,475,517	26,482,220	30,325,785
Regulated	8,382,833	10,015,547	11,173,879	12,842,889
Unregulated	10,093,711	12,459,974	15,308,435	17,482,899

Total Shareholder Value & CAGR

	2023	2024	2025	2026
Shareholder Equity	81,897,452	85,250,582	89,403,089	96,257,625
Dividends addedback - City only	1,100,000	1,200,000	1,400,000	1,600,000
Total Cumulative Shareholder Value	82,997,452	87,550,582	93,103,089	101,557,625
CAGR		5.49%	5.91%	6.96%
Regulated*	66,655,896	70,324,746	74,227,320	81,172,467
CAGR		5.50%	5.53%	6.79%
Unregulated	16,341,556	17,225,836	18,875,769	20,385,158
CAGR		5.41%	7.47%	7.65%

	2027	2028	2029	2030
Shareholder Equity	103,135,752	110,714,174	117,494,847	124,667,275
Dividends addedback - City only	2,000,000	2,500,000	2,500,000	2,500,000
Total Cumulative Shareholder Value	110,435,752	96,674,917	129,794,837	139,467,275
CAGR	7.40%	7.74%	7.74%	7.70%
Regulated*	88,137,051	70,324,746	104,325,741	112,173,146
CAGR	7.23%	7.72%	7.75%	7.72%
Unregulated	22,298,701	23,839,256	25,469,095	27,294,129
CAGR	8.08%	7.84%	7.68%	7.60%

Lease Amendment and Extension Agreement

This Agreement made as of this 30th day of October, 2024

BETWEEN:

The Corporation of the City of Oshawa

(the "City")

and

Oshawa PUC Networks Inc.

(the "Tenant" or "OPUC")

Whereas:

1. By lease made the 1st day of June, 2007 (the "Lease"), Oshawa PUC Networks Inc. ("OPUC") leased from the City the property municipally known as 100 Simcoe Street South (the "Premises") for a term expiring March 31, 2012; and,
2. On March 19, 2012, City Council approved OPUC's request for an additional five year term commencing April 1, 2012 and terminating March 31, 2017; and,
3. On May 19, 2015, in response to a letter from OPUC dated April 8, 2015, City Council directed staff to provide OPUC with written notice on behalf of the City of the City's intention to terminate OPUC's leasehold occupancy of the Premises, and approved an extension of the Lease from March 31, 2017 to May 31, 2019; and,
4. On May 31, 2015, City staff provided OPUC with four (4) years' prior written notice of the City's intent to terminate the OPUC's leasehold occupancy of the Premises; and,
5. On February 19, 2019, pursuant to Report DS-19-17, City Council approved OPUC's request for a two (2) year extension of the Lease, commencing June 1, 2019 and terminating May 31, 2021; and,
6. On April 26, 2021, pursuant to Report DS-21-73, City Council approved OPUC's request for an additional two (2) year extension of the Lease, commencing June 1, 2021 and terminating May 31, 2023; and,
7. On May 1, 2023, pursuant to Report ED-23-66, City Council approved OPUC's request for a three (3) year and six (6) month extension of the Lease, commencing June 1, 2023 and terminating November 30, 2026; and,
8. On February 26, 2024, pursuant to Report CNCL-24-17, City Council considered OPUC's request for up to an additional one (1) year and ten (10) month extension of the Lease, which would have the effect of extending the termination date to September 30, 2028, and authorized staff to execute an appropriate amending agreement in a form and content satisfactory to the Commissioner of Economic and Development Services and the City Solicitor; and,
9. Subsequent to Council's directive of February 26, 2024, and based on staff's determination in consultation with the Commissioner, Economic and Development Services Department and the City Solicitor, it was determined that the amending agreement should, among other things, contain the termination date of May 31, 2028 in order to ensure compliance with the maximum lease term permitted under Section 50(3) of the Planning Act, R.S.O. 1990, c. P.13, as amended.

NOW THEREFORE in consideration of the rents, covenants and agreements reserved and contained herein, to be respectively paid, observed and performed on the part of the Tenant, and for other consideration, the receipt and sufficiency of which are acknowledged, the parties hereto agree as follows:

1. Paragraph 1.01(a) of the Lease, as amended, is hereby further amended by deleting its text and by substituting the following: *"BASE RENT" means, for each year of the TERM, a sum of money equal to Three Hundred Fifty-One Thousand Ninety-Eight Dollars (\$351,098.00) increased by three percent (3%) commencing June 1, 2025 to Three Hundred Sixty-One*

Thousand Six Hundred Thirty-One Dollars (\$361,631.00), increased by thirty percent (30%) commencing June 1, 2026 to Four Hundred Seventy Thousand One Hundred Twenty Dollars (\$470,120.00), and increased by three percent (3%) commencing June 1, 2027 to Four Hundred Eighty-Four Thousand Two Hundred Twenty-Four Dollars (\$484,224.00)."

2. Section 2.01 of the Lease, as amended, is hereby further amended by deleting its text following its heading and by substituting the following: "The CITY grants to OPUC a leasehold interest in the PREMISES for the TERM commencing June 1, 2007 and expiring May 31, 2028, subject to termination as provided in this LEASE."
3. Section 3.03 of the Lease, as amended, is hereby further amended by deleting its text following its heading and by substituting the following: "OPUC agrees to provide the CITY with full and free access (for inspection purposes, including for a building condition audit, and during normal business hours) to any and every part of the PREMISES upon a minimum twenty-four (24) hours' advance notice provided by the CITY. It is understood and agreed, however, that in cases of emergency, the CITY shall at all times and for all purposes have full and free access to the PREMISES."
4. Section 3.21 of the Lease, as amended, is hereby further amended by deleting its text following its heading and by substituting the following: "OPUC shall, within six (6) months of vacating the PREMISES and no later than November 30, 2028, at its own expense, demolish that part of the PREMISES determined by the COMMISSIONER to comprise the distribution building and the metering/storeroom/garage building together with all underground tanks, fuel pumps, and related appurtenances. For this purpose, "demolish" includes removal from the LANDS of the said buildings (including their foundations), tanks, fuel pumps, related appurtenances and debris and restoration of the subject part of the LANDS to a finished grade pursuant to applicable law to the satisfaction of the CITY. OPUC's obligations pursuant to this Section 3.21 shall forever survive the termination of this LEASE."
5. Sections 3.22 and 3.23 of the Lease, as amended, are hereby deleted in their entirety.
6. All other terms and conditions of the Lease, as amended, shall remain the same and time shall remain of the essence.

TO WITNESS, the undersigned affixed their corporate seals attested by the hands of their respective properly authorized officers. By so executing this document, the officers warrant and certify that the corporations for which they are signing are in good standing and duly incorporated and organized under the laws of the jurisdiction in which they are incorporated, and that the officers are authorized and empowered to bind the corporation(s) to the terms of this Agreement by their signatures.

Oshawa PUC Networks Inc.

Daniel
Arbour

Digitally signed by
Daniel Arbour
Date: 2024.10.24
09:19:05 -04'00'

Per: Daniel Arbour, President and CEO

I have the authority to bind the Corporation.

Date: October 24, 2024

Susanna
Beckstead

Digitally signed by Susanna
Beckstead
Date: 2024.10.24 09:19:27
-04'00'

Per: Susanna Beckstead, CA, CPA, CFO
and CAO

I have authority to bind the Corporation.

Date: October 24, 2024

**THE CORPORATION OF THE CITY OF
OSHAWA**



Per: Anthony Ambra, Commissioner
Economic and Development Services
Department

I have the authority to bind the City pursuant to
Closed Report CNCL-24-17 dated February 21,
2024 as approved by Council direction dated
February 26, 2024.

Date: October 30, 2024

CITY OF OSHAWA
AMENDED & RESTATED
SHAREHOLDER DECLARATION

October 28, 2024

AMENDED AND RESTATED SHAREHOLDER DECLARATION

RECITALS:

- A. The Corporation of the City of Oshawa (the "**City**" or the "**Shareholder**") is the sole shareholder of Oshawa Power and Utilities Corporation (as further defined below, the "**HoldCo**").
- B. The HoldCo was incorporated pursuant to Section 142 of the Electricity Act (as defined below) and is organized and existing under the OBCA (as defined below).
- C. The Shareholder entered into a comparable shareholder declaration dated November 24, 2000 in respect of the HoldCo and its Subsidiaries (the "**Existing Shareholder Declaration**").
- D. Pursuant to the OBCA, the Shareholder wishes to make this Shareholder Declaration to amend, restate and replace in its entirety the Existing Shareholder Declaration, and to govern and set forth the relationship, responsibility and accountability between the Shareholder and the HoldCo in respect of the matters set forth herein.
- E. Subject to authority of the board of HoldCo, WiresCo and each Subsidiary (in each case, as defined below) to manage or supervise the management of the business and affairs of the applicable corporation, the Shareholder wishes to provide such boards with the Shareholder's expectations regarding governance principles and the other matters set forth herein.

1. Definition and Interpretation Section

- 1.1 Whenever used in this Shareholder Declaration, unless the context requires otherwise, the following words and terms shall have the respective meanings ascribed to them below.

"**Access Representative**" shall have the meaning set out in Subsection 15.3(a).

"**Affiliate**" shall have the meaning as defined in the OBCA.

"**ARC**" means the *Affiliate Relationships Code for Electricity Distributors and Transmitters* dated March 15, 2010, issued by the Ontario Energy Board.

"**CAO**" means the Chief Administrative Officer of the City or designate, as described by the Municipal Act and appointed by Council and/or legislation and City by-law.

"**City**" shall have the meaning given to it in the Recitals.

"**City Liaison**" means the City officer or delegated staff member referenced in Section 13.

"**City Treasurer**" means the treasurer or designate of the City, as described by the Municipal Act and appointed by Council and/or legislation and City by-law.

"**City Clerk**" means the Clerk of the City or designate, as described by the Municipal Act and appointed by Council and/or legislation and City by-law.

"**Council**" means the elected council of the City.

"**Electricity Act**" means the *Electricity Act, 1998* (Ontario).

"**Energy Legislation**" means legislation enacted from time to time by the Province of Ontario regulating the energy sector and including without limitation the Electricity Act, the OEB Act, the *Green Energy and Green Economy Act, 2009* (Ontario), and all regulations thereunder, and all amendments, reenactments and replacements to such legislation and all other statutes, decisions, orders and policies of the Province of Ontario with respect to the energy sector which may be enacted from time to time.

"**Existing Shareholder Declaration**" shall have the meaning given to it in the Recitals.

"**Family Member**" means a parent, spouse, domestic partner or child as such terms are defined in the *Municipal Conflict of Interest Act* (Ontario) as amended.

"**GAAP**" means the applicable generally accepted accounting principles (GAAP) comprising of a set of accounting rules and procedures used in standardized financial reporting practices including those approved or recommended by the Chartered Professional Accountants of Canada (CPA) or any successor institute, and published in the CPA Canada Handbook, applied on a consistent basis.

"**HoldCo**" means Oshawa Power and Utilities Corporation, incorporated under the OBCA pursuant to Section 142 of the Electricity Act.

"**HoldCo Board**" means the board of directors of the HoldCo.

"**IESO**" means the Independent Electricity System Operator.

"**Lien**" means any mortgage, hypothec, assignment, encumbrance, lien or security interest, regardless of form, that secures the payment of any indebtedness or liability or the observance or performance of any obligation;

"**Mayor**" means the Mayor of the City.

"**Municipal Act**" means the *Municipal Act, 2001* (Ontario), S.O. 2001, c.25 and all regulations thereunder.

"**MFIPPA**" means the *Municipal Freedom of Information and Protection of Privacy Act*, R.S.O. 1990, c. M.56 and all regulations thereunder.

"**OBCA**" means the *Business Corporations Act* (Ontario), R.S.O. 1990, c. B.16 and all regulations thereunder.

"**OEB**" means the Ontario Energy Board.

"OEB Accounting Handbook" means the *Accounting Procedures Handbook for Electricity Distributors* dated December 2011 and effective January 1, 2012, as the same may be subsequently amended or replaced.

"OEB Act" means the *Ontario Energy Board Act, 1998* (Ontario), 1998, c. 15, Sched. B, and all regulations thereunder.

"Shareholder" shall have the meaning given to it in the Recitals.

"Shareholder Declaration" means this amended and restated shareholder declaration dated October 28, 2024, as may be further amended, restated or amended and restated.

"Shareholder Representative" shall have the meaning set out in Subsection 13.1.

"Subsidiaries" means the subsidiary corporations (as defined in the OBCA) of the HoldCo, and includes WiresCo.

"WiresCo" means Oshawa PUC Networks Inc., incorporated under the OBCA pursuant to Section 142 of the Electricity Act, and being a Subsidiary of the HoldCo.

"WiresCo Board" means the board of directors of WiresCo.

"WiresCo Debt" means short-term and long-term debt obligations, which, in accordance with GAAP should be classified as such on WiresCo's balance sheet and meets the definition of such as set forth in the OEB Accounting Handbook.

"WiresCo Equity" means the amount reported as total shareholder's equity in the most recent WiresCo annual financial statements, in accordance with GAAP and in accordance with the definition of such as set forth in the OEB Accounting Handbook.

- 1.2 Headings. The inclusion of headings in this Shareholder Declaration are for convenience of reference only and shall not affect the construction or interpretation of this Shareholder Declaration.
- 1.3 Number. In this Shareholder Declaration, unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.
- 1.4 Laws. All references to (i) Canadian, federal, provincial or municipal laws, orders-in-council, bylaws, codes, rules, policies, regulations and statutes; (ii) applicable orders, decisions, codes, judgments, injunctions, decrees, awards and writs of any court, tribunal, arbitrator, governmental authority, or other person having jurisdiction; (iii) applicable rulings and conditions of any licence, permit, certificate, registration, authorization, consent and approval issued by a governmental authority; and (iv) any requirements under or prescribed by applicable common law (collectively, "**Law**") means those Laws in effect from time to time, and all amendments thereto or any re-enactment or replacement thereof.

- 1.5 Amendment, Restatement and Replacement of the Existing Shareholder Declaration. The Existing Shareholder Declaration is hereby amended and restated, and replaced in its entirety by this Shareholder Declaration. For the avoidance of doubt, this Shareholder Declaration constitutes a unanimous shareholder agreement as contemplated by Section 108 of the OBCA.

2. Purpose and Overarching Principles

- 2.1 This Shareholder Declaration outlines the expectations of the Shareholder relating to the principles of governance and other fundamental principles and policies of the HoldCo and, in some cases, WiresCo and any other Subsidiaries. Except as provided in Sections 13 and 16, this Shareholder Declaration is not intended to constitute a unanimous shareholder declaration under the OBCA or to formally restrict the exercise of the powers of the HoldCo Board or the board of directors of any Subsidiary.
- 2.2 Overarching Principles. The following principles shall apply to this Shareholder Declaration:
- (a) A shareholder declaration for municipal entities should foster and reinforce a collaborative relationship and shared values among all parties and recognize that the interface between the worlds governed by the Municipal Act (public sector) and the OBCA (private sector) requires mutual respect, understanding and flexibility and regular communication between the Shareholder and HoldCo concerning the activities of HoldCo and its Subsidiaries. Such communication should take place whether or not such activities would require the approval of HoldCo or the Shareholder pursuant to this Shareholder Declaration.
 - (b) Decision-making authority should clearly be assigned to the appropriate board of HoldCo, WiresCo or their respective Subsidiaries.
 - (c) The authority of a board as described in this Shareholder Declaration will be accompanied by clearly articulated reporting and approval requirements as set out in this Shareholder Declaration to ensure transparency, accountability and recognition of the role of Council as the ultimate authority over each corporation governed by this Shareholder Declaration.
 - (d) The provisions of this Shareholder Declaration should be interpreted so as to maximize transparency and facilitate communication between the Shareholder and HoldCo.
 - (e) The principles of director independence and skills-based boards will be paramount in the interpretation of this Shareholder Declaration but consistent with applicable policies of the Shareholder publicly adopted from time to time with respect to HoldCo and its Subsidiaries.
 - (f) The unique overlapping community interests and professional capabilities of the group of companies, including the Shareholder, are important components of an integrated and coordinated approach to excellence in asset management.

- (g) Shareholder return and benefits will be measured by several metrics, including but not limited to dividends, as described in Section 12. In general, a long-term strategic view will be applied to the measure of shareholder return and communicated in writing to the boards of HoldCo and its Subsidiaries by City Council.
- (h) It is recognized that HoldCo, WiresCo and the Subsidiaries are operated on a "for-profit" basis, may operate in a competitive environment, and are subject to the obligation to make payments in lieu of taxes under Energy Legislation.
- (i) In making decisions concerning WiresCo and its Subsidiaries, HoldCo shall act in a commercially reasonable manner consistent with the Shareholder's requirements as owner and sole shareholder of HoldCo.

3. Permitted Business Activities

- 3.1 Subject to the restrictions in Section 16, the HoldCo and the Subsidiaries may engage in the business activities which are permitted by any law applicable to the HoldCo and the Subsidiaries from time to time, including the Act and as the HoldCo Board or the boards of directors of the Subsidiaries may authorize. In so doing, the HoldCo and its Subsidiaries shall conform to all requirements of the OEB, the IESO and all other applicable regulatory or governmental authorities.

4. Standards of Governance

- 4.1 Duty of Care, Diligence and Skill. As required by the OBCA, the HoldCo Board and the board of directors of any Subsidiary shall supervise the management of the business and affairs of the HoldCo and any Subsidiary respectively, and, in so doing, shall act honestly and in good faith with a view to the best interests of the HoldCo or the Subsidiary respectively and shall exercise the same degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.
- 4.2 Statement of Principles. The Shareholder expects the HoldCo Board and the board of directors of any Subsidiary to observe any statement of principles which may be issued by the Shareholder, from time to time. Without limiting the generality of the foregoing, the Shareholder expects the following principles to be followed by the HoldCo Board and the board of directors of any Subsidiary, as applicable:
 - (a) The operation of the HoldCo and the Subsidiaries is integral to the well-being and the infrastructure of the City. The HoldCo recognizes that it is in the best interests of the City and the community that the HoldCo and its Subsidiaries conduct their affairs on a commercially prudent basis, recognizing the best interest of the public and in accordance with the financial objectives of the Shareholder as set out herein.
 - (b) The HoldCo will provide, through WiresCo a reliable, effective and efficient electricity distribution system.

- (c) The WiresCo Board will approve the application to set the distribution rates applicable to customers of WiresCo in accordance with the rates allowed by the OEB from time to time.
- (d) The conduct of the business of the HoldCo and the Subsidiaries is, at all times, subject to such licences, codes, policies, rules, orders, interim orders, approvals, consents and other actions of any regulator.
- (e) The HoldCo and the Subsidiaries will operate with an emphasis on customer service.
- (f) The HoldCo and the Subsidiaries will operate in a safe and environmentally-responsible manner.
- (g) The board of directors of the HoldCo is responsible for determining and implementing the appropriate balance among the foregoing principles and for causing the HoldCo and the Subsidiaries to conduct their affairs in accordance with the same.

4.3 Conflicts of Interest. The directors and officers of the HoldCo and each Subsidiary will strictly abide by the requirements of the OBCA and of the HoldCo or the applicable Subsidiary in respect of conflicts of interest, including any requirements in respect of disclosure and abstention from voting.

5. General Qualifications and Nominations of Directors

5.1 Qualifications of Directors. In addition to meeting the requirements for serving as a director under applicable law, having sound judgement and personal integrity, the HoldCo Board and the board of directors of any Subsidiary shall be composed of directors who have appropriate skills, education, experience and commitment to enable them to discharge their duties and responsibilities effectively, having regard to the nature, size, complexity, operations and risk profile of the applicable entity. Without limiting the generality of the foregoing, the qualifications of candidates for the HoldCo Board or the board of directors of any Subsidiary may include:

- (a) awareness of public policy issues related to the HoldCo or a Subsidiary, as applicable;
- (b) business experience;
- (c) corporate board of director experience, experience on boards of significant commercial corporations and/or governance experience;
- (d) financial, engineering, legal, marketing, risk management, project management and/or human resources experience/ expertise;

- (e) regulated industry knowledge including, but not limited to, knowledge of municipal electric utilities, energy conservation and demand management and electricity generation; and
- (f) a broad base of community awareness.

5.2 Nomination Process. The HoldCo Board shall establish a process (which may include the establishment of a nominating committee) for identifying, evaluating and recruiting suitable candidates to the HoldCo Board and the boards of directors of Subsidiaries, including identifying the characteristics and skills required by and existing on the applicable boards, and making recommendations to the Shareholder and/or the HoldCo Board with respect to appropriate candidates for nomination to the HoldCo Board, the WiresCo Board and the boards of directors of the other Subsidiaries. The HoldCo Board shall recommend candidates to the Shareholder to fill vacancies on the HoldCo Board and the WiresCo Board (and for the avoidance of doubt, the HoldCo Board shall be responsible for selecting candidates to fill vacancies on the boards of directors of Subsidiaries other than WiresCo, as described in Section 7.2), which candidates shall be appointed or elected in a manner consistent with Section 6.1 and Section 7.1.

5.3 Residency Requirements. In selecting the members of the HoldCo Board or the board of directors of WiresCo, the Shareholder shall not give preference to residents of Oshawa, but shall recruit the most qualified candidates available. In selecting board of directors of any Subsidiary, the HoldCo shall not give preference to residents of Oshawa, but shall recruit the most qualified candidates available.

5.4 Chair and Vice-Chair Positions.

- (a) Chair. The HoldCo Board may elect its own Chair and the board of directors of WiresCo may elect its own Chair, in each case from among its directors.
- (b) Vice-Chair. The HoldCo Board may elect its own Vice-Chair and the board of directors of WiresCo may elect its own Vice-Chair, in each case from among its directors.

6. Board of Directors of the HoldCo

6.1 Number of Directors. The HoldCo shall be governed by the Holdco Board which shall consist of at least three (3) and up to six (6) members to be appointed by the Shareholder, who are not serving members of Council or any Family Member of a serving member of Council.

7. Boards of Directors of Subsidiaries

7.1 WiresCo Board. WiresCo shall be governed by a board of directors which shall consist of at least five (5) and up to nine (9) members to be appointed by the Shareholder, and (a) who are not serving members of Council or any Family Member of a serving member of Council and (b) of which at least one-third are independent from HoldCo, WiresCo or any Subsidiary. The appointment of the directors of WiresCo shall be subject to and shall meet

all requirements for independence as may be set out by the ARC, as amended from time to time.

- 7.2 Composition of the Board for Other Subsidiaries. The number, composition, term and membership of the board of directors for any Subsidiaries other than WiresCo shall be determined by HoldCo in its capacity as shareholder of the Subsidiaries.

8. Term of Directors

- 8.1 Term. The term for the members of the HoldCo Board and WiresCo Board shall be as follows:

- (a) All members of the WiresCo Board are to be appointed for a three (3) year term;
- (b) The members of the HoldCo Board who are members of the WiresCo Board are to be appointed for a term to be coincident with their term as a member of the WiresCo Board;
- (c) Any director of the HoldCo Board or the WiresCo Board may serve for successive terms as determined by the Shareholder, up to a maximum of three (3) terms, unless otherwise determined by the Shareholder on the recommendation of the HoldCo Board, and otherwise any member of a board of directors of a Subsidiary may serve for successive terms as determined by the HoldCo up to a maximum of three (3) terms, unless otherwise determined by the HoldCo, in consultation with and subject to the approval by the Shareholder; and

- 8.2 Removal of Directors. The HoldCo board and the WiresCo Board shall respectively perform an annual review of the performance of the members of the HoldCo Board and the WiresCo Board shall make such report available to the Shareholder upon request. The Shareholder may remove a director(s) at any time during such director's term in accordance with the provisions of the OBCA.

- 8.3 Vacancies. If any director on the HoldCo Board or WiresCo Board ceases to be a director for any reason, the vacancy will be filled by a nominee proposed by the HoldCo and approved by the Shareholder, in accordance with the other terms hereof.

9. Board of Director Committees

- 9.1 Committees. The HoldCo Board and boards of directors of any Subsidiary may establish such committees as they determine in their discretion are required or advisable, with such powers as determined by the directors (provided that such committees will not have decision-making powers unless so determined by the applicable board). With respect to HoldCo and WiresCo, such committees shall include, at a minimum, an Audit and Finance Committee which shall oversee the performance of the auditors and the preparation of the financial statements of HoldCo and WiresCo, and which shall be independent from management of the applicable corporation in carrying out its duty of oversight. The HoldCo Board anticipates that the HoldCo Board and the WiresCo Board will establish the following additional committees: (a) a Governance, Nominating and Health, Safety and

Environment Committee, to, among other things, evaluate and recommend to the Shareholder potential candidates for the boards of HoldCo and WiresCo, and to recommend to the board of HoldCo potential candidates for the boards of the Subsidiaries, as applicable, and (b) a Project Monitoring Committee.

10. Directors' Compensation

- 10.1 Maximum Compensation. The directors of the HoldCo and the Subsidiaries shall receive remuneration for their services as directors, provided that the Shareholder shall approve the maximum compensation for directors of the HoldCo and WiresCo. The compensation for directors of the HoldCo and WiresCo shall be determined by the respective board of directors of the HoldCo and WiresCo within the maximum approved by the Shareholder. As of the date of this Shareholder Declaration, the maximum compensation for directors of the HoldCo and WiresCo shall be as follows:

<u>Board Position</u>	<u>Maximum Compensation (Annual)</u>
Director	\$25,000
Committee Chair	\$30,000
Board Chair	\$45,000

- 10.2 Review of Directors' Compensation. Every five (5) years, the HoldCo shall review maximum compensation for directors of the HoldCo and WiresCo and make recommendations to the Shareholder to ensure that the HoldCo's and WiresCo's compensation practices are current and otherwise aligned with market practices.

11. Decisions of Directors

- 11.1 Decisions of Directors. Except as otherwise provided herein, and subject to Section 16 and applicable Law, the following matters must be approved by the HoldCo Board (in respect of the HoldCo), the WiresCo Board (in respect of WiresCo), or by the board of any Subsidiary (in respect of such Subsidiary) or a committee of the applicable board to which such board has delegated decision-making authority for that matter:
- (a) the declaration of payment of any dividends or any other distribution of capital or profits or other reduction of capital;
 - (b) the development and approval of its long-range strategic plan and business plan;
 - (c) approval of quarterly financial results and annual financial statements;
 - (d) the approval of an annual budget, or, subject to the applicable corporate policies, (i) making or committing to make during any fiscal year expenditures which in the aggregate exceed the amount in respect of such matter as provided in the annual

budget, or (ii) making or committing to make any material expenditure not expressly provided for in the budget for such fiscal year;

- (e) entering into any employment or consulting agreement with any officer (including the CEO, CAO, CFO and COO) of the HoldCo or WiresCo, as the case may be, or the amendment or termination of any such employment or consulting agreements, and approving the remuneration of such officers;
- (f) entering into any transactions with officers, directors, employees or family members or other persons with whom they do not act at arm's length;
- (g) the alteration of the nature of its business or otherwise engaging in any other business or activities that are not incidental to the business presently undertaken by the HoldCo or WiresCo, as the case may be;
- (h) the institution, modification or termination of any incentive compensation plan, profit sharing plan or similar arrangement with or for directors, officers, senior management, employees or other service providers;
- (i) any change in the auditors; and
- (j) borrowing, giving security or providing financial assistance by way of a guarantee or otherwise (and for the avoidance of doubt, in this Shareholder Declaration, "financial assistance" does not include remuneration paid in the normal course of business to directors, officers or employees, including honoraria, stipends, wages, salaries or bonuses, or any reimbursement for expenses);

provided that, for the avoidance of doubt, nothing in this Section 11.1 detracts from the applicable internal policies of any of OPUC, WiresCo or any other Subsidiary.

12. Policies

12.1 Policies. The Shareholder expects that as soon as possible after the date of this Shareholder Declaration:

- (a) Capital Structure. The WiresCo Board will establish policies to develop and maintain a prudent financial and capitalization structure consistent with sound financial principles and established on the basis that WiresCo is expected to provide the Shareholder with a reasonable rate of return;
- (b) Distribution Rates. The WiresCo Board shall determine distribution rates for the regulated distribution business of WiresCo within the range of distribution rates permitted by the OEB, as contemplated in Section 4.2(c);
- (c) Returns. The WiresCo Board will establish a policy to enhance Shareholder value by generating a commercially reasonable return:
 - (i) as permitted by the OEB pursuant to the OEB Act;

- (ii) through the payment of dividends, interest or otherwise;
 - (iii) as measured by several metrics, including but not limited to dividends and increase of enterprise value over time, and with the application of a long-term strategic view to the measurement of Shareholder return; and
 - (iv) consistent with a prudent financial and capitalization structure.
- (d) Conflict of Interest. The HoldCo Board and the boards of directors of the Subsidiaries will establish a policy regarding conflicts of interest of directors;
- (e) Code of Conduct. The HoldCo Board and the WiresCo Board will establish and comply with a code of conduct; and
- (f) Risk Management. The WiresCo Board will establish a policy to manage all risks related to the business it conducts, through the adoption of appropriate risk management strategies and internal controls consistent with industry norms.
- (g) Existing Policies. Notwithstanding anything to the contrary herein, the Shareholder acknowledges that as of the date hereof, the WiresCo Board has established a Dividend Policy (Dividend CO-0101) and a Finance Policy (CO-0104).

13. Decisions of the Shareholder & Shareholder Representative/ City Liaisons and Shareholder Communications

13.1 Shareholder Representatives/City Liaisons.

- (a) The Shareholder hereby designates the Mayor and the City Clerk together as the City Liaisons and legal representatives of the Shareholder (the "**Shareholder Representatives**") for purposes of communicating to the HoldCo Board pursuant to Subsection 13.1(b), and for communicating with respect to corporate governance matters requiring the Shareholder's approval, including any consent or approval required by this Shareholder Declaration or by the OBCA or otherwise.
- (b) Approvals or decisions of the Shareholder required pursuant to this Shareholder Declaration or the OBCA shall require a resolution or by-law of Council passed at a meeting of Council and shall be communicated in writing to the HoldCo Board and signed by both of the Shareholder Representatives.
- (c) For financial matters requiring the Shareholder's approval pursuant to this Shareholder Declaration (including Section 16.1(i)), and for all other day-to-day financial matters, the designated City Liaison is the City Treasurer (with a copy to the CAO).
- (d) For program matters relating to the HoldCo's or WiresCo's operations, and for all other day-to-day operational and corporate governance matters, the designated City Liaison is the CAO.

- (e) The Shareholder shall cause the City Liaisons to be reasonably available to the HoldCo and the HoldCo Board in order to facilitate dialogue and collaboration between the HoldCo and the Shareholder for purposes of this Shareholder Declaration.

13.2 Decisions of the Shareholder.

- (a) Where the HoldCo wishes or is required to obtain an approval or decision from the Shareholder pursuant to this Shareholder Declaration or otherwise, the HoldCo shall submit a written request to the Shareholder through the City Clerk for the approval or decision, which includes all information necessary for the Shareholder to make an informed decision.
- (b) Where possible and permitted by Law, the HoldCo shall submit its request and supporting information in a timely manner that enables the City Clerk to comply with deadlines for submission to its municipal Council and any other applicable committees of the City. Subject to Section 14.4, the City Clerk, in consultation with the CAO and the City Treasurer, as appropriate, shall determine how a particular matter for which approval or decision has been requested will proceed.

14. **Reporting to Shareholder and City Liaisons**

- 14.1 Quarterly Reports. The City Treasurer shall receive quarterly financial reports of the HoldCo and its Subsidiaries on a consolidated basis, and the CAO shall receive a quarterly report from the HoldCo Board with respect to the operations of the HoldCo, WiresCo and any other Subsidiary (on a consolidated basis). The City Treasurer and CAO shall provide the quarterly reports to the City Clerk for distribution to the Shareholder.
- 14.2 Information to Shareholder. The CAO and City Treasurer shall receive copies of all business plans, long range strategic plans, operating budgets, cash flow budgets and capital budgets prepared by the HoldCo, WiresCo and any other Subsidiary (which may be provided on a consolidated basis, as determined in the HoldCo's sole discretion), which will be provided to the City Clerk for distribution to the Shareholder, and for the avoidance of doubt, all of which shall be treated as confidential in accordance with Section 14.4.
- 14.3 Annual Financial Statements. The City Treasurer and CAO shall receive the audited consolidated annual financial statements of the HoldCo, WiresCo and any other Subsidiary. Such consolidated annual financial statements shall be provided by the City Treasurer to the Shareholder, for its approval, as required by the OBCA, and for inclusion in the consolidated financial statements of the City.
- 14.4 Confidentiality. Subject to applicable Law (including the Municipal Act and the MFIPPA) and except as otherwise provided in this Shareholder Declaration, the Shareholder shall treat all information received from or on behalf of the HoldCo or any Subsidiary as confidential, commercially sensitive and highly competitive information, and shall accordingly treat all such information with the same level of care and confidentiality as any confidential information of the Shareholder. Without limiting the generality of the foregoing, the HoldCo (including the HoldCo Board) and/or WiresCo (including the

WiresCo Board), as applicable, (a) may explicitly supply information in confidence to the Shareholder in accordance with the Municipal Act and the MFIPPA, and/or (b) determine that particular information or reports to be provided to the Shareholder under this Shareholder Declaration are commercially sensitive, could reasonably be expected to prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of the HoldCo and/or any Subsidiary or otherwise require confidential treatment, and may so advise the Shareholder that such information is being supplied in confidence in accordance with the Municipal Act and the MFIPPA. Notwithstanding anything to the contrary herein, if any information or reports to be provided by the HoldCo to the Shareholder, under this Shareholder Declaration or otherwise, are reasonably expected to not be treated as confidential information under applicable Law, the HoldCo and the Shareholder (through the City Clerk in consultation with the CAO and City Treasurer) shall collaborate to ensure such information and reports are delivered in a manner that, to the greatest extent permitted by applicable Law, preserves the confidentiality and commercial sensitivity of such information and reports, in accordance with Council's Procedure By-law and MFIPPA.

- 14.5 Request for Information. The Shareholder shall (a) inform the HoldCo and any applicable Subsidiary as to any request made for access to information supplied to the Shareholder (including any such request made pursuant to the MFIPPA), (b) permit the HoldCo and/or any applicable Subsidiary to make representations on the disclosure of such information, (c) consider any such representations prior to disclosing or permitting access to the information, and (d) provide the HoldCo and/or any applicable Subsidiary with notice of its decision concerning any such request for access to information.
- 14.6 Annual Report to the Shareholder. The HoldCo shall publicly report to the Shareholder at least annually, and the Chair of the HoldCo Board shall attend such meeting and provide a report on major business developments or materially significant results in respect of HoldCo, WiresCo or any Subsidiary, and such information concerning the HoldCo and its Subsidiaries as is appropriate, as determined by the HoldCo.
- 14.7 Annual Resolutions. The Shareholder shall consider candidates for the HoldCo Board and WiresCo Board as proposed by HoldCo and the appointment of the auditors of the HoldCo and receive the consolidated financial statements of the HoldCo for each completed fiscal year. The Shareholder, by resolution in writing signed by the Shareholder Representatives shall appoint the necessary members of the HoldCo Board and WiresCo Board, and the HoldCo will appoint the auditors for the HoldCo and complete such other business as would normally be completed at an annual meeting of shareholders under the OBCA.
- 15. Reporting on Major Developments**
- 15.1 Reporting on Major Developments. The HoldCo Board shall report to the Shareholder in a timely manner on major business developments or materially significant or adverse results as the HoldCo Board, in its discretion (acting reasonably), considers appropriate and such reports may be received and considered by the Shareholder according to Council's Procedure By-law and subject to MFIPPA.

15.2 Meetings. The Shareholder may from time to time request meetings with the HoldCo Board and/or the WiresCo Board, and/or request specified information about the HoldCo and/or any Subsidiary from the HoldCo Board or the WiresCo Board, as applicable. The Shareholder, on one hand, and the HoldCo Board and/or the WiresCo Board, as applicable, on the other hand, shall in good faith discuss and mutually agree on appropriate confidentiality measures in advance of any such meeting to the extent that the matters to be discussed involve commercially sensitive information. The HoldCo Board and/or the WiresCo Board will act reasonably in scheduling a meeting with representatives of the Shareholder, providing the requested information and/or otherwise responding to such requests; provided that, for the avoidance of doubt, the Shareholder shall not be entitled to access to the HoldCo's or any Subsidiary's books and records, or any information about the HoldCo or any Subsidiary, except as prescribed under applicable Law or Section 15.3.

15.3 Access to Records.

- (a) Subject to MFIPPA and Sections 14.4 and 15.3(b), the Shareholder may at any time duly appoint, acting reasonably, any staff of the City as one or more authorized representatives (each, an "**Access Representative**") and require that the HoldCo provide any such Access Representative with access to the books and records of the HoldCo and WiresCo during normal business hours.
- (b) The access by such Access Representatives to the HoldCo's books and records is limited to situations where the Access Representative has been specifically appointed by the Shareholder to gain access to the HoldCo's or WiresCo's books and records for a specific purpose or project and where the Access Representative has not been able to obtain the necessary information through the Shareholder Declaration reporting mechanisms, through inquiries to senior management of the HoldCo or WiresCo, or through a request from the Shareholder to the Chair of the HoldCo or WiresCo, as applicable.
- (c) For the avoidance of doubt, the Access Representative shall treat all information of the HoldCo or WiresCo with the same level of care and confidentiality as any confidential information of the Shareholder, and shall be deemed to be subject to, and shall at all times comply with all Law with respect to such information.

16. Matters Requiring Shareholder Approval

16.1 The HoldCo and WiresCo shall not, without Shareholder approval given in accordance with Section 13:

Statutory Approval Rights

- (a) change the name of the corporation;
- (b) add, change or remove any restriction on the business of the corporation;
- (c) create new classes of shares;

- (d) in any other manner amend its articles of incorporation or make, amend or repeal any by-law;
- (e) amalgamate with any other corporation(s) other than amalgamations of HoldCo and the Subsidiaries or amalgamations of the Subsidiaries which may, under the OBCA, be approved by a resolution of directors;
- (f) take or institute proceedings for any winding up, arrangement, or dissolution of the corporation;
- (g) apply to continue as a corporation under the laws of another jurisdiction;

Additional Approval Rights

- (h) issue, or enter into any agreement to issue, any shares of any class, or any securities convertible into any shares of any class, of the corporation;
- (i) with respect to WiresCo only, incur any WiresCo Debt unless the ratio of WiresCo Debt to WiresCo Equity is not greater than 1.5 (or 60/40);
- (j) with respect to WiresCo only, provide any financial assistance, whether by loan, guarantee or otherwise, or investments, by loan, equity or otherwise, in any Subsidiary other than in compliance with ARC.
- (k) enter into any transaction, including the acquisition or sale of assets, mergers, amalgamations, strategic partnerships, or other agreements which would result in a material change to the business or strategic direction of the corporation or that would reasonably be expected to materially affect revenue or materially increase expenses, in each case, in a manner that is not contemplated by the applicable business plan or annual budget.

16.2 For the avoidance of doubt, subject to the provisions in Subsection 16.1(k) of this Shareholder Declaration, the WiresCo Board may approve any strategic alliance or commercial arrangement without the prior approval of the Shareholder.

17. Revisions to this Declaration

The Shareholder acknowledges that this Shareholder Declaration may be revised from time to time as circumstances may require, provided that the Shareholder will, in good faith, consult and collaborate with the HoldCo Board prior to completing any such revisions and will promptly provide the HoldCo Board with copies of such revisions.

18. Notices

Any notice, designation, communication, request, demand or other document required or permitted to be given or sent or delivered to or from the Shareholder, the HoldCo or WiresCo shall be in writing and shall be sufficiently given or sent or delivered if it is: (1) delivered personally, (2) sent

to the party entitled to receive it by registered mail, postage prepaid, mailed in Canada, (3) sent by a nationally recognized courier service under its same-day courier service, or (4) sent by email.

Notice shall be sent to the following addresses or email addresses:

- (a) In the case of the Shareholder:

Attention: City Clerk
The Corporation of the City of Oshawa
50 Centre Street South
Oshawa, ON L1H 3Z7

Email: clerks@oshawa.ca

- (b) In the case of the HoldCo:

Attention: Denise Carpenter, Chair and C.E.O.
HoldCo
100 Simcoe Street South
Oshawa, ON L1H 7M7

Email: findenise@gmail.com
ldafoe@oshawapower.ca

In the case of WiresCo:

WiresCo
100 Simcoe Street South
Oshawa, ON L1H 7M7

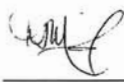
Email: findenise@gmail.com
ldafoe@oshawapower.ca

- (c) Or to such other address or email address as the party entitled to or receiving such notice, designation, communication, request, demand or other document shall, by a notice given in accordance with this Section 18, have communicated to the party giving or sending or delivering such notice, designation, communication, request, demand or other document. Any notice, designation, communication, request, demand or other document given or sent as set forth herein shall (i) if delivered personally, be deemed to have been delivered and received on the date of delivery; (ii) if sent by mail, be deemed to have been delivered and received on the fourth business day following the date of mailing; (iii) if sent by same-day courier, be deemed to have been delivered and received on the following business day following the day of mailing; and (iv) if sent by email during regular business hours, be deemed to have been delivered and received on the same business day, and if sent after regular business hours, be deemed to have been delivered and received on the following business day.

DATED at the City of Oshawa, Ontario this 31st day of October, 2024.

**THE CORPORATION OF THE CITY OF
OSHAWA**

By:  _____
Dan Carter
Mayor

By:  _____
Mary Medeiros
Director, Legislative Services/ City Clerk

2-AMPCO-45

Ref. 1: Distribution System Plan pp. 54-55

Question(s):

- a) Please provide the value of the preliminary investment portfolio and compare and explain the test against Oshawa PUC Networks' total capital and operating funds.
- b) Please quantify and explain the changes in the preliminary investment portfolio following customer engagement mechanisms.
- c) Please provide the value of the capital investment plan sent to the Finance and Audit Committee for review and approval.
- d) Please confirm the final approval of the budget and capital investment plan by the Executive and Board of Directors reflects the version approved by the Finance and Audit Committee.
- e) Please confirm the plan approved by the Board of Directors is reflected in the current application.

Oshawa Power Response

- a) The preliminary investment portfolio was approximately \$109.9M over the 2026-2030 planning period. The test against Oshawa Power's capital and operating funds involved analyzing the total preliminary portfolio envelope of \$109.9M against Oshawa Power's lending capacity and also minimizing bill increases without compromising the integrity of the distribution system. The test resulted in a reduction of the total budget envelope to \$77.6M following strategic revisions. With the release of the OEB's amendments to the DSC to extend the revenue horizon to 40 years, the total envelope needed to be increased to the current proposal of \$80.8M.
- a) After reasonable revisions, the \$77.6 million investment portfolio was presented to customers for engagement. Feedback confirmed strong support for Oshawa Power's 2026-2030 plans, so no changes were necessary as a result of engagement. Key highlights below (page 55 of the DSP):
 - 88% agreed with Oshawa Power's proposed investments in equipment and

fleet vehicles for operational needs

- 88% agreed with Oshawa Power's plan to invest in automation and remote monitoring and control for the distribution system in order to improve reliability and decrease response time for outages
- 87% agreed with the Oshawa Power's proposed NWS strategy to modernize its system and ensure it can effectively meet increasing electricity demand

More details can be found in Exhibit 1, Attachment 1-10 and section 5.2.2 of the DSP.

However, as mentioned in the response to question a) above, the December 23, 2024 amendment to the OEB's Distribution System Code, extending the revenue horizon for residential connections to 40 years, shifted the cost responsibility for certain projects from the customer to the LDC, resulting in an increase of the total envelope to the currently proposed \$80.8M.

- c) \$80.8M for the DSP.
- d) Confirmed.
- e) Confirmed.

2-CCC/CCMBC-46

Ref. 1: Distribution System Plan, p. 61

Preamble:

Oshawa PUC Networks' peak 2024 summer demand was 231MW. At present time, Oshawa PUC Networks remains a summer peaking LDC.

Question(s):

- a) If available, please provide a forecast of peak demand for 2025 and 2026 (including the underlying calculation).
- b) Please explain how the peak demand forecast influences Oshawa PUC Networks' capital plan if at all.

2-CCC/AMPCO-69

Ref. 1: Distribution System Plan, Appendix B – Material Justification Sheets, pp.91-95

Ref. 2: Exhibit 4, p. 57

Question(s):

- a) (P.92) With respect to the server infrastructure refresh, please provide further details regarding the work that will be undertaken and the need for the work. As part of the response, please discuss how cloud computing investments and other subscription services (as discussed at Exhibit 4, p. 57) are expected to influence Oshawa PUC Networks need for its own server capabilities.
- b) (p.92) Please provide the date of the previous Server Infrastructure Refresh, the cost and a comparison to the forecast cost of \$450,000 in 2028.
- c) (P. 91) Please estimate the decreased maintenance requirements as a result of GP-04 and explain how this is reflected in the OM&A budget.

Oshawa Power Response

- a) Oshawa Power's existing servers are reaching end of support in 2027 and will need to be refreshed. This project involves replacing host server hardware and correspondingly upgrading the hypervisor environment and migrating existing servers to the new infrastructure.

Oshawa Power does not anticipate switching to cloud computing for the majority of its processes, however new technology and pricing is continually reassessed.

Generally, Oshawa Power's software fall into one of four categories:

- 1. Software that must remain on-premise,
- 2. Software that is more cost effective to keep on-premise,
- 3. Software that is more cost-effective to host in cloud or purchase as SaaS, and
- 4. Software that must be cloud-hosted or purchased as SaaS.

Much of the software required over the next cost of service period falls into the first two categories. Examples include SCADA software, the ADMS, the Meter Data Repository, the current financial software and others. Consequently, because we must maintain on-premises infrastructure to support those, the third category becomes much smaller due to the incremental costs of additional on-premises infrastructure being often lower than cloud infrastructure costs. Exhibit 4, p.57 is largely referring to items that fall into categories 3 and 4, which includes off-the-shelf applications such as Office suites and HRIS SaaS. Oshawa Power does not have a cloud-first nor on-prem-first policy but chooses the more prudent and fitting solution for each scenario, taking all factors into account.

- b) Oshawa Power's most recent server infrastructure upgrade took place in early 2022. At that time, four new servers were purchased for approximately \$210,000. Subsequent incremental upgrades (2023-2025) were required due to increasing workload totalling approximately \$150,000. These investments were required to replace aged hardware that hosts all in-house Oshawa Power IT infrastructure.

The planned 2028 refresh follows a typical 6-year server refresh cycle and is forecasted to be \$450,000. This is approximately the cost of the previous cumulative purchases, six years of inflation and a small amount of growth to account for growing data storage requirements and any new compute loads such as local Large Language Models that may arise.

Finally, it is probable that current economic instabilities and tariffs will inflate the real-world price leading to even higher than forecast costs, however that is difficult to predict at this time and was therefore not factored in.

- c) Oshawa Power will evaluate the options at that point and make a business case for the most prudent decision. If Oshawa Power changed from an on-premise to a SaaS solution, it is estimated that OM&A costs will increase as a result of GP-04. This increase is not included in the 2026 OM&A budget.

2-Staff/CCMBC-70

Ref. 1: Distribution System Plan, p.119

Question(s):

- a) Oshawa PUC Networks noted that the CIS software and enhancements (\$1.4 million) will advance business transformation efforts by facilitating a greater degree of automation, improved business processes, and integration with other systems. Please expand further upon the need for this project and how the software and enhancements will advance business transformation efforts. Please provide specific examples of how processes will be affected by this software and how systems will be integrated.
- b) What quantitative effect will the CIS software have on administrative expenses in the 2026 test year? If quantitative effects cannot be assumed, please provide a qualitative assessment.
- c) Please provide a breakdown of the costs for this project and the basis for the estimates. Please also note what part of the work was deferred from 2021.
- d) Please provide the spend amount to date for this project and the status of the project.
- e) What are the risks of not proceeding with this expenditure in 2025 and deferring the project to future years?

Oshawa Power Response

- a) As part of Oshawa Power's CIS upgrade, Oshawa Power has documented and optimized over seventy meter to cash business processes in conjunction with the incoming vendor. A selection of examples of processes that have been automated with the new software include:
 - Full automation and application of incoming payments from Paymentus and Banks
 - Automation of the billing cycles for 'one click' billing absent any errors.

- Automation of the entire delinquency process, managing and sending notices without any user intervention.
 - Automation of the Move-in/Move-out processes utilizing a new customer-facing move hub to minimize CSR intervention
 - An upcoming proof of concept for an Agent-assist AI integration using the software's native interfacing capabilities.
- b) Qualitatively, the new system, in alignment with the business transformation initiative, will increase internal staff capacity, allowing us to offset the need for more staff via streamlined workflows and automations as exemplified in part a. For example, Oshawa Power has had to invest significant resources into managing the day-to-day collections tasks which have been nearly fully automated by the new CIS, freeing up the existing resources to provide deeper analysis into arrears and to focus on executing collections tasks rather than administrative work.
- c) All work was deferred from 2021. See below a breakdown of the estimated project costs.

IRR Table 2-20: CIS Project Approximate Costs

Item	Approximate Cost
Software License Purchase	██████████
Vendor implementation Costs	██████████
Labour	██████████

- d) As of June 30th total spend was \$1,471,926.
We are in final testing and expect to go live in Q3.
- e) Oshawa Power has already completed the majority of the work required and

would lose the entire investment if the project was cancelled. Had we not proceeded with the project and deferred it to future years, we would have not realized the benefits listed in part a).

2-Staff/CCMBC-71

Ref. 1: Distribution System Plan, p.119

Question(s):

- a) Please expand upon the need and benefits of the Mobile Workforce Management Software expenditure (\$235k in 2025). What processes will this expenditure digitize? How will this expense affect Oshawa PUC Networks 2026 administrative budget?
- b) Please provide the spend amount to date for this project and the status of the project.
- c) What are the risks of not proceeding with this expenditure in 2025 and deferring the project to future years?

Oshawa Power Response

- a) The Mobile Workforce Management software will enable Oshawa Power to move paper-based field operations to digital, improving efficiency, reducing errors, increasing the quality and granularity of data that can be collected and reducing administrative burdens.

The processes that will be digitized include, not exhaustively, equipment change out forms, asset inspection forms, metering workflows, new equipment data sheets and trouble call forms. These are all paper-based workflows to date.

This will result in a minor increase in the administrative budget due to software maintenance costs, but will increase capacity and improve efficiency by reducing overheads and errors.

- b) There has been no spend to date on this project.

- c) Deferring this project to 2026 has minimal risks, however continuing to defer further will lead to continued inefficiencies due to the paper-heavy field workflows. It would also fundamentally affect Oshawa Power's ability to improve the quality of its GIS, Asset Management, outage management, and engineering analysis due to lack of good data, and would likely result in having to hire more staff to keep up with the increasing workloads from connection impact assessments, engineering analyses, tree trimming and other such requirements of the aforementioned systems. However, based on recent quotes from vendors, the estimated cost has been revised to \$150,000 in the revised Appendix 2-AA.

2-Staff-72

Ref. 1: Distribution System Plan, p.119

Question(s):

- a) Oshawa PUC Networks noted that its Information Technology General budget is \$531k and will exceed its original planned amount by \$208k in 2025. Please break down the budget for this expenditure in 2025 and the benefits of each item.
- b) Please provide the spend amount to date for this expenditure and the status of each item.
- c) What are the alternatives of each item, including the risk of not proceeding with each item and deferring the items to future years?

Oshawa Power Response

- a) Oshawa PUC Networks noted that its Information Technology General budget is \$531k and will exceed its original planned amount by \$208k in 2025.
- b) Budget for this expenditure in 2025 and the benefits of each item.

IRR Table 2-21: 2025 Technology General Budget and Expenditure

Project	Description	Approved Budget (\$)	Revised Budget (\$)	YTD Spend* (\$)	Risks of not proceeding/completing
New IT Equipment Upgrades	This project covers end-user equipment requirements, mostly for the 'evergreen' program.	130,000	110,000	109,421	Neglecting this project would have left us with devices running windows 10, on which windows 11 was not supported. Windows 10 will be end of life at the end of 2025.
Switches, Router & Firewall Upgrades	This project covers the crucial upgrade of network and security hardware. The majority of the 2025 spend has been to replace end-of-life switches.	140,000	100,000	95,133	Using out of support hardware is a major cyber security risk, as well as an operational risk.
Mobile Phone Refresh	This project covers the planned replacement of mobile devices for staff, especially field crews. These devices are essential tools that enable teams to receive work orders, report on outage restoration progress in real-time, and communicate effectively while servicing customer	16,000	4,000	2,908	Neglecting this project would hinder field crews' ability to respond quickly and efficiently. Outdated devices can fail or lack compatibility with modern apps, leading to slower outage restoration times and delays in responding to on-site customer service requests.

	needs in the community.				
Customer Data Interface	This project is for interfacing our customer information system with our IVR in order to expand self-serve options and is intended to attempt to reduce incoming calls to agents. In 2025, we have added functionality to have customers check balances, check payments and check recent transactions without need to speak to an agent.	20,000	10,000	0	Given that we some of the call centre-related OEB targets have been missed, this project is important to help reduce the volume of calls coming into the call centre and keeping costs from continuing to rise.
OMS Licensing Increase	Because the number of SCADA points has increased beyond our previous licensing threshold we had to purchase a new block of licenses.	100,000	100,000	100,000	The software could not have legally continued to be used without this purchase.
Automation Platform	The Automation platform project covers work involving automation of processes using the automation platform	105,000	120,000	116,045	As Oshawa Power currently lacks capacity, the automation projects are a key part of its strategy to increase capacity while minimizing staffing increases. Without this project

	software. In calendar year 2025 we have used this to automate various processes including automating metering processes between systems that were formerly manual and automating customer signups for PAP. We have also included IVR updates in this project.				finding opportunities for automation, further increases to staffing would be required.
Cyber Security Upgrades	This project covers targeted investments in advanced security tools designed to proactively protect our systems and customer data. It strengthens our defenses against an evolving landscape of cyber threats, ensuring the security and integrity of our customers' private information.	20,000	87,000	72,837	Neglecting this project would expose our customers' sensitive data to an unacceptable level of risk. A security breach could lead to a loss of customer privacy and trust, while a successful cyber-attack could disrupt our operations and our ability to deliver reliable power.

*Note that YTD spend is not the same as 'In Service' dollars and therefore this table will not match the figures given in the revised Appendix 2-AA. Not all YTD spend is considered 'In Service'.

c) See b).

Power ensures essential security updates are received. This is a crucial line of defense in protecting sensitive customer data from cybersecurity threats.

- **Faster Service and Outage Response:** Up-to-date technology empowers staff to work more effectively. This translates into faster resolution of customer inquiries, quicker response times during power outages, and more efficient processing of service requests.
- **Ensuring Service Reliability:** Deferring this investment would lead to a higher risk of system failures and operational disruptions. Such internal issues could directly impact the reliability that customers experience.

Costs:

- The budget reflects the planned replacement of assets reaching end-of-life in the 2026 Test Year and beyond.

End user hardware cannot be used indefinitely and must eventually be replaced. The cost/benefit comparison is not as much whether or not to replace end-user hardware, but how long to wait before replacing such hardware. Oshawa Power follows industry norms of between 4 and 5 years for computing equipment, typically replacing hardware when it is no longer under warranty or support, and when it is either more than 4 years old or requires repair. Replacing on a longer cycle than this will lead to the use of obsolete hardware and will affect productivity.

- b) The End User Hardware/Software Upgrades program is not a new initiative but a longstanding operational practice that is vital for providing reliable, secure, and responsive service our customers rely on annually.

2-Staff-76

Immaterial Software/Hardware Projects

Ref. 1: Chapter 2 Appendices, 2-AA

Preamble:

Oshawa PUC Networks has budgeted for several general plant projects/programs starting in 2026. Some of these projects/programs include:

- Cybersecurity upgrades (\$40k)
- Enterprise Server Hardware/Software Upgrades (\$116k)
- Automation Platform (\$125k)
- System Automation (\$30k)
- CRM Software (\$50k)
- Customer Communication Redesign (\$100k)
- GIS Upgrade (\$50k)
- Intranet Upgrade (\$50k)
- MDM Enhancements (\$18k)
- OMS Enhancements (\$25k)
- Records Management (\$100k)
- Website Redesign (\$50k)

Question(s):

- a) What has driven Oshawa PUC Networks to begin these projects/programs in the 2026 test year, especially given the spike in 2026 net capital expenditures (\$17.0 million) compared to the rest of the forecast period (\$16.2 million average) and the historical period (\$14.0 million average)?
- b) Please confirm if these projects would historically be included in the Information Technology General budget and/or the Office IT & Equipment Upgrades, given that these two programs are null over the forecast period.
- c) Oshawa PUC Networks has added a line item in Appendix 2-AA for CRM software in 2025 and in 2026 for \$50k. Please confirm whether these are two distinctive projects or duplicate projects.
- d) How has Oshawa PUC Networks reflected the benefits of these software enhancements on its administrative expenses?

Oshawa Power Response

- a) Many of these projects/programs are incremental and multi-year updates required to support the business transformation program (e.g. Automation Platform, System Automation, MDM Enhancements, OMS Enhancements). Some are needed to address deficiencies in existing systems (e.g. Customer Communications Redesign currently is not adequately notifying customers and we have received complaints), and others are of high importance and should not be deferred (e.g. Cyber Security upgrades are required to maintain compliance with the framework and to keep a secure environment, Records Management is required to ensure document retention policies are being followed). Deferring these would reduce capacity creation that is a prerequisite for future projects, would lead to continue unacceptable customer experiences, or add unacceptable risk to the organization, especially pertaining to cyber security.
- b) Confirmed.
- c) This is in fact a duplicate and was added into 2025 erroneously. The CRM software project is a 2026 project. This has been addressed in the Revised Appendix 2-AA.
- d) The Business Transformation Program, as well as many of these enhancements are with the purpose of reducing the number of new staff needed to manage increasing workload. In general, these projects have reduced the need to add new staff as quickly as would otherwise have been needed, keeping customer to staff ratios at Oshawa Power much higher than for peer LDCs. Capacity has been one of the biggest challenges and risks for the utility and these enhancements aim to alleviate that.

2-SEC-77

Ref. 1: Exhibit 2, p.35

Question(s):

Please explain why substantial increases in capital spending on computer software is required in the Test Year and beyond when annual computer software spending has already increased from 2021 actual to 2025 forecast by 144.6% (\$2,563,975 to \$6,272,471). Please provide any analyses, studies, presentations, or other documents the Applicant has benchmarking the Applicant's software spending to its peers.

Oshawa Power Response

Please see response a) of 2-Staff-76 for justifications of proposed computer software expenditures. Oshawa Power does not have any benchmarking of software spending relative to its peers.

2-SEC-78

Ref. 1: Exhibit 2

Question(s):

Please restate tables 1, 22, 23, and 27 in the Distribution System Plan with all capital spending and in-service additions, and where applicable system O&M, expected during the period 2026 through 2030.

Oshawa Power Response

Please refer to the revised Appendix 2-AA for this information. Tables 1, 22, 23 and 27 reflect capital spending within the DSP. Please see the response to 1-SEC/CCMBC/VECC-12 for all capital spending and in-service additions.

- b) At this time, Oshawa Power has not yet finalized the decision on which type of ERP solution it will use. This decision will be made upon completion of the RFP process, which has not yet concluded.
- c) As noted in b), the decision about which type of solution has not been made. The \$500K will be capitalized, which is an estimate of the costs associated with the interface of a cloud solution with existing on-premise systems. See Section 4.2 in the ERP Business Case in the Application (Appendix A of the Distribution System Plan in Exhibit 2), as well as the response to 9-Staff/CCMBC/CCC-218.

1-SEC/Staff/CCC/PP/CCMBC/VECC-9

Ref. 1: Exhibit 1, p.10

Ref. 2: Exhibit 2, p.53, 141

Question(s):

- a) Please provide all business cases, budgets, estimates, forecasts, presentations, plans, memoranda, or other documents relating to the “new operational & administrative building in the North of its service territory”, or to the land purchase for that purpose.
- b) The facilities administrative budget is \$871k in 2026. What are the estimated quantitative administrative expense savings as a result of the expected new facility (for example, savings from rent)? If quantitative estimates cannot be provided, what qualitative savings are expected? Given that Oshawa PUC Networks plans to file an ICM for the new facility, is it fair to say that Oshawa PUC Networks would not require \$871k annually for the facilities administrative budget over the entire IRM period?
- c) Please explain why Oshawa PUC Networks believes facilities capital expenditures will increase in 2025-2030 to \$100k, given the expenditure was \$25k in 2024 and given that Oshawa PUC Networks is preparing to relocate to a new facility in the coming years.

- d) Please confirm that the timing of the ICM request is expected to be in Oshawa PUC Networks' 2027 IRM application.
- e) Please advise whether the planned ICM request will occur after Oshawa PUC Networks has already invested significantly in its new administrative and operational facility.
- f) Please discuss what options Oshawa PUC Networks had considered before it purchased land for its new administrative and operational facility (e.g., new lease, purchase of an existing building, etc.).
- g) Please provide any benchmarking analysis completed for the proposed new administrative and operational facility relative to other recent similar facilities constructed by other LDCs.
- h) Please provide an estimate of the annual revenue requirement impact of the new administrative and operational facility and the related distribution bill impact for all rate classes after the asset is placed in service.
- i) Please confirm that the large CWIP balance that was accrued in 2024, as shown in Appendix 2-AB, is related to the land purchased for Oshawa PUC Networks' proposed new administrative and operational facilities. Please provide the value of the land purchased as reflected in the CWIP balance and discuss the assets that constitute the remaining balance in CWIP in 2025 and 2026.

Oshawa Power Response

- a) Pursuant to the decision of the OEB on Oshawa Power's motion for determination of threshold question related to issue 7.3, Oshawa Power is providing current estimated forecasts of its new building and land costs.

As attached as Attachment 1-2, Oshawa Power received a Class B Estimate from its independent consultant A.W. Hooker on June 4, 2025 (subsequent to the filing of this application) that estimates the construction costs based on design information received to date. The accuracy of the estimate is intended to be +/- 10% to 15%. A.W. Hooker independently estimates the total hard construction cost for the building to be approximately \$ [REDACTED]

Oshawa Power recognizes customer concerns regarding increasing electricity costs and remains committed to maintaining superior cost performance compared to other LDCs. Oshawa Power has been focused on value engineering the new building to manage costs closely, which is reflected in the fact that estimated building costs have been reduced since the preliminary figures used for Customer Engagement on the Distribution System Plan (see PDF page 282 of Exhibit 1). Oshawa Power notes that the tariff trade dispute between the United States in Canada may result in substantial increases to construction costs for some building components, especially as a result of 50% tariff of copper and 25% on steel and aluminum.

As attached as Attachment 1-3, Oshawa Power retained Cushman & Wakefield to assist with a market search and site analysis within the municipal Oshawa boundary to determine appropriate, cost effective and timely occupancy of a new location. Cushman & Wakefield evaluated a variety of options for land acquisition, including new construction with a land lease, renovating an existing facility, new construction with land purchase, and so on.

Cushman & Wakefield states that industrial property with office components are in high demand in the region with vacancy rates between 2-5%. The specific requirements for Oshawa Power operations, which include office, garage, warehouse and a significant amount of outdoor storage, made finding a suitable property that can be modified in a cost-effective manner to be extremely difficult. Significant demand for industrial property in this region is reflected in elevated purchase prices. The land for the building was purchased for approximately \$11.4M.

The above attachments reflect the best available information Oshawa Power has at this time with respect to the current capital construction expenditures for the new facility which exclude such costs as furniture & equipment, municipal fees, as well as consultants. Oshawa Power expects that total costs for the new facility will continue to change in advance of the ICM application, especially given the ongoing and rapidly evolving trade dispute between the United States and Canada. It is for this reason the estimated forecast costs of the new building are

to be considered preliminary and do not prejudice any updates or changes that may be incorporated into a future ICM application. Oshawa Power will file all required information to support a future ICM application at that time.

- b) As stated in Exhibit 4, p.60, the \$871k budget for 2026 covers general maintenance, repair and security of the Oshawa Power facilities, as well as lease paid for rental of the existing administrative and operational facility. It includes all subcontractor, labour expenses incurred to repair, test, inspect and document etc. any buildings, fixtures, furniture and equipment within the Oshawa Power facilities.

Given that design remains ongoing for the new building, operational costs of the new facility are not fully known at this time. While it may be true there could be savings from the elimination of rent, this needs to be balanced against potentially higher OM&A costs that result from Oshawa Power moving to a larger building to satisfy operational needs. Moreover, it is not a correct assumption that the entire \$871k will be solely allocated to OM&A for the new building. Oshawa Power has other facilities across its service territory that are within the scope of this budget. Oshawa Power disagrees with the statement that “Oshawa PUC Networks would not require \$871k annually for the facilities administrative budget over the entire IRM period.”

Therefore, to account for the variance in the amount budgeted and the actual spent on avoided rent and OM&A costs for the new building, Oshawa Power proposes two distributor-specific deferral accounts. Oshawa Power has included draft Accounting Orders as part of its proposal as Attachment 1-4 to this response; all of which are proposed as 1508, Other Regulatory Assets sub-accounts. These two accounts are contingent upon subsequent prudence decisions.

The OEB’s Test for the Establishment of New Deferral and Variance Accounts requires that distributor seeking to establish new deferral and variance accounts show causation, materiality and prudence.

Oshawa Power demonstrates this in the Table below.

IRR Table 1-5: Test for Establishment of New DVAs

	OEB Test	Oshawa Power Proposed Accounts
Causation	The forecast amount to be recorded in the proposed account must be clearly outside the base upon which rates were derived.	The amounts to be recorded in the two proposed accounts relate to the implementation of the New Facility which itself is not included in rate base.
Materiality	The annual forecast amounts to be recorded in the proposed account must exceed the OEB-defined materiality threshold and have a significant influence on the operation of the distributor.	The materiality threshold provided by the OEB is distributor specific. As a distributor with an approved base revenue requirement of greater than \$10million, but less than \$200 million, Oshawa Power's materiality threshold is equal to 0.5% of the distribution base revenue requirement. This results in a materiality threshold of \$195,000 as shown in Exhibit 1, Table 1-46. The anticipated amounts in the new deferral and variance accounts meet the materiality threshold.
Prudence	The nature of the amounts and forecast quantum to be	The amounts to be recorded in the proposed deferral and

	recorded in the proposed account must be based on a plan that sets out how the amounts will be reasonably incurred, although the final determination of prudence will be made at the time of disposition.	variance accounts are based on the best available information for the new building provided through interrogatory responses.
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Oshawa Power submits that these deferral and variance accounts ensure that savings arising from the new building are recognized as soon as possible to the benefit of customers.

- c) For the reasons that follow, Oshawa Power is of the view that a capital budget of \$100,000 is prudent to be prepared and have a reasonable amount of capital funding available for unplanned replacement and failures that may occur during the period of the Cost of Service Application.

Note that Oshawa Power identified an error in Appendix 2-AA where 2024 facilities capital costs were incorrectly allocated to connections, and facilities costs should have been \$163,302. The budget of \$100,000 actually represents a decrease of approximately 39%.

The \$100,000 budget for 2025, 2026 and 2027 is well below actual historical OM&A costs for 2024 in an old 1931 building that Oshawa Power will remain in for this period. The capital reduction is based on a reactive strategy to capital expenditures and these expenditures are made only if absolutely necessary in order to keep the facility functioning until the new facility is available.

The \$100,000 budget for 2028, 2029 and 2030 is prudent to have a reasonable amount of capital funding available in order to be prepared for costs required for the larger building that can only be identified once the new facility is functional, occupied and being used by Oshawa Power employees. The facilities capital budget is also intended to cover buildings located at municipal substations that would require unplanned capital expenditures in order to remain functional and to

operate in a safe manner because these buildings house medium voltage electrical equipment as part of Oshawa Power's distribution system. Oshawa Power's facilities budget also remains unchanged from the \$100K ask in its 2021 test year (of the 2021 rate application). Material and labor cost inflations make the 2026 test year budget lower in comparison.

- d) Yes, subject to the best of Oshawa Power's knowledge and belief and any unforeseen circumstances that may arise during the construction of the building.
- e) Only the land has been purchased to date. While there may be committed costs at the time of ICM, it is unlikely Oshawa Power will "already invested significantly in its new administrative and operational facility."
- f) Please see the Cushman & Wakefield report provided in response to question a), Attachment 1-3. Options analysis relating to the building will be provided in the ICM application.
- g) Please see response to question a). Benchmarking analysis relating to the building will be provided in the ICM application.
- h) Please see response to a). Annual revenue requirement and bill impacts relating to the building will be provided in the ICM application. Moreover, Oshawa Power does not have adequate evidence at this time to provide fair and reasonable estimates of such annual revenue requirement and bill impacts.
- i) Confirmed. The value of the land (\$11.4M) is included within the 2024 CWIP balance (\$22.4M). Apart from land, the 2025 and 2026 CWIP amounts were estimated based on historical CWIP amounts and not on specific assets. The 2025 CWIP (\$17.8M) was calculated by adding the 2023 CWIP amount plus the land purchase, and the 2026 CWIP (\$18.2M) was an increase of 2% over the 2025 CWIP.

1-SEC/CCMBC-10

Ref. 1: Exhibit 1, p.18

Question(s):

- a) Please restate the table on this page replacing 2021 OEB Approved with 2021 Actuals.

Oshawa Power Response

a) See updated Table below.

IRR Table 1-6: Restated Table 1-4 – 2026 vs. 2021 Revenue Requirement

Revenue Requirement Components	2021 Actuals	2026 Test Year	Variance 2026 to 2021	% Variance 2021 to 2026
RATE BASE CALCULATION				
Fixed Assets Opening Balance	\$131,135,061	\$167,647,493	\$36,512,433	28%
Fixed Assets Closing Balance	\$137,696,393	\$176,674,454	\$38,978,061	28%
Average Fixed Asset Balance for Year	\$134,415,727	\$172,160,974	\$37,745,247	28%
Working Capital Allowance	\$7,432,848	\$11,797,711	\$4,364,864	59%
Rate Base	\$141,848,574	\$183,958,685	\$42,110,111	30%
COST OF CAPITAL				
Cost of Debt	\$2,637,135	\$3,800,586	\$1,163,451	44%
Return on Equity	\$5,067,000	\$6,622,513	\$1,555,513	31%
Regulated Return on Capital	\$7,704,135	\$10,423,099	\$2,718,964	35%
REVENUE REQUIREMENT				
OM&A	\$13,300,173	\$22,271,990	\$8,971,817	67%
Property Taxes	\$135,660	\$164,562	\$28,902	21%
Depreciation	\$6,876,345	\$9,467,348	\$2,591,003	38%
Payments in Lieu of Taxes (PILs)	\$0	\$0	\$0	No change
Service Revenue Requirement	\$28,016,313	\$42,326,999	\$14,310,686	51%
Revenue Offsets	(\$2,773,173)	(\$3,478,107)	(\$704,934)	25%
Base Revenue Requirement	\$25,243,140	\$38,848,892	\$13,605,752	54%

1-SEC/PP-11

Ref. 1: Exhibit 1, p.24

Question(s):

Please provide a summary of all changes that will be required to forecast investments in system infrastructure currently in the Application to comply with the OEB's recently announced changes to the Distribution System Code to implement the Cost Allocation Model (CAM). Without limiting the generality of the question, please estimate the increase in customer contributions, if any, expected for each year of the DSP as a result of the CAM.

Attachment 1 – 3

New HQ Location Summary Report



New HQ Location Summary Report

Prepared for
Oshawa Power

Better never settles

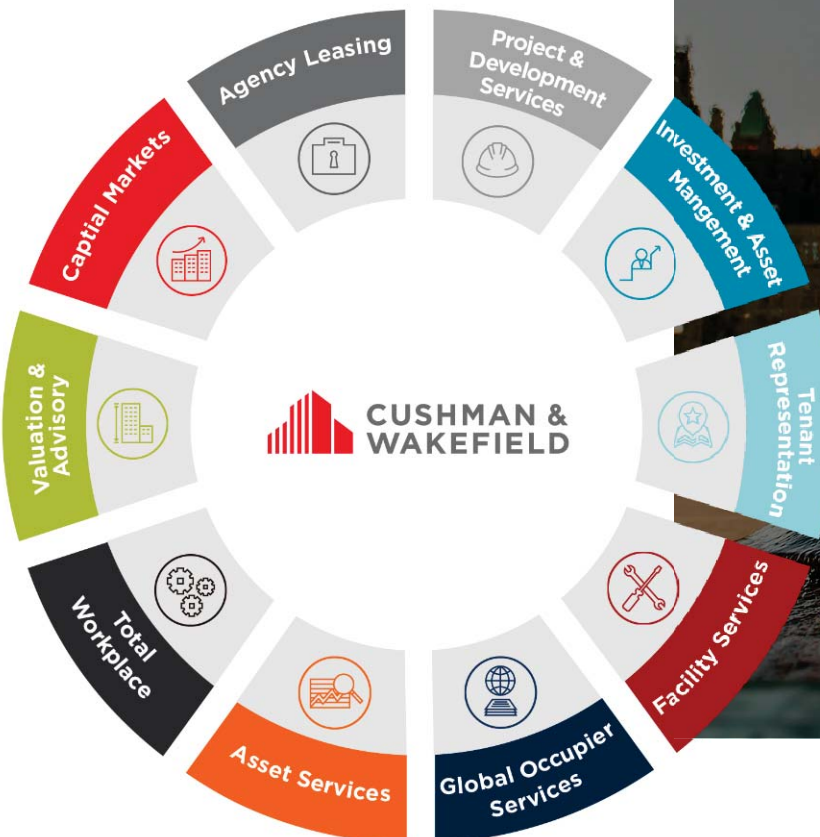


Cushman and Wakefield is a global real estate advisory firm with over 50,000 employees.

With 20+ offices in Canada, Cushman & Wakefield provides occupier and owner real estate services across the country.

The company acquired the bench strength of Royal LePage Commercial in 2005 and has since continued to expand its service offering. At present, the Canadian offices have over 2,500 employees.

Services provided include investment sales, agency leasing, transaction management, asset services, facility services project management, total workplace and valuation and advisory.



\$7.2B

Transaction Value

2,303

Transaction Count

22

Offices

10

Provinces

370

Advisors

2,427

Employees

October 21, 2024

Daniel Arbour, CEO
Oshawa Power
100 Simcoe Street S.
Oshawa, ON L1H 7M7

As requested, this report summarizes the work performed by Cushman and Wakefield to determine the optimal location for Oshawa Power's New Headquarters.

Oshawa power required a market search and site analysis process within the municipal Oshawa boundary to determine appropriate, cost effective and timely occupancy of a new location. Cushman and Wakefield identified opportunities within the municipal boundary of Oshawa that were zoned both industrial and office, greenfield and brownfield, that met requirements, feasibility and financial goals. This market search yielded 11 potential sites. These were a mix off market and on-market opportunities. The sites were analyzed with pros/cons and 5 sites were selected for a short list. Further analysis of the 5 sites revealed that 3 of the 5 were suitable for financial analysis.

The advantages and disadvantages of these sites were compared, a proforma was created and next steps were identified.

The scope of work included the following activities:

- Confirmation of Area Requirements
- Preparation of Scorecard for Site Evaluation
- Evaluation of Baseline Option (locate to a 'land lease' on HOPA property)
- Selection of Alternative Sites (both brownfield and greenfield)
- Shortlist of Proposed Sites to Evaluate
- Costing Analysis
- Recommendation of Site
- Broker Opinion of Value for 2 Owned Sites (Pole Yards) (450 Stevenson Road and 124 Colborne Street)

Timeline of Work

- Engagement with Cushman and Wakefield – May 2023
- Report 1 – May 2023, Initial Draft of Site Options
- Report 2 – June 2023, Proforma Analysis of Shortlisted Site Options
- June-October 2023, Exploration of Phillip Murray Site with Letter of Intent
- October 2023, Market Survey for Properties Available for Lease
- October 2023, Market Scan for Alternative Sites (2072 Thornton, 1877 Thornton)
- November 2023 – Identification of Northwood Site, 2072 Thornton Road
- Engagement of Engineer/Architect, Due Diligence

During the first phase of the work, preliminary area requirements were confirmed for the office space, garage space, warehouse space and the site. It was determined that the site should accommodate the following:

- Office Space = 35,000 SF (Additional space would be required to accommodate HOPA of 8,400 SF if that site was chosen.
- Warehouse Space = 10,000 SF
- Garage Space = 20,000 SF
- Outdoor Yard and Parking = 60,000 SF and 55,000 SF *respectively*

Due to the above requirements plus circulation/roads, the site required was sized at a minimum of 6-7.5 acres.

After the area requirements were established, a scorecard was developed for the comparison of the sites. Criterion included land size, building size, outdoor storage feasibility, feasibility of purchase/timing, condition, proximity to roads, etc. Overall pros and cons were developed for each site and used to compare, contrast and eliminate options.

The following long list of sites were evaluated utilizing the scorecard methodology:

EXECUTIVE SUMMARY

MARKET SCAN COMPARISON SUMMARY

PRELIMINARY
SHORTLIST

SHORTLISTED FOR
FINANCIAL FEASIBILITY

#	ADDRESS	COMMENTS
1	850 Champlain Avenue	Off market opportunity, renewed Penske lease for 15 years, 2 buildings (office + Harley dealership)
2	1189 Colonel Sam Drive	Vacant possession is not possible. Can't put industrial component without losing most of the parking. May need minor variance or ZBLA to allow industrial.
3	1908 Colonel Sam Drive	Greenfield, OPG site, parcel severance. Timing due to severance may prolong schedule.
4	1755 Thornton Road North	Too small. Only 4 acres of developable land. Challenging topography: mainly wooded with minimal flat areas.
5	575 Thornton Road South	Too small. Priced for future residential development, which make the land a premium investment.
6	894 Ritson Road South	Too small. Existing environmental contamination. Existing building needs to be demolished
7	991 Simcoe Street South	Greenfield, remediated, land size irregular which may reduce price, central location.
8	Northwood Business Park	Services will be at the corner of Thornton Road North and Conlin Road W later this year. Site is too large, but CW could find a buyer to sever a parcel for Oshawa Power. Timing may preclude this.
9	78 Richmond Street West	Lot is far too small for any expansion. Does not have the ability to add an industrial component as zoning does not allow.
10	1401 Philip Murray Ave.	Existing building could convert to garage/warehouse and partial office space, new office building facing lake. Has parking. Good location. Good views.
11	HOPA site option	Greenfield, land lease, potential for income with tenants.

*Graphic from Original Report prepared
by Cushman and Wakefield, May 2023*

From this list of sites, there were various reasons why several were eliminated. The 850 Champlain address was eliminated due to the existing tenant lease. 1908 Colonel Sam was eliminated as the timing was prohibitive. The 1755 Thornton site was eliminated due to size of developable acreage (it was too small). Please see the notes in the graphic above in the comment section for further explanation.

Therefore, 3 sites were used to create a Proforma Analysis that represented the range of potential costs to compare. This would act as a basis for further analysis.

The 3 sites chosen for further evaluation were as follows:

- The 'HOPA' site (land lease)
- 1401 Phillip Murray (existing facility, renovation)
- 991 Simcoe Street (raw land, new build)

The analysis concluded the following:

New Construction, Land Lease: While the HOPA had the lowest initial cost, it was not the best investment. At the end of its life, there would be no value left in the building to leverage for further investment. Additionally, the space would be shared with staff from HOPA and the site offered limitations due to the unknown expansion or future construction of potential adjacent buildings.

Renovation of Existing Facility: The Phillip Murray site offered an opportunity that was beneficial, and the location was ideal. Furthermore, it offered the shortest timeline for completion, however, during evaluation, the site was purchased by another group and a sale/leaseback was cost prohibitive. There were no other potential renovation sites that were deemed suitable for a variety of reasons: too large, too cost intensive, not the right location.

New Construction, Land Purchase: The Simcoe site represented a land purchase with a new build. This option was evaluated for capital cost, operational cost and long-term investment. However, the land geometry was not ideal, and it was determined that a site that offered better geometry for site circulation would be explored. Therefore, it was determined that the team would **consider an alternate site for land purchase and new construction.**



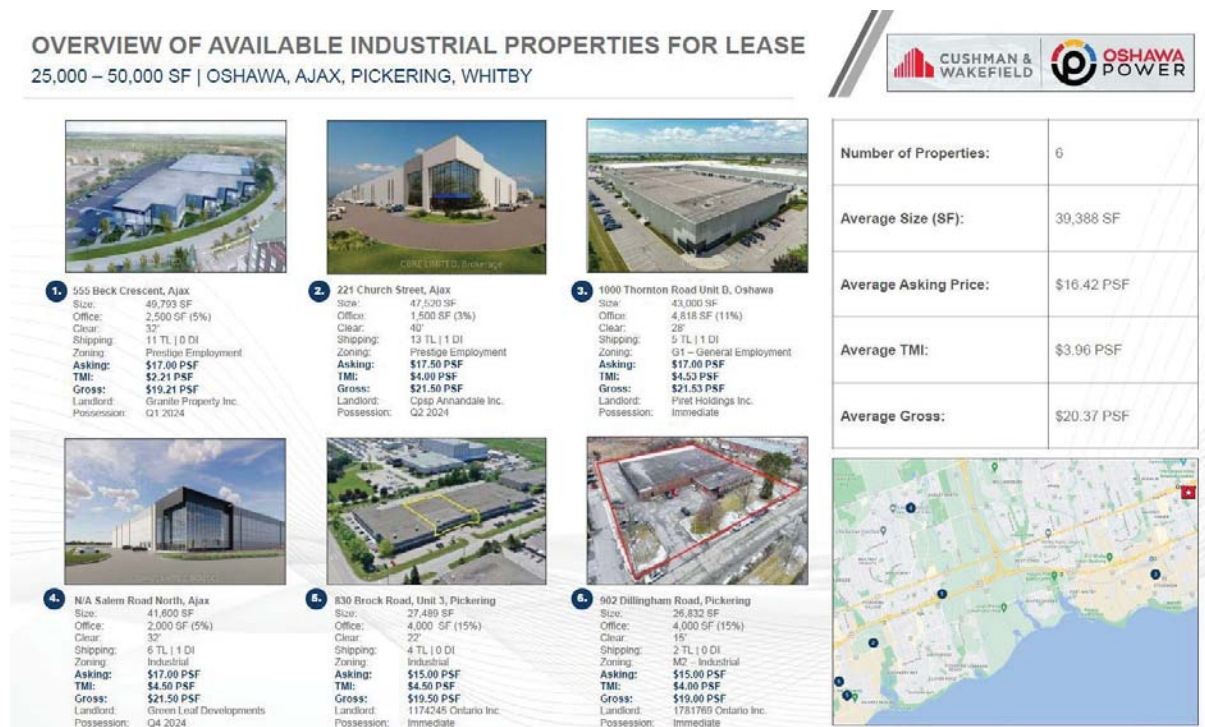
*Graphic from Original Report prepared
by Cushman and Wakefield, June 2023*

After the Phillip Murray site was eliminated from the options, the Cushman and Wakefield team scanned the market in October 2023 for new options. **This included sites available for lease and land available for purchase.**

For leased sites, the team identified 6 sites for consideration and compared them to area benchmarks for costs. These sites included the following:

- 555 Beck Crescent, Ajax
- 221 Church Street, Ajax
- 1000 Thornton Road, Oshawa
- Salem Road North , Ajax
- 830 Brock Road, Pickering
- 902 Dillingham Road, Pickering

As 5 of these 6 sites were outside of the municipality of Oshawa, they were not considered for relocation but were compared for benchmarking purposed only.



Industrial properties with office components are in high demand in the region. In fact, Industrial vacancy rates continue to hover between 2-5% in the region, which makes it very difficult to lease property in the area. Because of the **specific requirements for Oshawa Power, which include office, garage, warehouse and a significant amount of outdoor storage,** finding a suitable property that can be modified in a cost-effective manner proved to be extremely difficult. The few options that were identified, specifically 1000 Thornton Road, Unit B, was not suitable for Oshawa Power due to lack of outdoor storage, potential service truck/garage access and collocation with other tenants which was not desirable.

Office buildings (those zoned strictly for office) that were identified did not allow outdoor storage or garage space, so these were not explored.

Therefore, it was determined that the team would **consider a land purchase and new construction** that offered suitable land geometry, access for service trucks, parking for employees and could meet the requirements for Oshawa Power (office, warehouse, garage, outdoor storage).

After a market scan, two sites that were previously not for sale became available:

- 2072 Thornton Road, identified in November 2023
- 1877 Thornton Road, identified in November 2023

Both sites were raw land with the opportunity for construction and were located within the growing area north of Oshawa in the Northwood Business Park vicinity. After a tour of the sites, 1877 Thornton was eliminated due to limited buildable acreage. 2072 Thornton Road became the focus of the go-forward option as it contained several key benefits:

- Corner Lot (Conlin Road and Thornton Road)
- Regular geometry: 409 ft by 635 ft of frontage and rectangular in shape
- Permitted uses acceptable (per zoning, industrial and commercial allowed)

2072 Thornton Rd N Oshawa, ON L1L 0P5

Land For Sale - 6.50 AC



PROPERTY FACTS

Property Type	Land	Proposed Use	Warehouse
Property Subtype	Industrial	Total Lot Size	6.50 AC

DESCRIPTION

Prime 6.5-acre industrial land with services available at lot line ready for development is now available for sale in Northwood Business Park! This property is situated beside Amazon's 300,000 robotic distribution center and under-construction cold storage facility. It's also near Durham

EV main bus terminal (opening in 2026) and across the University of Oshawa site, as well as the future Community Center for North Oshawa (opening in 2026). Significant cost savings: NO Development Charges

Cost Analysis and Assumptions

The costs analysis for comparing the initial proforma was created with the following included:

- Siteworks (Including Parking)
- Building Shell (Office, Warehouse and Garage)
- Tenant Improvements (Interiors)
- Furniture
- Fit-up Allowances
- Professional Fees (Arch, Eng, Design)
- Development Management
- Green Building Premium %
- Contingency
- Municipal Costs
- Financing Costs
- Move Costs
- Demolition Costs
- Fibre Connection Costs
- Land Costs

These costs represented the capital outlay required for the project and were based on square footage assumptions and preliminary site indicators, not on actual drawings or soil conditions. Therefore, a contingency of 15% was included. Building costs were developed using a combination of RS Means and Cushman and Wakefield's benchmarking. Costs for the Phillip Murray (renovation) were developed after an inspection and were confirmed by engaging the expertise of a contractor.

During the process of developing preliminary costs for comparison, it was determined that a 2-story building was less costly than a 3-story building and had a negligible impact on land size. Therefore, it was recommended that Oshawa Power proceed with a 2-story building for the office space.

Construction costs have escalated significantly over the last 5 years, especially during and after the pandemic. Factors include supply chain issues, rising transportation costs and shortage of skilled trades. For all cost estimates, Cushman and Wakefield errs on the conservative side and cites the Ontario Construction Report:

Special to Ontario Construction Report, dated February 6, 2024, www.ontarioconstructionreport.com

Toronto's construction sector has seen a dramatic increase in costs, ranking second in the world in terms of the surge in building expenses. This trend is highlighted in a new global ranking by Australian price comparison service Compare the Market, which used data from construction tenders.

The data, gathered from construction tenders, indicates a 40.5% increase in Toronto's building costs from January 2020 to August 2023. This surge is part of a broader global pattern, with cities like Singapore also experiencing substantial cost hikes. Analysts attribute these rising costs primarily to the supply chain disruptions brought on by the COVID-19 pandemic, which has posed significant barriers to new construction projects across the globe.

An article in [Storeys](#) states that in Toronto, these challenges are compounded by factors unique to the city. Building costs have been on an upward trajectory since 2018, a trend linked to various factors, including heightened borrowing costs and a shortage of labor. Additionally, the city's approach to construction bidding, which restricts open bidding to a select few constructors, has contributed to keeping construction prices elevated.

Cost Analysis and Assumptions

Additionally, the same report discusses Nationwide Cost Surges citing raw material prices and relevance to the demand for housing – which drives up prices overall as both commercial and housing construction companies compete for the same skilled tradespersons.

Also used for comparison is information from Altus, which benchmarks costs per building type, private and public across Canada. Comparisons are cited below

Cost Comparison from GTA to Ottawa Region

Altus offers comparative figures for Ottawa/Gatineau to the GTA. The following chart utilizes data source from this guide. The chart illustrates the differences in SF from the GTA to Ottawa over a 7-year period. The data below references municipal office buildings only including tenant fit-out. The chart points to the notable spread between Ottawa and the GTA in the year 2022, 2023 and 2024 and to the marked increase within each market, most notably Toronto which has seen more than \$230 cost per SF over the 7-year period.

Oshawa, as part of the overall Greater Toronto Area, is subject to the nuances of the Toronto construction market. Prices may be slightly less expensive, but likely marginal as the labour pool and supply chain is the same.

Altus Guide	GTA/Tor \$ PSF Range	Ottawa/Gat \$ PSF Range	Difference (Low to High)
YEAR 2024	\$425-\$550	\$370-\$465	\$55 to \$85 PSF
YEAR 2023	\$405-\$540	\$360-\$450	\$45 to \$90 PSF
YEAR 2022	\$375-\$500	\$325-\$385	\$50 to \$115 PSF
YEAR 2021	\$285-\$395	\$245-\$340	\$40 to \$55 PSF
YEAR 2020	\$260-\$365	\$245-\$335	\$15 to \$30 PSF
YEAR 2019	\$205-\$270	\$220-\$275	-\$15 to -\$5 PSF
YEAR 2018	\$195-\$260	\$220-\$275	-25 to -\$15 PSF
Market Spread	\$230-\$290	\$150-\$190	

As seen in the chart above, costs for the Toronto area range between \$425-\$550 for calendar year 2024. Costs for Ottawa in the year 2020 ranged from \$245-\$335.

Please also note that between the years 2022 and 2024, costs in the GTA have risen about \$25 per SF on the low end. Given this logic, costs will reach \$450-\$560 (conservatively) by the year 2026 (mid-point of construction for Oshawa Power).

Cost Analysis and Assumptions

BBA (Barry Bryan Associates) Class D Cost Analysis Assumptions

BBA Architects were engaged through a competitive RFP process and hired to create a concept with drawings for the Thornton site. This allowed their team to develop more specific area requirements and Class D cost estimates giving a greater degree of certainty for budgeting. Barry Bryan estimated a range of cost between \$████ (\$████ per square foot) as a baseline option without a net zero premium. For a building with a net zero premium, they estimated \$████ M for \$████ per square foot. These costs include █████% escalation to year 2026, which is typical to the mid-point of construction.

Using the last 3 years 2022, 2023, 2024 as a benchmark, the Altus guideline may predict construction to increase by \$████ per SF per year on the low-end. Given that logic, costs per SF for the Toronto region would range from \$████ PSF by year 2026. **The projected cost of \$████ PSF estimated by BBA falls within this range.**

Moreover, the spread between Ottawa and the GTA per SF from 2020 to 2026 will be more than \$████ per SF according to Altus, which is more than the range of the actual predicted spread between the two regions, which is \$████ per SF (\$████).

Therefore, it is the opinion of Cushman and Wakefield, given the information provided, that the costs estimated by BBA Architects are well within the normal range provided by Altus, a leading authority of costing across Canada and are comparable to Ottawa Power.

The following is a summary of the Class D analysis provided by BBA and the land costs for the new site.

	Size (SF or Acreage)	Cost	Cost/Per
Oshawa Power HQ (Source BBA, Cost Estimate, Baseline Building , proportioned to office only)	64,995	████████	\$ █████
Oshawa Power HQ (Source BBA, Cost Estimate, Net Zero Building , proportioned to office only)	64,995	████████	\$ █████
Oshawa Power HQ	6.5 Acres	\$11,425,00	\$1,757,000 per acre

On the following page, is a table that illustrates comparable land values.

Comparable Land Prices

The following are comparable land prices for the Oshawa/Ajax/Whitby region.
The average cost per acre is \$1,884,727.

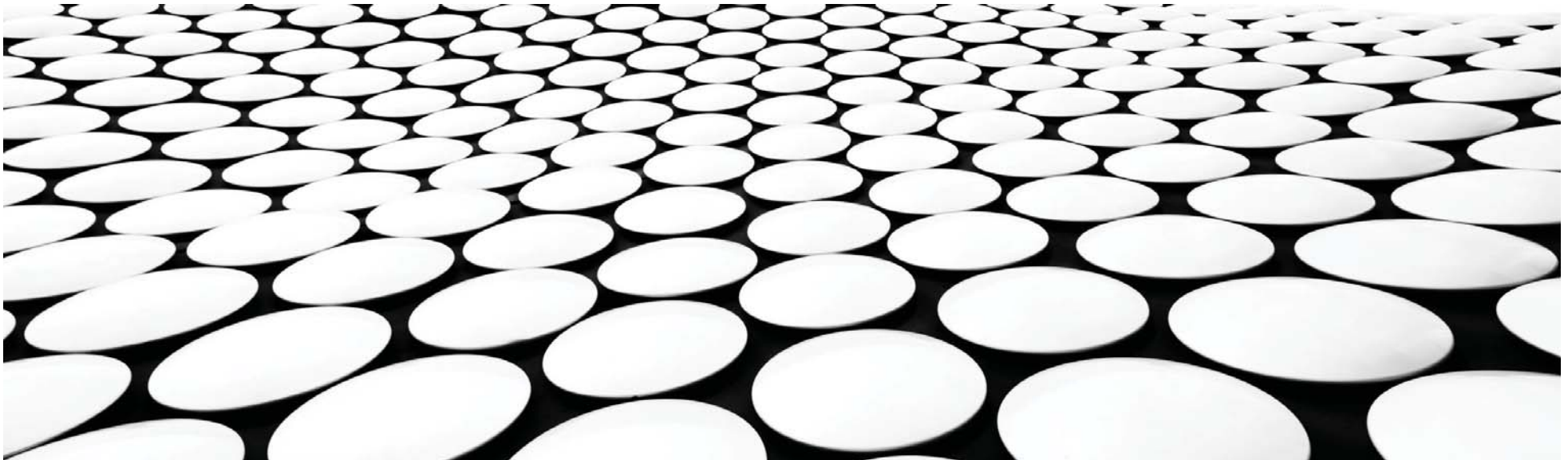
	Transaction Date	Address	Municipality	Price \$	Price \$/Acre	Use	Acreage
1	6/21/2024	2072 Thornton Road North	Oshawa	11,425,000	1,757,421	Industrial	6.50
2	4/4/2024	100 Beck Crescent	Ajax	10,700,000	2,529,551	Commercial	4.23
3	12/20/2023	Champlain Avenue	Whitby	14,844,600	1,483,125	Industrial	10.01
4	12/7/2023	5515 Garrard Road	Whitby	4,000,000	1,188,707	Industrial	3.37
5	12/6/2023	640 Taunton Road West	Oshawa	16,000,000	1,584,158	Commercial	10.10
6	4/3/2023	2150 Thornton Road North	Oshawa	23,000,000	1,564,838	Industrial	14.70
7	3/15/2023	650 Beck Crescent	Ajax	12,250,000	1,472,533	Commercial	8.32
8	2/21/2023	1900 Boundary Road	Whitby	35,000,000	2,178,378	Industrial	16.07
9	12/9/2022	600 Conlin Road West	Oshawa	42,929,250	2,537,490	Industrial	16.92
10	7/19/2022	500 Salem Road	Ajax	12,000,000	2,906,977	Industrial	4.13
11	5/6/2022	1 Keensford Court	Ajax	6,100,000	1,528,822	Industrial	3.99
				17,113,532	1,884,727		8.94

BUSINESS TRANSFORMATION: UNDERSTANDING WHY, HOW & WHAT

PATHWAY TO THE FUTURE



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HESKETH SLOANE ADVISORY
MAY 1, 2024



1. RECOGNIZING THE NEED TO CHANGE

- Understanding **WHY** change is necessary at this time
- An external scan reveals that the electricity sector is in a time of unprecedented change in response to the impacts of climate change, economic pressures, a more competitive landscape, and an **evolving energy sector** model
- The expectations of Oshawa Power's key **stakeholders** are becoming increasingly higher and higher
- Current **macro environmental factors** are impacting all aspects of business and society – Oshawa Power must develop capabilities to respond effectively
- Given the evolving conditions, Oshawa Power's senior leadership team, as well as its board of directors and employees, through observations, experience and feedback, recognize that the **status quo** for how work is done is no longer viable
- Senior Management has a clear **vision** of the company's **aspirations** and **ambitions**



STAKEHOLDER EXPECTATIONS



- Oshawa Power's shareholder, the City of Oshawa, expects to receive greater value for its investment in the company – **higher ROI**
- Like all municipalities in the province, the City of Oshawa has financial challenges. **Larger future dividends** are expected as a revenue source for the City to help meet its budget requirements
- As most of the world is embarking on a journey to decarbonize their energy, the City of Oshawa is looking for Oshawa Power to be a key **resource** to help support customers navigate through the **energy transition**
- As electricity rates are expected to continue to increase as a result of greater electrification and growth, there will be more pressure from the Regulator (Ontario Energy Board) to demonstrate and achieve **greater productivity and efficiency** in Oshawa Power's operations to partially offset some of those increases
- The customer interaction experience is very important for **customer satisfaction** and **brand reputation**; thus, B2C businesses continually invest heavily to enhance it. Oshawa Power's customers have similar expectations, and therefore it must find ways to make it "easy to do business with"

MACRO ENVIRONMENTAL FACTORS



- Government response to fighting climate change is leading to policies and regulations to **decarbonize** (in the electricity sector as well as others such as transportation, manufacturing, and energy), which in turn is driving an energy transition from fossil fuels. Not only will the electricity sector be expected to decarbonize its operations, but also support the **electrification** in the other sectors.
- Through government immigration policies and goals to drive economic development, Oshawa Power and other electric utilities will have to make changes to support **growth challenges** in both population and electricity demand
- **Inflationary pressures, competition for talent, supply chain challenges** all drive a need to transform the business model to mitigate these risks and “*survive and thrive*” going forward
- With the arrival of **disruptive technologies** such as Gen AI (Generative Artificial Intelligence) and DER (Distributed Energy Resources), old paradigms are being shifted and new business models and approaches need to be developed and adopted to mitigate risks and exploit opportunities

INTERNAL CHALLENGES AND ASPIRATIONS



Challenges:

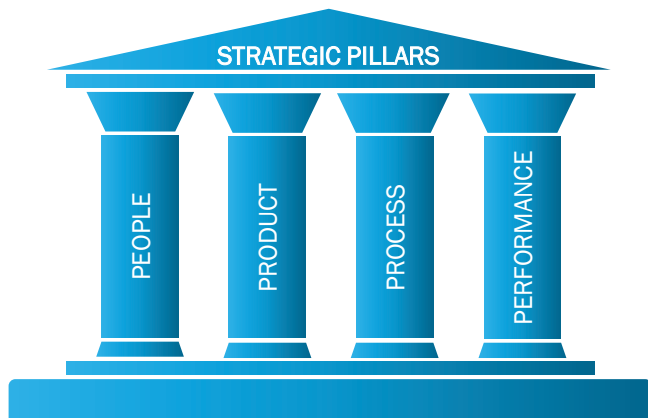
- Increasing **workloads** and inefficient **business processes** (paper-based, manual, lack of standardization, weak controls) create productivity and efficiency gaps
- **Skills gaps** and underdeveloped business **capabilities**
- **Performance** challenges (execution and delivery, accountability, agility, quality control)
- Under-exploited business opportunities



Aspirations:

- Realize its potential, become and be recognized as a high performing organization
- Be viewed as the ***“Trusted Partner and Leader in the energy sector”*** in Durham
- Be the de facto delivery agent for the region’s energy solutions

2. AGREEING ON THE FORM OF THE CHANGE



- Building and gaining consensus amongst Oshawa Power's entire staff on **HOW** to change is critical to the success to the effort
- Because of the magnitude of the effort that is required to address the reasons for change, a foundational approach that targets specific priority areas is necessary
- An enterprise-wide **Business Transformation** initiative that encompasses, to varying degrees, transformational elements such as Digital, Process, Management, Organization, and Culture
- Aligning the Business Transformation efforts with the Oshawa Power's corporate strategic objectives (**G.R.I.D.**) is an essential requirement for success; in particular, "Developing conditions for success"
- Create a **sense of urgency** and **excitement** of the vision and the need for change to gain commitment and buy-in

3. UNDERSTANDING WHAT NEEDS TO CHANGE IN DETAIL: *BASELINE WHAT NEEDS TO CHANGE*



- There are still many **manual** and **paper-based processes**, which can be major sources of errors, omissions, and productivity losses, that can be improved upon
- There is a lack of **capacity** and **capabilities** in certain areas of the business that presents bottlenecks and barriers to becoming an industry leader and the service provider of choice
- Existing business **processes** that are not standardized, end-to-end, integrated and streamlined effectively further reduce capacity and agility
- Better **governance** and use of corporate data will enable better business insights, improve analytics, and support better decision-making in the operations of the company
- A **results-oriented** corporate culture with strong business governance and a high degree of accountability is lacking
- Areas of the organization are operating in silos and can benefit from greater **collaboration** amongst business units to achieving the company's strategic objectives
- Formal **Organizational Change Management** practice are needed to propel the organization through the upcoming changes

UNDERSTANDING WHAT NEEDS TO CHANGE IN DETAIL: *MANUAL AND PAPER-BASED PROCESSES*



- Reducing manual tasks and use of paper documents will create capacity, improve productivity, and reduce costs and opportunities for inconsistency, errors and omissions
- Institutional knowledge that resides with individual employees will be distributed and formalized, thereby reducing risk of loss
- Adopting and implementing technology solutions for core business processes and functions such as Customer Information System (CIS), Enterprise Resource Planning (ERP) system, Mobile Workforce Management (MWM) would greatly minimize these deficiencies
- Leverage technology to automate and minimize manual and paper-based processes, with built-in controls (i.e., workflows, segregation of duties, permissions and authorizations) to enhance business governance

UNDERSTANDING WHAT NEEDS TO CHANGE IN DETAIL: *CAPABILITIES, SKILLS, AND TOOLS*



- Capacity and capability constraints across the utility introduce risks to the organization
- Formalized knowledge transfer and succession planning will benefit many areas of the organization to fill required capabilities and upskill newer employees
- Improved modern business tools will augment the company's ability to develop needed capabilities (e.g., CRM, MWM, Billing)

UNDERSTANDING WHAT NEEDS TO CHANGE IN DETAIL: *BUSINESS PROCESSES*



- Full business process engineering and optimization exercises will help identify areas for improvement, digitization, and modernization
- Holistic technology solutions will enable tight integrations, and closed-loop and end-to-end business processes
- Limitations in legacy systems and gaps in technology-enabled processes can introduce inefficiencies with manual tasks and workarounds



UNDERSTANDING WHAT NEEDS TO CHANGE IN DETAIL: *DATA GOVERNANCE*



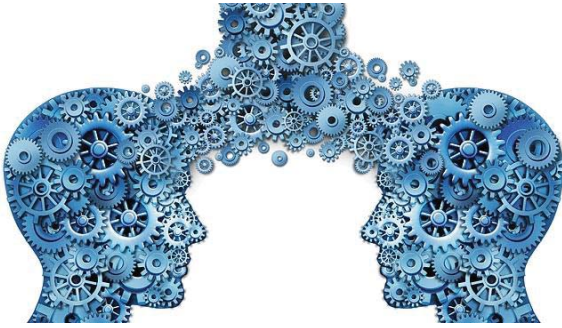
- The shortage of digital tools or the use of ineffective technology solutions contributes to the poor management and usage of corporate data for business benefits
- Duplicate efforts from the need to enter data from paper documents introduce errors
- Lack of Master Data means that there is no “single source of the truth”
- Privacy and security risks are increased without Data Classification
- Analysis reports are unreliable
- Decisions are made with lower confidence levels
- Opportunities to glean deeper insights (business intelligence) into customers, the electrical grid, corporate performance, etc. are missed

UNDERSTANDING WHAT NEEDS TO CHANGE IN DETAIL: *CORPORATE PERFORMANCE CULTURE*



- Greater emphasis and focus are required to drive a results-oriented business culture – *“on time, on cost, with quality”*
- Business leaders need to drive greater individual accountability amongst their team members
- Need to develop and adopt systems and tools to better manage business performance: balanced scorecards, KPIs, standard reports and dashboards, regular performance review meetings, short interval controls model, near real-time performance monitoring and analytics, timely corrective actions, incentive rewards compensation program, etc.

UNDERSTANDING WHAT NEEDS TO CHANGE IN DETAIL: *COLLABORATION*



- Lack of integrated, end-to-end, automated core business processes causes business units to largely operate in silos
- Dispersed workforce located in four separate facilities also hinder greater collaboration amongst business units
- Cultural differences between the regulated and unregulated business pose challenges to working effectively together
- Employee engagement and communications gaps (i.e., messages not consistently cascaded down to the front lines) also contribute to collaboration challenges

UNDERSTANDING WHAT NEEDS TO CHANGE IN DETAIL: *ORGANIZATIONAL CHANGE MANAGEMENT*



- No formal OCM practice currently in place
- Effective change management is critical to the success of any transformation effort for acceptance of and to sustain desired changes
- Corporate culture change is dependent on desired changes to employees' attitudes and behaviours
- Organizational change management is a critical success factor to effectively executing the corporate strategy and achieving the company's vision, aspirations and ambitions

SUMMARY: BUSINESS TRANSFORMATION GOALS



- Reduce manual tasks and paper-based processes
- Build greater capacity and capabilities
- Streamline and standardize business processes
- Strengthen data governance practices to better secure and leverage enterprise data in support of business objectives
- Develop a results-oriented corporate culture
- Improve collaboration across business units to find synergies and delivery better results
- Adopt formal Organizational Change Management practices to crystalize and sustain transformational changes

NEXT STEPS



- Gain agreement on what needs to change
- Prioritize the areas of change
- Develop detailed plans to implement new operating models for change areas
- Acquire the necessary resources to execute change plans
- Implement changes
- Institutionalize the changes