ONTARIO ENERGY BOARD

FILE NO.	**EB-2025-0014**	**Oshawa PUC Networks Inc.**
VOLUME:	**1**	
DATE:	**October 28, 2025**	
BEFORE:	**Patrick Moran**	**Presiding Commissioner**
	Robert Dodds	**Commissioner**
	Anthony Zlahtic	**Commissioner**

EB-2025-0014

THE ONTARIO ENERGY BOARD

Oshawa PUC Networks Inc.

Application for electricity distribution rates and other charges beginning January 1, 2026

Proceeding held in person and virtually
at 2300 Yonge Street, 25th Floor, Toronto, Ontario
on Tuesday, October 28, 2025, commencing at 9:34 a.m.

VOLUME 1

A P P E A R A N C E S

COMMISSIONER MORAN COMMISSIONER DODDS COMMISIONER ZLAHTIC	
LAWREN MURRAY TOBIAS HOBBINS TYLER DAVIDS	Board Counsel
ASTRIT SHYTI SHELLY-ANNE CONNELL	Board Staff
JOHN VELLONE COLM BOYLE MICHAEL MICHTELL LORI FILION VALERIE BENNETT AMANDA TANG MAGED YACKOUB MIKE WEATHERBEE AIYAPPA GANAPATHY	Oshawa PUC Networks, Inc. (OPUCN)
JAY SHEPHERD	School Energy Coalition (SEC)
TOM LADANYI	Coalition of Concerned Manufacturers and Business of Canada (CCMBC)
LAWRIE GLUCK	Consumer’s Council of Canada (CCC)
MARK GARNER	Vulnerable Energy Consumers Coalition (VECC)
DANIEL VOLLMER	Distributed Resource Coalition (DRC)
MICHAEL BROPHY	Pollution Probe (PP)

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E X H I B I T S

U N D E R T A K I N G S

U N D E R T A K I N G S

Tuesday, October 28, 2025

--- Upon commencing at 9:34 a.m.

COMMISSIONER MORAN: Thank you. Please be seated. Well, good morning, everybody. This is a hearing into an application brought by Oshawa PUC Networks. It is a rebasing application following on their five-year IRM term. We will be looking at a couple of things before we get into the hearing itself, and I will get into that in a minute.

So my name is Patrick Moran. I am presiding but accompanied by Commissioner Robert Dodds and Commissioner Anthony Zlahtic. First thing we will do is we will take appearances for the Applicant.

C. BOYLE: Good morning. My name is Colm Boyle, and I am here with my partner, John Vellone, from Borden Ladner Gervais and our student, Michael Mitchell.

COMMISSIONER MORAN: Thank you.

L. GLUCK: Good morning. My name is Lawrie Gluck, and I am a consultant for the Consumers Council of Canada.

COMMISSIONER MORAN: Mr. Gluck.

J. SHEPHERD: Good morning, Commissioners. My name is Jay Shepherd. I am counsel for the School Energy Coalition.

COMMISSIONER MORAN: Mr. Shepherd.

M. BROPHY: Good morning. Michael Brophy on behalf of Pollution Probe.

D. VOLLMER: Good morning. Daniel Vollmer, counsel for the Distributed Resource Coalition.

COMMISSIONER MORAN: Mr. Vollmer.

MR. LADANYI: Good morning. My name is Tom Ladanyi. I am a consultant representing the Coalition of Concerned Manufacturers and Businesses of Canada.

M. GARNER: Good morning, Commissioners. My name is Mark Garner, and I am representing VECC.

L. MURRAY: Good morning, Commissioners. Lawren Murray, counsel to OEB staff, and with me from OEB staff is my cocounsel, Tobias Hobbins, and case manager, Tyler Davids.

COMMISSIONER MORAN: Is that everybody? I think it is. Thank you.

Next we will have the land acknowledgement.

LAND ACKNOWLEDGEMENT

S-A. CONNELL: The Ontario Energy Board acknowledges that our headquarters in Toronto is located on the traditional territory of many nations including the Mississaugas of the Credit, the Anishnabeg, the Chippewa, the Haudenosaunee, and the Wendat peoples.

This area is now home to many diverse First Nations, Inuit, and Métis peoples. We also acknowledge that Toronto is covered by Treaty 13 with the Mississaugas of the Credit. We are grateful for the opportunity to gather and work on this land and recognize our shared responsibility to support and be good stewards of it. Thank you.

COMMISSIONER MORAN: Thank you.

PRELIMINARY MATTERS

So before we proceed any further, we understand that there is a preliminary issue that we would like to address. Mr. Vellone, we received communication yesterday with respect to our confidentiality decision, specifically in relation to the cost of the proposed new building, and I understand that there is some concern about our ruling on that.

Mr. Shepherd, I understand that in response to Mr. Vellone's communication that you were thinking about asking to adjourn the proceeding until this all gets sorted out. What we would like to do is to adjourn briefly for about 15 minutes. We would like to get a better understanding from the Applicant with respect to the question of confidential treatment for the number, and so we would like to hear some submissions on that.

It may be that there is some creative solution that people can propose for -- so that we can carry on with the hearing without necessarily having to deal with the confidentiality issue, but we also do actually want to understand what the specific concern is in case we have missed that in our ruling.

And if there is a question of adjournment, we will just defer that for now. But we would like the parties to have the opportunity to confer and to see if there is a solution for proceeding on this in light of the concern. If that works for everybody, that would be great.

So we will adjourn, and we will come back at -- in about 15 minutes.

Mr. Lawren -- Mr. Murray -- sorry -- if you could just let us know how things are going and if a little bit more time is needed, or if the parties are ready, just give us a heads-up.

L. MURRAY: I will.

COMMISSIONER MORAN: Thank you.

L. MURRAY: All rise.

--- Recess taken at 9:40 a.m.

--- Upon resuming at 9:59 a.m.

COMMISSIONER MORAN: Thank you. Please be seated.

J. VELLONE: Thank you, Commissioners, and good morning. The parties did have a chance to confer, and unfortunately we were unable to reach resolution of the area in dispute brought up by Mr. Shepherd's note from last night. I will take a moment to outline the Applicant's perspective on this, and then I will let Mr. Shepherd speak to his position on the areas that --

J. SHEPHERD: Excuse me. I am sorry. I have a motion I would like to present, and I think the moving party should go first.

COMMISSIONER MORAN: Yeah, that is fine, Mr. Shepherd. I think, first of all, we would like to hear Mr. Vellone's submissions with respect to the confidentiality question and understand the concerns because we do have some questions, and then let's see where that takes us. Okay?

SUBMISSIONS BY J. VELLONE

J. VELLONE: Okay. Thank you, Commissioner.

The Applicant requested confidential treatment of the building cost number, both the components and the overall number, back when we filed our interrogatory responses at the end of July.

Our concern, as we articulated back then, remains our concern today, which is that putting these numbers into the public domain when the Applicant still intends to conduct competitive tender processes to procure the prime contractors to actually build this building could cause harm to both the Applicant and ultimately ratepayers who would be asked to pay for this building.

That concern hasn't changed. That continues to be our concern today. If anything, the concern has become more, not less, acute just by the passage of time. We are now into the fourth quarter of the year. We are -- the client is actively, through their construction manager, engaged in these procurements live right now. At best, they are done by the end of the year, early Q1 next year.

So the concern became more acute, not less, Commissioner Moran. That is the basis both for the letter you received yesterday as well as the procedural steps to prepare a motion to review.

I will say OEB staff, in their materials, circulated a table of bill impacts associated with the new building, both dollar amounts and percentages. The Applicants have no concern with those numbers going on the public record because we think, frankly, it would be impossible for anyone to back-calculate what the building cost envelope would be.

COMMISSIONER MORAN: Question for you, Mr. Vellone. The -- I mean, typically a rates application is supported by a distribution system plan, and the one that was filed in support of Oshawa's application did not include any mention of the building. But it does, of course, include a number of capital projects with some costs associated with each of those projects, some of which might be at a more advanced stage than others and so on.

It is in that context that we are trying to understand, you know, what the concern is. Because presumably if there is a confidentiality problem with a number that is close to procurement, all of the things that are in your DSP are at some point going to go through some kind of procurement process.

So why is this particular number any different from any other number that would show up in your distribution system plan?

J. VELLONE: Unlike the balance of the numbers in the DSP, ultimately the OEB approves an envelope. You are approving rates. You are not necessarily approving a DSP. And so the Applicant has considerable discretion to reallocate their resources as between different project items, frankly, beginning the day after the decision is issued. That is not really the case for this discrete single-material capital project. The parties are aware, and I will say the Applicant clearly indicated its plans to proceed with this building in the DSP.

It then explicitly noted it omitted the dollar amounts from the table and tried to explain why, and it is because the ICM test stays outside of the base upon which rates are set. We wanted to be clear, the intention of the Applicant was to have the building outside the base upon which rates are set, so that is why the number wasn't in there.

COMMISSIONER MORAN: Right. So I am not sure if that is completely responsive to my question. You are right that typically an envelope is approved, but it is on the basis of understanding what is planned over the next five years or so and also in recognition that things can be reprioritized and so on.

But I guess, like, you could have a transformer station that is -- because you have got a transformer station coming to end of life, and it will be in your DSP, and typically there is a number associated with that because we have to set the -- we have to establish an envelope for capital spending in order to establish rates.

So, again, I am just trying to understand, you know, when you have numbers for a whole series of projects, some of which may be useful, you know, numbers for somebody to consider in a procurement process, but at the end of the day, this procurement processes seem to happen without any difficulty, what is the challenge here?

You are looking at a building. It is -- you know, estimators know how to do buildings. You have got estimators working for -- Oshawa has estimators working for them. Bidders will have estimators working for them. They are all looking at the same market and same prices and the same costing and have to put together competitive bids.

So I am just trying to understand, you know, a number that is plus or minus 10 or 15 percent, you know, why that is a particular problem for us here.

C. BOYLE: It is, I think, a question of just the materiality of the spend, Commissioner Moran, and where we are in the tender cycle. We had an intention to file an ICM application where all of this would be canvassed in the public domain next year once the tenders are closed and the bidders couldn't play with the numbers.

We didn't think it was prudent to tell the estimators on the other side of those procurements the numbers that we're trying to work to before those procurements are concluded.

COMMISSIONER MORAN: Commissioner Dodds, do you have any questions?

COMMISSIONER DODDS: If I understand correctly, the land is already purchased?

D. VOLLMER: That's correct.

COMMISSIONER DODDS: And if you're looking at -- did you look at other options like having a third party build and lease back other than building your own building? Or along the same lines, if you -- the biggest unknown when you are trying to estimate the cost of a commercial office complex -- there is a lot of examples around how much is cost per square foot. It will be pretty close to what the real market is. And the only variable that will have a large impact on the final price is the land, and you already have the land.

So I have a hard time understanding why you won't divulge the price because you can get estimates now. I am not sure what you used on your -- on all your other items and the advance capital model, but you probably used AESC or something similar, and that is good enough for budgeting.

I fail to understand why you feel this is an issue here, because you have a single -- you don't have a single vendor or builder that is going to competitive bidding. I still have -- I can't understand why you would not put the price in.

D. VOLLMER: You are putting me in a difficult spot, Commissioner Dodds, because I can't speak to facts that aren't on this record. I am certain my friend Mr. Shepherd would object.

What I can give you is wait until our motion materials are served, and you will see exactly why we are concerned.

COMMISSIONER DODDS: Just a few more general questions. Just maybe because you are going to file a separate application, it may not be the right place for these questions, but it will help us to look at an envelope.

What is your occupancy model for the building? Like, two days a week? Three days a week? Five days a week? It has a big impact on the space you need and the final cost. Was there such a -- were those considerations taken into account already.

D. VOLLMER: I might suggest we defer this to when the witness panel is sworn and let them give evidence to this because I think they can easily answer these questions --

COMMISSIONER DODDS: Okay.

D. VOLLMER: -- and get it on the transcript.

COMMISSIONER DODDS: Okay. Thank you. I have a few questions on that same line. I will wait until the panel is all --

COMMISSIONER MORAN: Commissioner Zlahtic, any questions?

Mr. Shepherd, do you have any submissions in response?

SUBMISSIONS BY J. SHEPHERD

J. SHEPHERD: My friend is arguing the same things that he argued earlier twice, and we would only be repeating the arguments we made in writing.

The fact is, yes, it is true that -- that the Applicant has been consistent in their position that this would affect a procurement, even though those of us who have been through procurements of large buildings don't believe that is true.

But in any case, he lost. They lost the motion. So the existing situation is not let's reargue this again. That is wrong. He lost. He has a right to appeal. Okay, appeal. The appeal is not here. The appeal is somewhere else.

So I think this is -- my friend is seeking to reargue a motion that he already lost. That is not proper. Those are our submissions.

COMMISSIONER MORAN: Thank you, Mr. Shepherd.

Any other submissions?

SUBMISSIONS BY M. GARNER

M. GARNER: Yes, Commissioner --

COMMISSIONER MORAN: Mr. Garner.

M. GARNER: -- Moran. For VECC. We would like to speak in support of our friends at Schools and to -- because we may not get to it today, to take from my opening statement on this issue, you know, it is clear and the Applicant makes it clear that a central question is the size of this investment during this rate plan. And the avoidance of putting that in the public record, to us, seems totally inappropriate.

We have not signed any confidentiality agreement, right. I mean, VECC does not know how much more in a year or two ratepayers are expected to pay for this building. That is a secret, and that is a secret from the ratepayers of this utility. And we don't understand, quite frankly, even the logic going on here.

Because I would put to you, if Mr. Dodds wanted to put up a building -- pardon me -- Commissioner Dodds wanted to put up a building and put out a price, and the other two of you were to bid on it, would you bid above his price -- you are both competing with each other -- or would you bid below his price? Because you don't know which one of you is going to bid what number, but you know there is a number out there. So it seems, to us, implausible even on the concept of what they are talking about.

But that is not really the point to us. To us, it is if the ratepayers don't see it, we don't see it either. That is our position. We see what the ratepayer sees. And so we will make our decision, we will make our argument in absence of this.

And to be quite frank, part of our argument may be, after all of this examination, that this hearing is too early. The Applicant themselves are saying is we are just on the cusp of doing this. And I go, well, okay, then let's come back and do this in a few months, and we will have all that information, and we will do this. What is the difference? Tell us what is the difference.

And it seems just wrong to us to what is going on. This is not a small thing. This is a central thing to this application. And even at its smallest level, we can't find out things; we at VECC and we the ratepayers. We can't understand that. And so it seems, to us, perfectly reasonable that if this matter for the motion be deferred until this is settled. In our mind, quite frankly, we should defer the whole thing until it is done in January. We will all see each other in March, and we will move on from that point, and we will have all the information we need, you know, or more.

So, you know, with those thoughts, you know, that is our position on the motion. Thank you, Commissioner.

COMMISSIONER MORAN: Thank you, Mr Garner.

Mr. Ladanyi.

SUBMISSIONS BY T. LADANYI

T. LADANYI: Yes. CCMBC is also supporting Schools here. We believe that the real reason that Oshawa Power does not want to disclose the information about the building because they are trying to keep the public and the City of Oshawa in the dark about how much this costs. If the public knew the cost of this building, they would be aghast.

Now, you might have been reading in the media about the situation in Tiny Township where the township is building a $28 million building, and there are demonstrations against that building, and it is too expense.

So I -- this is a very expensive building. I have signed declaration and undertakings, so I know what it costs. And I think if the public knew, they would be upset, and they would be angry, and I think some politicians in Ottawa would be -- in Oshawa, rather, would be in trouble. So they are trying to keep quiet as long as possible.

So we are supporting Schools.

COMMISSIONER MORAN: Thank you, Mr. Ladanyi.

Mr. Brophy.

SUBMISSIONS BY M. BROPHY

M. BROPHY: Good morning. Michael Brophy on behalf of Pollution Probe. We have been in support of providing the information, and it would be very difficult to proceed with the elements, particularly in relation to the broader capital plan, without understanding the overall impact. We understand the ability for the utility to file a separate ICM in the future separate from a five-year rate plan, but we also certainly have come across the issues related to that because it does relate to certain tradeoffs and things that they are proposing. So we believe that it would be more efficient and transparent if that information were provided.

QUESTIONS BY THE COMMISSION PANEL

COMMISSIONER MORAN: Thank you, Mr. Brophy.

Just a follow-up question for you, Mr. Garner. I just wanted to confirm, you have not signed the undertaking, so you actually don't know what the number is?

M. GARNER: I do not know what the number is.

COMMISSIONER MORAN: Okay.

M. GARNER: But from what I can gather, it must be a big number.

COMMISSIONER MORAN: Fair enough.

And, again, just to confirm with everyone else, everyone else has signed the -- is there anyone else who hasn't signed the undertaking that doesn't currently have access to that number?

I think, Mr. Ladanyi, you said you had signed, right?

Mr. Shepherd, I have seen your undertaking on the record. Yeah, okay. Fair enough.

Mr. Vellone, just turning back to you, the -- you essentially made the statement that the number on the record will cause harm, but you never really articulated what that harm is, and certainly we haven't seen any articulation of the actual harm.

I wonder if you could just expand a little bit on what exactly -- concerned about because I think we are having some difficulty understanding that. Your initial submissions didn't really articulate any particular harm other than an assertion that there would be harm sort of on an automatic basis because -- and that is what we are trying to understand.

D. VOLLMER: Certainly, Commissioner Moran. I will be careful here because the motion materials would likely have facts, and all I can give you are my submissions on this, so I will qualify my comments in that regard.

The form of competitive tendering that the construction manager is using has multiple bidders bidding against each other for chunks of work. Their observation from a practical point of view is while they are not supposed to, we know those bidders communicate as between each other, unfortunately, for better or for worse. That if the client's cost envelope got into the public domain and became common knowledge among bidders like that, there is a risk that the efficiencies that we -- my client is trying to achieve from going to the open book tendering model would not be realized once the bidders are aware of the total cost envelope.

Effectively, this is a broader public sector entity. They have a really big budget. We can increase our bids to fit that budget, and that is what illuminates our request for confidentiality today. We have no problems with this material entering the public domain when we file a subsequent ICM request and have a full hearing on need and prudence at that time. It is really a temporal issue now. I hope I addressed your question.

I do want to address something Mr. Garner said which related to waiting until January. We strongly object to any suggestion that this proceeding be deferred until January. The Applicant does have a right to have their application heard. They are here. They are ready to be cross-examined and questioned on everything on the record, including this -- including this building cost.

The only added step, because it is confidential, is to go in camera like you would with any of the other confidential materials on the record so the questioning and discovery and challenging of the witnesses can still happen. Yeah, we would strongly object to a decision to defer this proceeding.

J. SHEPHERD: Commissioners, I am sorry to --

COMMISSIONER MORAN: Just a moment. If you just wait a moment, I have another question for --

J. SHEPHERD: I just wanted to respond to clarify something that Mr. Vellone said.

Is what he is saying about the impact on the procurement process -- is that his view, or is he telling us what his construction manager has said? Because I don't see the construction manager in the room to be cross-examined.

COMMISSIONER MORAN: Mr. Vellone, as I understood your submission, you are basing that -- your submission on what you understand from your construction manager, which will inform the motion record that you are in the process of preparing? All right.

In the interest of trying to keep things going, how would you react to an approach that -- along these lines. What if we just pick an arbitrary number out of the air. It could be too high. It could be too low. Let's just say for the purposes of the conversation in this room, we are going to use the number $50 million. Maybe that is above the amount. Maybe it's below the amount. But it is a big number. And is that something that we could work with, from your perspective?

J. VELLONE: Yes. The Applicant would have no issue with -- on the oral hearing transcript parties using a hypothetical number on the understanding that it is hypothetical. There is no way a bidder could use that to discern our cost envelopes.

COMMISSIONER MORAN: Mr. Shepherd, what would you think of an approach like that? Well, we've heard -- we've heard Mr. Vellone tell us that he is fine with the rate impact information coming in because it can't be reverse-engineered, so you have got the actual rate impacts for your purposes.

And rather than having to flip in and out of in camera and back on the record, what do you think of that approach for -- or do you need a few minutes to think about it and maybe --

J. SHEPHERD: No. We have actually discussed this.

COMMISSIONER MORAN: Okay.

J. SHEPHERD: We discussed it when you were out of the room.

COMMISSIONER MORAN: Okay.

J. SHEPHERD: So not telling tales out of school, but it is not new. And, in fact, during the motion hearing, I, on the public record, said, $70 or $80 million. It is a hypothetical, but let's just say $70 or $80 million, and nobody objected. And we thought about that. But then the question is -- and we are back to the more fundamental question: The Board's policy of transparency and whether the ratepayers have a right to know the truth.

And to try to get around it for expediency is just not right. Transparency means transparency. Tell the ratepayers the truth. And the intervenors have talked about this, and, I think, generally agree -- I don't know whether they all agree, but most -- that the ratepayers are entitled to know the number.

COMMISSIONER MORAN: So Mr. Vellone says that the number will become part of the public record in due course. He just wants to hold off on the number becoming public on a temporary basis. So does that address your concern about transparency, if --

J. SHEPHERD: Well, there is two reasons why you would want to delay disclosing the number to the public. The first is the reason that Mr. Vellone has suggested, which is it will screw up the procurement process. I don't believe that. I have done too many procurements to believe that is true.

But the other reason is that once the procurement is done and you have selected a bidder, then public opposition to what you are doing is muted. It is harder to fight something that is already essentially a fait accompli. So it makes sense for the Applicant to make it -- keep it secret as long as possible because then any public opposition will be less.

COMMISSIONER DODDS: Yeah, just a quick clarification, Mr. Vellone. You said that there will be multiple bidders on various aspects of this project like mechanical, electrical, steel work, frame work, heating, and so on. So it would be all different contractors bidding on this building; is that correct?

D. VOLLMER: I will be careful to qualify my -- I have only spoken to the construction manager once, but that is my understanding.

COMMISSIONER DODDS: That being the case, I have difficulty understanding why an overall price would impact their bids on --

J. VELLONE: That would be the crux of the motion that we will be filing, and we would allow people to examine witnesses to that effect. I think I would not do it justice, to be honest, Commissioner Dodds.

M. GARNER: Commissioner Moran, may I?

COMMISSIONER MORAN: Mr. Garner.

M. GARNER: Again, VECC has on purpose consciously not signed these disclosures because we really do believe it is important for us to represent what ratepayers are seeing.

And I would ask you to put yourself, then, in our position -- we don't mind being excluded from the room so much -- but put ourselves in our position, is if you are having a broad number out there, and if one were to argue, well, you know, if you are going to do this, reduce your capital budget by exactly that amount.

Exactly what is that amount? What are we arguing about? How much is that? What should it be from? I don't know because I don't know a number.

Maybe you will know a number. Maybe everybody in the room will know a number, but none of the ratepayers will know that number.

You know, and it seems to us just the timing of this is purposeful, and it is using ICM policies and ACM policies like there is some legal concept out there. There is not anything that is legal about them. They are policies. Maybe no Commissioner on this panel has even been part of making those policies. They are policies of the Board. They are there for the interest of ratepayers, not for the interest of this utility and its shareholder. They are there, just like the regulator, to protect consumers.

You don't regulate to protect utilities. That is why they are monopolies. That is why we are regulating them. They are monopolies. And it just -- it puts us in a very awkward position, and I would just like to reiterate, I mean, I feel like we are the ratepayer.

We are, like, blind. We are just sitting here blind. And it seems to be everybody is, oh, it is -- that's too bad, you know, let's get on with business. I go, well, I thought the business was justice to the ratepayer.

L. MURRAY: Commissioner, it is OEB staff. We don't take any position, but we do want to make two observations.

The first observation we want to make is, I think hearing all the parties, it is clear that to the extent this was to proceed today, the fact that the number wouldn't be public would significantly complicate the proceeding in terms of having to go in camera, out of camera, separate transcripts, potentially separate undertakings. So it would complicate the proceeding.

And the second thing we point out, and it may be something that is ultimately addressed in the motion to review, is I understand that the Applicant will file certain evidence in support of their position that it shouldn't be made public as part of this motion to review.

And all I would observe is it is unfortunate that information wasn't filed as part of the original request. It would have been better if it was so the original panel could have considered all that evidence, and as a result, we are in the position we are.

So those are the two observations staff has.

D. VOLLMER: Can I address the second point, please. I don't think -- the construction manager wasn't selected at the end of July when we made the confidentiality filing, so we didn't know who the construction manager would be, and we certainly couldn't be tapping them for information about the impact on the procurement. Let's be clear.

COMMISSIONER MORAN: Thank you, Mr. Vellone.

Any other submissions before we adjourn?

J. SHEPHERD: Commissioners, I just note that I have not yet made my submissions on the motion to adjourn. Everybody has talked a little bit about adjournment, but I still have not made my submissions. And whether you want to retire first and talk about things, and then come back and hear, that is one thing. But if you are going to go away and think about the broader question, I would like to be able to make my submissions.

COMMISSIONER MORAN: I am sorry. I didn't catch the last part.

J. SHEPHERD: Sorry. I would like to be able to make my submissions on the motion to adjourn before you make the broader -- decide the broader issue of whether we proceed today.

COMMISSIONER MORAN: Okay. No, I understand. I think we are going to adjourn to consider the substantive question first, and then you will have an opportunity to address your request for adjournment. Thank you very much.

We will be -- we will use Mr. Murray to let you know when we are ready to come back in.

--- Recess taken at 10:30 a.m.

--- Upon resuming at 11:03 a.m.

COMMISSIONER MORAN: All right. Thank you for your patience. So recognizing all of the submissions that we heard about the concern for transparency, balancing against the concern about potential impacts on the procurement process, we do note that the original request for confidential treatment wasn't really supported by anything more than an assertion.

And we understand that there is some intention now to bring forward a motion with further and more -- with actual evidence about what that harm might look like. And recognizing that, we think that there are two options available to us at this point in terms of how we proceed.

The first option is that the number goes on the record, the public record, today, and we get on with the hearing, and we can proceed that way. The second option is that we can adjourn until the number becomes public. So I guess we want to hear from Oshawa about those two options.

I think that the two options reflect the kind of balance that has to be struck here and -- because it is important that the record is transparent and that people have an opportunity to understand what is actually at issue and how does that balance against some of the confidentiality concerns.

So we will turn to you first, Mr. Vellone. And let me just ask you this question. Two options that you haven't had a chance to talk to your client. I am assuming that you will probably want to take a little recess at this point and consult with them, so we are happy to do that. But we will hear from you first, and then we will hear from submissions from the intervenors.

J. VELLONE: All rise.

--- Recess taken at 11:05 a.m.

--- Upon resuming at 11:19 a.m.

COMMISSIONER MORAN: Mr. Vellone.

J. VELLONE: Thank you, Commissioner Moran. We are appreciative of the difficult decision the Commissioners had to make. Frankly, we didn't have much of a choice in the decision that you put to us. We would like to proceed with the hearing over the next three days.

That means the Applicant will be putting the number on the public record under advisement. We are going to be stating our concerns, and we will see if those concerns come to light or not once those procurements are done, and it can be addressed in the next ICM application.

COMMISSIONER MORAN: Thank you for that, Mr. Vellone. Any other concerns or comments that we need to address at this point?

J. SHEPHERD: I would be remiss not to ask, is the appeal going ahead even though it is moot?

COMMISSIONER MORAN: Well, perhaps you can raise that with Mr. Vellone --

J. SHEPHERD: Thanks.

COMMISSIONER MORAN: -- off the record. Thanks.

So over to you, Mr. Vellone. I understand that you have got a presentation -- or Mr. Boyle. An introductory presentation by your witnesses before we hear opening statements from the intervenors. So --

C. BOYLE: Thank you Mr. Moran -- or Commissioner Moran.

As a matter of housekeeping, we will just be referring to interrogatories, as a matter of format, of "Exhibit No. X" and IR number. Just the -- some of the IRs can be a little unwieldy if we are referring to all the parties in those. But if it -- if any of the parties object to that, we are happy to adjust that accordingly.

So here on behalf of Oshawa Power today, I will start on the left side here. We have Ms. Lori Filion. She is the manager of regulatory affairs and strategy. And next to her is Ms. Valerie Bennett, who is the director of regulatory and commercial affairs and next to her is Ms. Amanda Tang, who is the chief financial officer of Oshawa Power.

And then behind, starting on the left side again, is Mr. Maged Yackoub, chief technology officer and director of business transformation. And next to Mr. Yackoub is Mike Weatherbee, managing director. And finally, next to Mr. Weatherbee is Aiyappa Ganapathy, and he is the manager of distribution design and system planning.

The witnesses are available for their oath, Commissioner Moran.

COMMISSIONER MORAN: Commissioner Dodds.

COMMISSIONER DODDS: I will come over closer to the microphone over here. The Commissioner's microphone is picking it up?

Valerie Bennett, Mike Weatherbee, Amanda Tang, Maged Yackoub, Lori Filion, Aiyappa Ganapathy, you are about to give evidence on this hearing. This panel is dependent on your telling of the truth, and the law requires you to do so. Therefore, before you testify, I must ask you this: Do you solemnly promise the panel that you will tell the truth, the whole truth, and nothing but the truth?

Could you please respond by -- in the order I said.

Valerie?

V. BENNETT: Yes.

COMMISSIONER DODDS: Mike?

M. WEATHERBEE: Yes.

COMMISSIONER DODDS: Amanda?

A. TANG: Yes.

COMMISSIONER DODDS: Maged?

M. YACKOUB: Yes.

COMMISSIONER DODDS: Lori?

L. FILION: Yes.

COMMISSIONER DODDS: Aiyappa?

A. GANAPATHY: Yes.

COMMISSIONER DODDS: Thank you.

And do you understand that breaking the promise would be an offence under our law?

Could I you have say once again, Valerie?

V. BENNETT: Yes.

COMMISSIONER DODDS: Mike?

M. WEATHERBEE: Yes.

COMMISSIONER DODDS: Amanda?

A. TANG: Yes.

COMMISSIONER DODDS: Maged?

M. YACKOUB: Yes.

COMMISSIONER DODDS: Lori?

L. FILION: Yes.

COMMISSIONER DODDS: Aiyappa?

A. GANAPATHY: Yes.

COMMISSIONER DODDS: Thank you.

SWORN: VALERIE BENNETT

SWORN: MIKE WEATHERBEE

SWORN: AMANDA TANG

SWORN: MAGED YACKOUB

SWORN: LORI FILION

SWORN: AIYAPPA GANAPATHY

D. VOLLMER: Thank you, Commissioner Dodds.

The CVs for each of the witnesses were distributed in advance. I don't think we need to mark that as an exhibit, but I will ask each witness to briefly introduce themselves to serve as a sound check. And starting with Ms. Filion on the left.

L. FILION: Good morning Mr. Chair,

Commissioners. My name is Lori Filion. I am the manager of regulatory affairs and strategy at Oshawa Power. I have been in this position since 2021, which is the year I joined Oshawa Power. I am a chartered professional accountant with 20 years of experience in the industry in various roles related to regulatory accounting, financial planning, and analysis.

As the manager of regulatory affairs and strategy, I was responsible for rate base, working capital, regulatory, and deferral and variance account aspects of the application.

V. BENNETT: Good morning, Mr. Chair and Commissioners. My name is Valerie Bennett, and I am the director of regulatory and commercial affairs at Oshawa Power. I have been in this role since 2024 when I joined the organization.

I am a professional engineer and have 17 years experience in the energy sector in government, consulting, and eight years within the OEB's applications department. As the regulatory director, my role was to oversee and ultimately be responsible for the application.

A. TANG: Good morning, Mr. Chair, Commissioners. My name is Amanda Tang, and I am the chief financial officer at Oshawa Power. I joined the organization in April 2025. Prior to Oshawa Power, I have worked in other highly regulated industries, financial sector, and public accounting, with a focus on financial and operational performance measurements, governance, and risk management.

And at Oshawa, in addition to finance, I also oversee the procurement portfolio. I am a chartered professional accountant, educated and trained in Canada, and I hold dual degrees in master of law and accounting.

M. YACKOUB: Good morning, Mr. Chair, Commissioners. My name is Maged Yackoub, and I am the chief technology officer and director of business transformation at Oshawa Power. I am a professional engineer as well in the field of computer engineering. And in my over 20 years of experience in utilities, I have both done and led roles, including OMS, GIS, control room, IT, OT, innovation, and now as an executive.

In my current role, I oversee, generally, technology at Oshawa Power, data security, the project management office, and as of this year, customer service and meter to cash just because of the technology changes there. Thank you.

M. WEATHERBEE: Good morning, Mr. Chair and Commissioners. My name is Mike Weatherbee. I am the managing director at Oshawa Power. I have been in this position since 2023. Within this role, I overseeing engineering, operations, safety fleet, and facilities.

I have been in the utility industry for 35 ears, holding positions ranging from lineperson to substation technician to engineering technician and a control room operator, as well as the manager of the system control centre.

I have been with Oshawa Power since 2019, serving as the manager of distribution construction and the director of engineering and operations. Within my role as managing director, I was responsible for oversight of the capital aspects of this application.

A. GANAPATHY: Good morning, Mr. Chair, Commissioners. My name is Aiyappa Devanira Ganapathy. I am the manager of distribution design and system planning of Oshawa Power. I have been in this position since 2024. I hold a bachelor's honours degree in electrical engineering. I am a professional engineer registered with the Professional Engineers of Ontario. I have 5-plus years experience ranging from an engineering technologist to an EIT, and now the manager.

As the manager of distribution design and system planning, I was the responsible for the formulation of the DSP and supporting studies with specific focus on distribution system-related initiatives.

C. BOYLE: Thank you. Now, to all the witnesses, was the application, interrogatory responses, and any updates to the evidence prepared by you and under your supervision? And I will start with Ms. Filion on the left.

L. FILION: Yes.

V. BENNETT: Yes.

A. TANG: Yes.

M. YACKOUB: Yes.

M. WEATHERBEE: Yes.

A. GANAPATHY: Yes.

C. BOYLE: And do you adopt this evidence as your own in this proceeding? Ms. Filion?

L. FILION: Yes.

V. BENNETT: Yes.

A. TANG: Yes.

M. YACKOUB: Yes.

M. WEATHERBEE: Yes.

A. GANAPATHY: Yes.

C. BOYLE: And are there any corrections to the evidence today?

L. FILION: Yes, there are three corrections we would like to highlight. The updated appendix 2AA included in the interrogatory responses identified a duplicate cost for CRM software in 2025, resulting in a $50,000 reduction in in-service additions in that year.

However, the formula was not adjusted to reflected to this revision, and updates to the appendices will reflect this correction in 2025 in-service addition.

Second, following the deployment of a new phone system, 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 recordkeeping requirements, RRRs, but were accurately captured in the application. A revision to Oshawa Power's RRRs is planned to correct the call volume and call handle time metrics.

The third notable correction is to 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.

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 table 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 have been captured there as subcontractor costs.

C. BOYLE: Thank you. I will note that those changes are summarized in the hearing of opening remarks that were filed on October 25th.

Mr. Murray, I don't know if this was on the hearing record, so did we want to mark that letter as an exhibit? And Mr. Vellone had circulated that in advance as a paper copy.

L. MURRAY: Why don't we mark it as an exhibit to be sure. That will be Exhibit K1.1.

EXHIBIT K1.1: LETTER REGARDING CORRECTIONS TO EVIDENCE

C. BOYLE: In connection with that letter, the witnesses have prepared an opening statement for the Commissioners. So I will hand it over to Ms. Bennett, who I believe will be speaking to you first.

V. BENNETT: Thank you, Mr. Boyle.

Mr. Chair, Commissioners, everyone attending today, thanks for your time to consider the success and future of Oshawa Power. Oshawa Power has been operating as a very lean organization. This is objectively true.

As shown in our benchmarks included in Exhibit 1 in our application, in 2023, Oshawa Power had the lowest operating cost per customer when compared to other LDCs of similar cohort status, size, and geography.

But Oshawa Power is lean in a very human sense as validated in the resource optimization review that was prepared by Ms. Galli and filed in Exhibit 4 of our application.

The benchmarks and analysis in that study showed that Oshawa Power's structure was too lean for the size and scope of the business, and this could result in the inability to meet targets and execute our strategic plan.

The study found that Oshawa Power served the most customers per full-time equivalent when compensated to medium-sized LDCs, and it had among the top ten highest number of customers served for full-time equivalent when compensated to all Ontario LDCs.

But 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. So what this means is Oshawa Power staff is having to do more with less, and this is driving a remarkably high turnover rate; on average, 15 per cent each year as shown in our response to interrogatory 4-X-139.

Difficulty attracting and retaining staff is further amplified by having Ontario Power Generation move its headquarters to Oshawa. If this trend were to continue uncorrected, we would see a 75 percent turnover in staff by the next rebasing application. This is simply unsustainable.

To address these challenges, in 2023, Oshawa Power established a new senior management team with a renewed focus on business transformation. Since I joined Oshawa Power in April 2024, I have observed a team with diverse skill sets working diligently to modernize the LDC while continuing to meet customer demand and regulatory requirements.

As we described in Exhibit 1, this included development of a new strategic plan and business plan, including a commitment to controlling cost for reasonable rates, an overall haul of our conditions of service document because it had not been updated in 21 years, implementation of Dayforce software to improve staff time tracking and cost categorization.

In Exhibit 4, we explained how this also included negotiation of a new collective bargaining agreement for our unionized staff, enhanced efforts to collect outstanding customer arrears to curb the growth of bad debt while ensuring our customers facing financial hardship have access to programs that help them with their bills.

And in Exhibit 2, we explained how this also included the development of a plan for non-wire solutions, which we see as an effective way to reduce infrastructure costs to meet future customer demand, whether it be to power new housing developments or welcome new energy intensive employers to Oshawa.

And -- and as we have discussed already today, because our shareholder requires us to vacate our current headquarters, where we have been for the last

93 years, in 2024, we also made plans for our new consolidated administrative and operational facility.

As discussed, the costs associated with this facility are not included in the application, and we will file a separate incremental capital module once the costs timelines are more certain.

In addition, we prepared this cost of service application. As a staff team with no experience from the previous rebasing, all six of us are first time witnesses.

All of this work led to significant overtime as employees each managed multiple high-priority projects. Employees who left cited burnout in their exit interviews. This level of productivity also led our return on equity to drop below the OEB's deadband to 4.7 percent in 2024, with similar or worse results expected for 2025.

It is within this context that Oshawa Power is requesting a 25 percent increase to our revenue requirement in 2026 to $38.5 million. We recognize that this is a substantial increase, and we are not putting it forward lightly. It is the result of careful planning of our capital and operating expenses that my colleagues will discuss in more detail.

Despite the size of the increase, Oshawa Power plans to remain within cohort 2 of the OEB's total cost benchmarking performance assessment. That is, Oshawa Power will continue to perform 16 percent more cost effectively than predicted by the OEB in 2026 after taking into account this increase.

To sum up, approval of our application will allow Oshawa Power to sustainably continue modernizing so that we can meet customer demand and regulatory requirements in 2026 and beyond.

M. YACKOUB: Thank you, Ms. Bennett.

I would like to take a moment to speak a little bit about the business transformation program that Ms. Bennett mentioned that is outlined in Exhibit 4, attachment 1-4. A large part of which is meant to address one of our top organizational risks as could be seen on the risk register that we submitted, which is that we are frankly too lean.

This is not just corroborated by internal sentiment, but also by the staffing study that Ms. Bennett mentioned and by the high turnover rates that she also mentioned.

And so the aim of the business transformation program is to create capacity in the organization -- oh, can you hear me now? Apologies. Is that better? Okay. Sorry about that.

So the aim of the business transformation program is to create capacity through digitization, modernization, and automation. We are using three large projects that are disruptive to the organization in order to achieve that.

And those three projects are the ERP, the software that we have to implement because our current financial software will be out of support shortly; the second one is the CIS, which was approved in the previous cost of service application, that is the customer information system; and the third is the paperless field initiative where we aim to replace inefficient and error-prone paper-based processes with more digital and automated means.

So using these three projects as a foundation for business transformation will allow us to perform full business process analysis documentation and optimization almost wholistically across the organization and really rebuild the way that we do business, with an eye on modernization and automation and efficiency.

The proposed staff that we have put in this application are those that we know we will need to do business moving forward with these changes.

Closely related to the business transformation efforts are those around maintaining our technology and modernizing it. You will notice technology average capital spend decreases by about $100,000 per year in the period when comparing '21 to '25 with '26 to '30, not including the CIS project in 2025.

Opex, however, is increasing from an approved 750,000 in 2021 and a spend of 1.1 million in '21 to 1.9 million in 2026. More than a third of this increase is not new spend, but just reallocation of software costs from other departments as we sought to consolidate IT spend to better control it and have visibility on it.

Another contributor to this increase is the additional of 7.3 FTEs from 2021 to 2026, five of whom have already been hired in '23 and '24, and 2.3 of whom will be hired in 2026. We have outlined these positions in IR 4-X-135, but in summary, these are the positions we simply need to run the organization effectively.

So on top of labour, some of the increase as well is in software spending, much of it to put in the cybersecurity controls as outlined in the OEB cybersecurity framework. And some of it also is just to cover the shift, the industry shift, from capital software to subscription-based software licensing.

So in the past four years, we have upgraded our financial software twice to -- it was -- had security issues. We have upgraded our SCADA multiple -- we have changed our outage management system to save opex, and we have integrated it with SCADA and GIS, and added customer outage notifications that many utilities have had for years.

We have upgraded our GIS so that we could provide digital maps to the field instead of the paper maps. As mentioned by Ms. Filion, we have upgraded a then out-of-support phone system in --

this was last year.

We have upgraded our then out-of-support meter data management system which hadn't been upgraded for 12 years. We have moved to a new customer portal to support Green Button. We have upgraded most of our networking equipment, almost all of which was out of support at the time of upgrade, and almost all of our server equipment, all of which was out of support at the time of upgrade.

And we have changed our billing system, added time sheeting software, and we will have implemented all of the recommended cybersecurity controls at the minimum maturity level by the end of this year.

And I say all this to illustrate that the increase in labour and software spending will have brought an overly lean technology group that was struggling just to update out-of-date software and hardware up to the levels that are required for an organization of our size and comparable to other utilities that we have spoken to.

And so our proposal here is to hire where we have to, and to use automation and digitization to gain capacity where we can, and that is what the two programs, business transformation and technology, are about.

M. WEATHERBEE: Thank you, Mr. Yackoub.

Good morning again, Chair and Commissioners. As I mentioned in my introduction, I have been with

Oshawa Power only since 2019. During the short tenure, I have seen enormous changes in our organization.

In the last few years, we have made significant strides in all areas of the company, most notably in capital planning, asset management, and operational and maintenance efficiencies.

It is no longer business as usual at Oshawa Power. We have changed, and we will continue to change to meet the needs of our system and our customers.

Being in the industry for 35 years, I can honestly state that I have seen many distribution systems, and I can state that we at Oshawa Power have one of the strongest and most effective distribution systems I have seen. I am proud of the work that we have done over the past years, and I am also proud of our SAIDI and SAIFI numbers; however, in order to maintain those -- it is critical that we continue to rehabilitate the system, increase capacity, and expand to meet the needs of our existing and our future customers.

This is why we have prepared a robust, yet cost effective, distribution system plan as seen in section 2.1 of the Exhibit 2 in this application.

Our overall capital plan has an increase of 16 percent, of which 40 percent is directed to the system access category, a category that is essentially out of our control, yet will increase and allow for those future customer connections. This DSP has been prepared with pacing, prudence, reliability, safety, and customer focus at the forefront.

We leveraged our improved asset management strategy that ensures a continual and consistent focus on delivering services that balance both risk and long-term costs. We combine that with an asset condition assessment and a prioritization methodology which helped us further prioritize projects within the forecast period.

Those results, combined with internal knowledge of our system and the needs identified through external coordination, fed directly into our planning process. This complete strategy and process provides us with a capital program that is risk-based and prioritized, yet still positions us to adapt to any uncertainties.

I do want to note that we were asked, as we have seen, about the impact of our new facility in our capital plan. In 2024, our finance team worked with my team to identify annual capital envelopes that the organization could manage as it balanced the investment in this new facility.

We then reviewed and prioritized all projects to ensure that all mandatory, critical, and vital equipment projects could fit within that envelope.

The envelopes can be -- considered can be seen in attachment 211 of the Exhibit 2 interrogatory responses where management recommended an annual capital envelope to balance both financial and operational risks.

In addition to deferring non-critical items identified in the ACA, investment in a new municipal station in the Columbus area was also deferred to the next DSP. Deferral of this station allows us to optimize our existing capacity to support the growth of that Columbus community.

In closing, I want to reiterate the fact that even with the rate increase requested, Oshawa Power will still remain a group 2 utility. We will continue to remain more efficient than the majority of the utilities in Ontario.

To that end, we are confident that the plan that we have put forward balances both risk and cost over the next five-year period, so we are able to provide reliable and safe electricity to our customers. Thank you.

A. TANG: Thank you, Mr. Weatherbee.

Oshawa Power, under the new management team, has uncovered a lot of risk within all facets of the organization, but risk management is not easy. It requires a strategic mindset, capability to execute, and a willingness to change. Everything Oshawa Power and team has done demonstrate these elements.

For example, the team has adopted a very disciplined approach in maximizing all the benefits with very limited resources, as you can see in some of the automation projects that we have highlighted in interrogatory 4-146.

In addition, the team has very deliberately invested in areas that will impact the long-term success of the organization. Some of the risks have been dealt with, but the risks remain long, as you can see in the risk register that we filed.

Similar to the DSP approach that we have taken, the majority of the OM&A ask reside on areas that are high risk and critical for the organization including labour management, asset management, bad debt management, last but not least, technology, as Mr. Yackoub has described.

These are prudent spends as we navigate known risk and macroeconomic conditions similar to our customers while we maintain service level and prepare for uncertainties.

These decisions stamped our application. The OM&A ask from Oshawa Power in this application is 22.3 million, which is 6.5 million higher than the OM&A level in the 2025 rates, as you can see in table 6-5 in Exhibit 6.

The increase will enable Oshawa Power to continue to meet our customers' demands, as you -- as we can see in the survey results in Exhibit 1, attachment 1-8 to 1-11, to allow us to continue to meet OEB and performance standards and ROE and to stay viable as an organization, all within a reasonable risk that management is comfortable to operate within.

We are aware that there -- the adoption of a formulate approach to assess the recentness of an OM&A ask from an applicant. However, in our view, rigid adherence to this formula is not representative for a rebasing year and especially for Oshawa Power. As you could hear from Mr. Weatherbee, Oshawa Power is no longer business as usual.

We respectfully ask the Commissioners to consider some of the adjustments that I will be highlighting if such tool is to be used.

First, we ask that 2023 be the base year when applying the formula because COVID years, namely 2020 to 2022, are not representative. We also ask that adjustments relating to cost to run the business and costs that are out of management control be considered.

For example, incremental cybersecurity and technology infrastructure cost, as we have highlighted in interrogatory 4-X-135, some of the efforts that are required to do that. Asset protection and maintenance program including some of the costs that we have incurred to protect us from copper theft, as identified in interrogatory 4-X-118.

Other costs including OEB -- OEB regulatory fees increases insurance cost, which is directly impacted by the growth of our asset base. Record level bad debt and incremental labour cost that we have incurred for new positions that are in line with our strategy and the long-term success of the organization as well as to bring our compensation to the industry averages, as we have highlighted in our interrogatory 4-X-154.

In summary, Oshawa Power is -- it is going through a transition, and we believe that our strategy will allow us to continue to deliver electricity that our customers can count on while we manage the pressures from new infrastructure, new technologies, and demand growth. Thank you.

C. BOYLE: Thank you, everybody.

Commissioners, the witnesses are now available for cross-examination. I do note it is five minutes to 12, but I will -- we are in your hands so...

COMMISSIONER MORAN: Thank you, Mr. Boyle.

I think the next order of business is just quick opening statements from intervenors, and then we will take the lunch break.

Who would like to lead off first? Mr. Gluck?

J. SHEPHERD: Go ahead, Lawrie.

OPENING REMARKS BY L. GLUCK

L. GLUCK: Good morning. My name is Lawrie Gluck, and I have a few brief opening remarks on behalf of the Consumers Council of Canada. The Consumers Council of Canada has very significant concerns with Oshawa Power's 2026 rate application.

The rate impacts resulting from the current application are extremely high, and there is a known proposal to further increase rates beginning in 2027 related to Oshawa Power's new head office.

For 2026, Oshawa Power is seeking to increase the residential service charge by $5.90 a month. For 2027, Oshawa Power is seeking to recover an additional $4.45 a month from residential customers.

Based on these proposals, residential customers will see their bill increase by over $10 a month or $120 per year, which amounts to an increase of 35 percent over two years.

And once you consider the impact of the price cap index to the end of 2030, residential customer -- residential customers will see bill impacts of around 45 percent over five years using a conservative estimate of 2 percent for the IRM adjustment.

So those are the financial implications to consumers of the proposals made in the application and the known request for ICM funding that the company plans to make in the coming year.

In the context of these extremely large rate impacts, one might expect that the company would make all efforts to plan its capital and operational spending in a manner that balances the need for affordability and the operation of the system.

In our view, Oshawa Power's plan does not accomplish this balance. The company did not appropriately consider the impact of the new head office on rates and seek real and meaningful ways to reduce or otherwise defer capital spending.

We have specific concerns with the pace of capital spending during the forecast period, the budgets for third-party relocations and expansion projects, the budgets for proactive replacement programs relative to the actual need for replacements, and the proposed information technology capital spending.

With respect to the operational plan, we have specific concerns with the proposal to hire an incremental 10 FTEs relative to 2025, the level of compensation including incentive pay for certain categories of employees, the customer billing and collection budget, and IT operational spending.

Overall, the proposal set out in Oshawa Power's application are not reflective of prudent planning and will not result in an outcome that is in the best interest of consumers. Thank you.

COMMISSIONER MORAN: Thank you, Mr. Gluck.

Mr. Shepherd.

OPENING REMARKS BY J. SHEPHERD

J. SHEPHERD: You probably heard enough from me already, so I will be brief.

I told my clients, the affected school boards, that this application along with what is coming would cost them $1.2 million. They -- their first question was, did I calculate it correctly, because they thought that was ridiculous. But when I reminded them that this is $1.2 million just for distribution, but then transmission and OPG and all that other stuff is coming, and they can't afford it.

And, in fact -- I am using the schools as an example -- none of the customers in Oshawa can afford this massive increase in rates. It is nice to transform a business, but you can't do everything. You can't spend everything that you want to spend when it is not your money. And that is what this hearing is all about.

Those are our submissions.

COMMISSIONER MORAN: Thank you, Mr. Shepherd.

Mr. Garner.

M. GARNER: Thank you. I might cede to my friend for a minute because I would like someone, if they could, to bring up my compendium. I would like to use it in my opening remarks, and I don't want to delay any time. If someone could queue that up, and I would let Mr. Ladanyi take my place right now.

T. LADANYI: Should I start now? I think Mr. Garner has ceded his time to me.

COMMISSIONER MORAN: I think your compendium is up, Mr. Garner.

OPENING REMARKS BY M. GARNER

M. GARNER: Oh, I forgot. Okay. Thank you. Well, it was so quick, I didn't have to do that. Thank you, and thank you to my friends at Oshawa.

The reason I just bring it up is I just want to show some of this. I want, first of all, to thank you, the Commissioners, for being here in person. I think it is very important because over the next few days, you are going to hear a story about a growing community, Oshawa. It is a growing community. We cede that.

And since it's last set its rates on a cost service basis, as I calculate it, they have had a customer growth in residence of about 6.5 percent. And, you know, so we understand some of the challenges and the growth of this utility, but VECC is here to protect the interests of residential consumers and especially those of limited income.

And why I want you to bring up the compendium, if you could just look and bring up the map that is on page PDF 3 of that, that is a map from Stats Canada --

J. VELLONE: Apologies, Mr. Garner. Should we mark this as an exhibit just to get it on the record?

COMMISSIONER MORAN: I was going to ask the question.

M. GARNER: That's fine. I thought we might do it when I do my cross, but that's fine. However the

Board would like to --

L. MURRAY: Let's mark it now, just so people don't have to sit for the exhibit number later. That will be exhibit -- so that compendium will be Exhibit K1.2.

EXHIBIT K1.2: MR. GARNER'S COMPENDIUM

M. GARNER: Thank you very much.

And the only reason I bring this up is I want to show that, you know, this community does have its other issues, its poverty, and it isn't just grey spaces on a map. These are people who are challenged inside of especially the old parts of Oshawa.

And if you don't believe me, and I thank, again, my friends in Oshawa, at tab 7, they themselves have pointed out that Oshawa residents face some of the highest energy cost burden rates in the country. And that is true.

But I would also like to thank them for pointing this out: That only 11 percent of arrears management program customers are flagged as low income. That means my clients, the clients I represent, they pay their pills, and they pay them even in hardship. And so the amount of their bill they have to pay, and as you heard my friend Mr. Gluck talk about, is a lot.

And it is up to you, it seems to us, to really reason with that, and we share all of the concerns that my friends at CCC have talked about. What we want you to look at is there is an installation of a new management team and a new direction, and, quite frankly, we at VECC have seen this before in other utilities. A new team, a new younger team comes in with lots of great ideas but not a lot of constraint.

And so we are going to ask about -- you to look at that, about the proliferation of management, quite frankly, not boots on the ground, not the things that we think and you may think are really important, the things that are getting you reliable service, the people out in the field doing the things, but the things that we wonder about whether their priorities are there, are in the right -- in the right place, and have they been cut back enough.

And as we went through this morning and Mr. Gluck just said, you know, the issue of the building is out there. And we are very concerned not just with that cost, but if you go through it, the amount of -- that the public, the ratepayers of Oshawa understand any of what is going on in the background of this application that I think my friends are trying to diminish as an important part of your decision-making, which is what is in, really, the real DSP. The real DSP contains something quite different

And quite frankly, in our minds, the way the policy of the board has been used has been to -- it has been -- and maybe not purposefully, maybe for other reasons. But it manipulates the process. It creates a system where customers can't understand and don't understand the real impacts. And then by the time they do, it is over.

You have heard my friends say, when we get the building stuff done, when we get the bids in, we are done. And then you are in the enviable position of saying, maybe you did too much. But you are not impacting that decision, which we you think you should be impacting that decision, and we think that is an important part of it.

So, you know, in closing for us, we are a bit frustrated at this application and the way it is presented. We are -- certainly have a lot of questions about the increase. And as you could see from our calculation, Ms. Bennett used a number of 25 percent of a revenue requirement.

Our calculation from their own evidence is it is 51 percent if one goes back to the last time they had cost of service. A 51 percent service requirement impact. Yes, with all of the other things. That is a lot for anybody. And we think that needs to be looked at.

I mean, we just want to conclude with, you know, this thought to the -- and we know it is in your mind that, you know, in our understanding, just and reasonable rates are not a dissertation. It is often I hear in these rooms about whether the utility's shareholders management are getting a fair shake.

That is not what it is about. That is not what utility regulation is about.

Utility regulation is about dealing with a natural habit of monopolists. Monopolists, not because they are bad people or unfeeling people, do things that are easier to do and harder to do if you don't have a -- in a competitive market. They are hard to get away with doing in a competitive market. They are easy to do as long as the regulator lets you do them.

And so it takes away some of what we think is the creativity that needs to be had for the utility to understand the impact they are having on their customers.

So in our mind, as you look at this application, we are looking at it, and we hope you are looking at it, in its entirety, including the real part of this distribution system plan and asking the -- the reasonable question is, is this right for customers to be paying -- including the customers like I represent who have limited means, be paying this kind of increase? Thank you.

COMMISSIONER MORAN: Thank you, Mr. Garner.

Mr. Ladanyi.

OPENING REMARKS BY T. LADANYI

T. LADANYI: Thank you. The CCMBC was formed in 2016 with a mandate to advocate for proactive innovative policies that are conducive to manufacturing in business retention and safeguarding job growth in Canada. The creation of the organization was sparked by the high cost of electricity in Ontario and the negative impact it was having on business competitiveness in the province.

The CCMBC is a non-profit organization which relies on membership fees and individual donations to help protect interest of its more than 400 member manufacturers and other businesses who are all electricity consumers. Mostly, CCMBC members are Ontario manufacturers.

Members of CCMBC provide jobs for thousands of Ontarians in manufacturing and other businesses. These jobs are being threatened by ever-increasing electricity rates.

CCMBC believes that one of the reasons for high cost of electricity is capital spending by distributors like Oshawa Power, particularly on non-revenue generating assets. CCMBC believes that if rate increases are to be controlled, spending on assets that do not generate revenue should be minimized.

CCMBC believes the new management of Oshawa Power has not adequately considered the impact of its decisions on the rates paid by Oshawa Power ratepayers.

When businesses such as CCMBC members that operate in a competitive market have to make large capital expenditures in non-revenue generating assets, they reduce capital spending on other assets in order to maintain competitive and stay in business.

Monopoly businesses like electricity distributors provide an essential service, and there is little chance that they would go out of business. In the monopoly market like electricity distribution, there is no such constraint on capital spending. There seems to be an attitude that cost is no object.

Governments have instituted regulators like the Ontario Energy Board to provide a substitute to competition to ensure that monopoly utilities like Oshawa Power behaves as if they were operating in a competitive market.

When the OEB put in place the renewed regulatory framework for electricity in 2012, the underlying concept was that rate increases would be kept below the rate of inflation. It later allowed higher increases by utilities to fund extraordinary capital expenditures on essential assets.

Oshawa Power has no extraordinary capital expenditures in its 2016 budget that would justify a rate increase above the rate of inflation.

In this hearing, CCMBC will only cross-examine Oshawa Power witnesses on the capital-related issues. That does not mean that CCMBC is not concerned about other issues. In order to minimize regulatory costs, CCMBC will rely on cross-examination of other parties on those issues.

CCMBC will argue the Commissioners in their decision should direct Oshawa Power to reduce capital and OM&A spending to keep the rate increase -- increases below the rate of inflation. Thank you.

COMMISSIONER MORAN: Thank you, Mr. Ladanyi.

Mr. Vollmer.

OPENING REMARKS BY D. VOLLMER

D. VOLLMER: Thank you. Good afternoon, Chair and Commissioners. My name is Daniel Vollmer, counsel for Distributed Resource Coalition.

DRC's participation in this proceeding is focused on ensuring that Oshawa's application and distribution system plan supports Ontario's energy transition, including increasing electrification transportation and adoption of distributed energy resources to meet this growing energy demand.

DRC recognizes the company DSP's represents a balance between maintaining safety, reliability, preparing for future electrification, and changes in energy use and need in Oshawa.

Across Ontario, interest in and adoption of electric vehicles and distributed generation and storage are increasing. Utilities now face the challenge of maintaining and upgrading local distribution systems to accommodate these new types of demand and generation while keeping rates affordable.

DRC's participation in this proceeding seeks to ensure that Oshawa's plan maintains sufficient readiness for this shift. It is DRC's view that, broadly, the company's approach is consistent with the company's and the board's objectives and policy related to reliability, cost effectiveness, and innovation.

As the evidence shows, the utility has already seen significant year-over-year growth in electric vehicle ownership and DER connection. Electric vehicle adoption, anticipated fleet electrifications, and distributed generation projects noted in the evidence are expected to further increase system demands.

DRC supports efforts to manage these developments proactively. The identified non-wire solution projects and participation in regional planning initiatives, such as Durham Region's electric vehicle charging strategy, demonstrates a considered approach that leverages partnerships and external funding rather than placing the full burden on ratepayers.

DRC's concerns, therefore, is with an outcome in this proceeding that could result in underinvestment in key initiatives and projects that support Ontario's ongoing energy and technology transition.

Oshawa Power's own interrogatory responses confirm that deferring EV or DER-related infrastructure could lead to reactive maintenance, service delays, and higher long-term costs for ratepayers, which are avoidable outcomes if the funding request for the DSPR are approved.

This hearing provides an opportunity to confirm on the record that these electric vehicle and DER-enabling investments are prudent, necessary, and aligned with provincial policy, including the recent integrated energy plan which projects that there will be more than 1 million electric vehicles on the province's roads by 23rd.

Accordingly, DRC's focus of this hearing will be on ensuring the evidence clearly supports continued investments in the DSP that accommodate and facilitate EV and DR integration and connections, modernization investments which provide the visibility needed to manage new forms of load associated with these technologies, and retention of flexibility to implement non-wire solutions where they are most cost effective -- where they are the most cost-effective option.

In summary, DRC believes that overall the application appropriately positions the company to meet Oshawa's electrification needs over the rate period and the longer term and recognizes the importance of maintaining funding that supports key energy transition investments in electric vehicle infrastructure, DERs, and system modernization.

Doing so will help avoid more costly interventions in future rate periods while ensuring Oshawa remains ready for a lower carbon economy consistent with broader Ontario public policy. Thank you.

COMMISSIONER MORAN: Thank you, Mr. Vollmer.

Mr. Brophy.

OPENING REMARKS BY M. BROPHY

M. BROPHY: I guess it is good afternoon now. Thank you for the opportunity to provide these brief opening remarks. My name is Michael Brophy, and I am here on behalf of Pollution Probe.

There is a large amount of information available in this proceeding, and this oral hearing will quickly get into the weeds of that information and evidence. The broader set of issues are important.

For efficiency, we have scheduled to focus primarily on elements of the capital plan and O&M covered by panel 1. I am aware of some of the areas and details that others plan to focus on, and they are important, and we need -- we may have some clarification questions as well.

Pollution Probe was a party to the last Oshawa Power cost of service proceeding for the current five-year plan which resulted in OEB approval of the settlement agreement that met Oshawa Power's needs -- was based on Oshawa Power's stated commitments to advance the system in line with customer needs, the energy transition, and it also was based on a reduction in capital and OM&A funding over the term compared to their initial request.

This was intended to provide Oshawa Power a firm foundation to meet the distribution needs within its service territory including the capacity needed to respond to the climate emergencies declared and related plans for the City of Oshawa and Durham region.

Each five-year term is based on the capacity built already and also what is needed in the future. It does not exist in a silo.

Similar to the current rate term, the new rate term application is intended to meet the customer needs in an efficient, cost-effective manner while ensuring its plan and execution from the utility over the term aligns with customer and system needs, the accelerating energy transition, and related policy demands, including net zero.

However, there is a real and noticeable shift in this application based on the changes and other factors which were not identified during the previous application. I will not go into those details at this time, but it will be up to Oshawa Power to demonstrate what those differences are and why they deserve the large increase in ratepayer funding.

There will be detailed analysis and comparison to objectively assess how Oshawa Power has performed and commits to perform, compared to utility peers, particularly those that have demonstrated that they are delivering on customer needs aligned with the energy transition and net zero commitments.

And, finally, we know that Oshawa Power has indicated that they plan to seek incremental funding related to the new building in a future ICM application. Although the future ICM approvals are not going to be approved in this specific proceeding, it is important to consider the overall impact and context for ratepayers.

Those plans are likely to have an impact on what the OEB believes is prudent planning for the funding envelopes from this proceeding. And the approvals granted in this proceeding will certainly be relevant when Oshawa Power files for their ICM application.

None of that relieves the need to deliver in a prudent manner on the current and future customer needs and -- as the energy transition continues to accelerate and also in alignment with provincial and other policy direction.

Thank you, and those are my opening comments.

COMMISSIONER MORAN: Thank you, Mr. Brophy. I think that concludes opening statements.

Mr. Vellone, before we break for lunch, just a quick logistics question. The commitment to put the building number on the record, I don't want Mr.

Garner to be worrying too long about what that number might be. I am just wondering if that can be something that can be taken care of over lunch, or do you need more time?

J. VELLONE: I will try my best. I have an associate back at the office that may be able to assist with this and make it happen as quickly as possible.

COMMISSIONER MORAN: Good, thanks. And so with that, we will adjourn. When we return, we will start with cross-exam by Schools. And we will adjourn until 1:15.

--- Recess taken at 12:17 p.m.

--- Upon resuming at 1:23 p.m.

COMMISSIONER MORAN: Thank you. Please be seated. We are ready to resume.

Mr. Shepherd.

J. SHEPHERD: Thank you, Mr. Chairman. I have a compendium which has been circulated. I actually didn't make hard copies because our office has gone entirely virtual, and I thought the OEB had as well, but I understand copies are being made for you. Perhaps I could get an exhibit number.

L. MURRAY: That will be Exhibit K1.3.

EXHIBIT K1.3: Compendium by School Energy Coalition

J. SHEPHERD: I also expect to refer to exhibit attachment 2-11 of the interrogatories.

COMMISSIONER MORAN: Is that better?

S-A. CONNELL: It is fine.

J. SHEPHERD: Okay. And where was I? Oh, yes. I will be referring to K1.3, which has been circulated, and I will be referring to attachment 2-11, which is the options analysis for the capital plan, which, for some magical reasons, didn't end up in the compendium.

And I also expect to refer to a table filed by OEB staff on the cost of service bill impacts and impact of the new building. And I think that's in a compendium; is that right?

L. MURRAY: It is not in a compendium. We were going to mark it when we present. But that being said, if you are going to refer to it, perhaps we could just mark it now.

That will be -- it will be a table titled "Oshawa PUC Cost of Service Bill Impacts and Impact of New Building," and it is a table by OEB staff, and that will be given Exhibit K1.4.

EXHIBIT K1.4: TABLE BY OEB STAFF TITLED "OSHAWA PUC COST OF SERVICE BILL IMPACTS AND IMPACT OF NEW BUILDING"

J. SHEPHERD: Thank you.

Now, I will ask, by the way, the witnesses in the second row, maybe it is just my advanced age, but I am having a harder time hearing you than the witnesses in the first row. So if you could embrace your mics more closely.

CROSS-EXAMINATION BY J. SHEPHERD

J. SHEPHERD: And so I want to start with some preliminary stuff just to set the stage, and if you go to page 2 of our compendium.

Who is doing the visuals?

So this is the org chart of Oshawa Power and Utilities Corporation. Do you recognize this?

V. BENNETT: Yes.

J. SHEPHERD: Okay. And just to understand, Oshawa Power, the corporation, is actually the holding company; right? The top one?

V. BENNETT: Yes, that is correct.

J. SHEPHERD: And then --

V. BENNETT: I would just say, can we grab a page reference just because we also don't have copies of the compendium? So this is in Exhibit 1.

J. SHEPHERD: I don't have all the page references, I don't think. Has the -- the compendium was emailed to you. Do you not have it?

V. BENNETT: It was at lunch, but we don't have printed copies, so we don't have it with us.

J. SHEPHERD: Okay. But it is on the screen; right?

V. BENNETT: Yeah. And this is page 44 of our Exhibit 1.

J. SHEPHERD: Okay. The one on the left side is the LDC. The one you're calling "Oshawa Power" is actually Oshawa PUC Networks Inc.; right?

V. BENNETT: Yes, that is correct.

J. SHEPHERD: Okay. And then you have Oshawa PUC Energy Services Inc., which is the one that operates under -- as EnerFORGE?

A. TANG: Yes, that is correct.

J. SHEPHERD: And that's a generation company? It does -- provides generation services, like, for data centres and stuff like that; right?

A. TANG: Yes.

J. SHEPHERD: And then you have 2720665 Ontario Inc., which is a biogas company?

A. TANG: Yes, that is correct.

J. SHEPHERD: The other -- the other sort of bigger ones of these companies is -- the one at the far right is Oshawa PUC Services Inc., which operates under Durham Broadband?

A. TANG: Correct.

J. SHEPHERD: And then you have these three numbered companies in the middle, one of which has no business, 2796687. That just has -- it's a dormant company right now; right?

A. TANG: Yes.

J. SHEPHERD: And the 2825909 is a wind energy company?

A. TANG: Yes.

J. SHEPHERD: And 2252112 is Clinton Solar, which is a -- which is a rooftop solar company?

A. TANG: Correct.

J. SHEPHERD: And then, finally, 2825407 is a metering and connect/disconnect company, but it is also doing your work, the consulting work, for Lakefront; is that right?

A. TANG: Yes, that is correct.

J. SHEPHERD: All right. So -- and Oshawa Power and Utilities provides -- sorry. The LDC provides services to all of these other companies; right?

A. TANG: Yes.

J. SHEPHERD: Is it your staff that do that?

A. TANG: Yes, that is correct.

J. SHEPHERD: And you have -- when we get to OM&A, we will talk about the allocation and stuff, but I just want to sort of get the landscape right.

And am I right that the only one that -- only two that provide services to the LDC are the holding company and 2825407; is that right? Those two provide services to the LDC?

A. TANG: If I could refer you to Exhibit 4, page 102 to 105, we have tables listing out the service to and from between the companies.

J. SHEPHERD: I understand that. I am trying to simplify here. Is it correct that the only two that provide services to the LDC are the holding company and 2825407, or are there more that provide services to the LDC?

A. TANG: Yes, that's correct.

J. SHEPHERD: Okay. And except for the LDC, none of these companies have capital assets that are used by the utility; is that right? Like, the utility is not paying for any capital assets that are in these other companies; correct?

A. TANG: That is correct.

J. SHEPHERD: And similarly, the services that are being provided either to Oshawa -- to the utility or from the utility to the other affiliates, none of those are capitalized; right? They are all OM&A services?

A. TANG: The only piece that is capitalized is noted by Ms. Filion at the beginning, which was part of the CIS development work that we are going to make a correction for.

J. SHEPHERD: I am going to come to that in a second. Good. Thank you for telling me that. That 250 and 100; right?

A. TANG: Just the 250.

J. SHEPHERD: Just the 250. That was capitalized. And it was capitalized as an LDC asset? It is in your rate base?

A. TANG: Correct.

J. SHEPHERD: Yeah, thanks.

And when -- sorry. When any of these companies get services from the LDC, they pay cost; right? The LDC is not charging them market for anything; right?

I understood that some of the services to the utility are at market, but all of the services from the utility are at cost.

A. TANG: Actually allocated cost.

J. SHEPHERD: Yes. Thank you.

Okay. I just wanted to make sure I had the landscape so that I didn't waste time on a bunch of stuff that's not necessary.

Could you turn to page 3 of our compendium. This is the map of your service territory from your evidence. And the dividing line on the west side of your service territory, that is Thornton Road; right?

M. WEATHERBEE: Yes, the dividing line is Thornton Road, but we can't zoom in on this, but there are some variations as we -- as we go through the -- up to the top of the map.

J. SHEPHERD: Well, in fact, in some parts of this, the -- the -- on the left-hand side at Whitby is Elexicon; right?

M. WEATHERBEE: Sorry. That is correct.

J. SHEPHERD: And so, generally speaking, on the west side of Thornton, that is Elexicon, but you actually serve both sides of Thornton, don't you?

M. WEATHERBEE: In certain areas, we do.

J. SHEPHERD: Including at Conlin Road, where your new head office is going to be?

M. WEATHERBEE: That is correct, at Conlin Road, yes, in particular.

J. SHEPHERD: All right. And so your existing head office and operations building is at Simcoe and King; right? Highway 2 or close?

M. WEATHERBEE: 100 Simcoe Street South.

J. SHEPHERD: Right. Which is a block away from Highway 2; right?

M. WEATHERBEE: Two blocks.

J. SHEPHERD: Okay. And it is in the centre of a highly developed area of Oshawa; right? It is right in the centre -- in this map, it is between MS2, MS14, MS10, and MS5?

M. WEATHERBEE: Yes. It is in the downtown core.

J. SHEPHERD: Okay.

M. WEATHERBEE: Yeah.

J. SHEPHERD: And the new head office that you are building -- that you are proposing to build is actually at Conlin and Thornton, which is -- if you look at this map, it is about halfway up the western boundary of your -- of your service territory; right?

M. WEATHERBEE: Not quite halfway. I would say that the 407 is more or less halfway, so Conlin Road is south of that.

J. SHEPHERD: Okay. So just south of 407. I get that. And, in fact, there is a big -- is it a data centre just west of you? But that is actually in Elexicon's territory, right, so you don't serve it?

M. WEATHERBEE: I am not aware of that data centre.

J. SHEPHERD: I just -- if you take a look at page -- now I have to find it -- at page 74 of our materials. This is a picture from Cushman & Wakefield of the site. You recognize this? We are facing west.

M. WEATHERBEE: I recognize that.

J. SHEPHERD: And that big thing in the back, that is a data centre; is that right?

M. WEATHERBEE: I am not sure. That is within Elexicon's service territory.

J. SHEPHERD: Anyway, that is in Elexicon's territory; you don't serve it?

M. WEATHERBEE: That is correct.

J. SHEPHERD: Okay, thank you.

Okay. I just wanted to set some framework to understand, like, what the lay of the land is. Now, let me talk about -- about -- let me ask you some questions about your opening remarks.

So I want to start with, on page 4 of our material, the first page of your opening remarks, you talk about the resource optimization review.

I guess this is for you, Ms. Bennett. So you relied on that report; right?

V. BENNETT: Yes. It was an input to the staffing plans.

J. SHEPHERD: And you tried to follow the recommendations in that report; isn't that correct?

V. BENNETT: We didn't follow all of them. We provided a management response in Exhibit 4 to how we addressed each of the recommendations.

J. SHEPHERD: Okay. Now, the metric you -- the main metric you used for assessing whether you are lean or not, as I understand that report and I understand your evidence, is customers per FTE; is that right?

V. BENNETT: That was one input. There was additional analysis done, as shown in attachment 4-1.

J. SHEPHERD: Well, you actually said in your evidence that it was the main metric, didn't you?

V. BENNETT: In my opening remarks, I mentioned that the study said this. I said that the report in its entirety concluded that we were too lean.

J. SHEPHERD: Okay. So FTEs don't include outsourcing, do they?

V. BENNETT: They do not.

J. SHEPHERD: So how does that comparison adjust for outsourcing?

V. BENNETT: So it does not, and that is where we rely on other benchmarks such as the OM&A per customer, which I also spoke to, as well as the cohort status, both which speak to overall costs.

J. SHEPHERD: So when you outsourced -- what did you outsource, billing and collecting or -- something like that to an affiliate, that reduced your FTEs; right?

M. YACKOUB: I can speak about the outsourcing of billing and collections. So billing was not outsourced to our affiliate. It was -- it has been outsourced to a separate company for about 20 years now.

J. SHEPHERD: Okay.

M. YACKOUB: Collections has always been outsourced, so that hasn't changed our head count.

J. SHEPHERD: Well, what was the new outsourcing? There was a new outsourcing in 2021. What was it?

M. YACKOUB: The contact centre.

J. SHEPHERD: The what?

M. YACKOUB: The call centre. And that was in --

J. SHEPHERD: The call centre.

M. YACKOUB: -- 2024, not 2021.

J. SHEPHERD: Okay. And that then reduced your FTEs; right?

M. YACKOUB: That did, yes.

J. SHEPHERD: And improved your customers per FTE ratio?

M. YACKOUB: It increased the ratio, I suppose, yes.

J. SHEPHERD: Yes. Okay. Made you look better compared to the benchmarks?

M. YACKOUB: I will just pass it on to Ms. Bennett to answer that, but the benchmarks do also talk about outsourcing -- percentages.

V. BENNETT: Yeah, like I said, we were looking at overall costs for those years as well, so that would have included the subcontracted cost.

J. SHEPHERD: Perfect. Now, you say in your opening remarks that Oshawa Power is facing the same pressures as other organizations, the other LDCs. But your rates are about the same as theirs, and you are asking for an increase of, like, 25 percent. Why is that? Are they asking for 25 percent?

V. BENNETT: So first off, I would say that our rates are not the same. So you would have to look at the specific rate classes. Again, we used the overall costs as a way to generalize across all rate classes where we look at OM&A cost per customer. So that is the first piece.

J. SHEPHERD: Can I just stop you there. Your customers don't pay OM&A costs; right? They pay total rates.

V. BENNETT: Rates. That is correct.

J. SHEPHERD: Okay. Go on.

V. BENNETT: But rates reflect our OM&A amounts, and so that is why we feel that is a good metric to check. Subcontracted, FTEs, all of that.

J. SHEPHERD: Okay. You talk about your 15 percent annual turnover rate. Where does the 15 percent number come from? Is it an average from the last ten years or five years or two years? Or what is it?

V. BENNETT: I will refer you to interrogatory 4-X-139. It is an average of 2021 to 2024 turnover rates.

J. SHEPHERD: 4-X, sorry?

V. BENNETT: 139.

J. SHEPHERD: 139. So it is 2021 to 2024, you said; right? That is -- I thought you said COVID years should not be used. Why did you use an average that includes COVID years? Which appear to have the highest turnover.

V. BENNETT: So, Mr. Shepherd, I would note in this table, so it is IR- -- the one that is up, thank you very much.

So the highest turnover was in 2021, but we saw high turnover in 2022 and quite high turnover in '23 and '24 as well. And so I would also refer to the fact that turnover costs a lot of money. And Ms. Galli spoke to this in her report as well. She said that -- and I can refer to the specific page.

So if I refer you to page 33 of attachment 4-1. Of the -- of Exhibit 4, apologies, not the interrogatories. And it is page 33. Yeah, so as this is being pulled up, this is a reference cited in Ms. Galli's report about employee departures costing company time, money, and other resources, suggesting direct replacement costs can reach as high as 50 to 60 percent.

And so we do see that in all of the years. The highest year is 2021, but we see similar rates in the other years.

J. SHEPHERD: So your turnover rate is not 15 percent; right? That is incorrect? And your 75 percent for the next five years is also not correct?

V. BENNETT: No, I would highlight that even in 2024, the turnover was still 12 percent. It is not 15 percent. But 12 -- 2024 was well out of COVID years, and we still had very high turnover.

J. SHEPHERD: So you brought in a new management team, and you were surprised that there was turnover?

V. BENNETT: I -- as highlighted in this table, the turnover has been an issue for many years.

J. SHEPHERD: Okay. On this point, you also mentioned that OPG is moving its headquarters to Oshawa. You said that is a threat to you because you will have a hard time getting staff and retaining staff.

You know, I sat on the board for a long time of a Silicon Valley company, and they loved to be in Silicon Valley where there is a whole pile of people and a lot of competition because they had more qualified people to rely on.

If you have 750 people coming in for OPG, isn't that an opportunity rather than a risk?

V. BENNETT: I am not sure I understand. Are you saying that people going to work for OPG would come and work for Oshawa Power?

J. SHEPHERD: No. What I am saying is you are going to have more people in the community who are qualified in your business, a bigger talent pool. That is what Silicon Valley is right now.

V. BENNETT: I agree, but we are not necessarily able to compete with the competition that OPG is able to offer.

J. SHEPHERD: I thought you increased your compensation?

V. BENNETT: We did to industry averages.

J. SHEPHERD: But not to OPG standards, which everybody knows are, like, way up there. I get it. Okay.

Let me move on to this new senior management team. And you implemented a business transformation, and you list a bunch of things that are included in your modernization: A new strategy and business plan, an overall -- overhaul of the conditions of service.

You brought in Dayforce, which is a good thing I suppose. Is that -- by the way, that is a common solution for companies of your size; right? It is often used?

V. BENNETT: I have worked at one other organization that used Dayforce, so anecdotally, I don't know. I don't know.

J. SHEPHERD: Well, who is your IT person?

M. YACKOUB: I am.

J. SHEPHERD: It is a common -- a common solution for staffing and time management; right?

M. YACKOUB: It is a product out there. I don't know how commonly it is used for our size and all that, but, yeah, it is a product that is out there.

J. SHEPHERD: Well, presumably when your organization implemented it, you looked at what was out there. And why would you choose Dayforce? You chose it because it was a well understood, used by many utilities around North America, program; right?

M. YACKOUB: I don't know the stats of how they are used around North America, but certainly, we used it because it integrates with our finance software and because some of the utilities use it, yes.

J. SHEPHERD: So you did investigate, and you found that it was common.

M. YACKOUB: The word "common" is what I am not sure about. I don't know --

J. SHEPHERD: Okay.

M. YACKOUB: -- a relative term. But yes, it is used by other utilities.

J. SHEPHERD: Did you implement Dayforce for the affiliates too?

M. YACKOUB: For -- I am sorry, could you repeat that? For which?

J. SHEPHERD: The affiliates are using Dayforce too?

M. YACKOUB: Yes.

J. SHEPHERD: Okay. And who is paying for that?

M. YACKOUB: I will pass that to Ms. Tang to explain the finances there.

A. TANG: So they pay their share based on the number of employees that are being used -- that are using the system.

J. SHEPHERD: For the annual cost; right?

A. TANG: For the annual cost.

J. SHEPHERD: It's a cloud solution.

A. TANG: Exactly.

J. SHEPHERD: But there is a front end cost; right? There is a capitalized cost?

M. YACKOUB: Yes, there was certainly a capital cost.

J. SHEPHERD: And did they pay for that?

M. YACKOUB: I don't know how the finances worked out. I will pass it to Ms. Tang.

J. SHEPHERD: I'm assuming, Ms. Tang, that if you didn't know there was a capital cost, then you certainly didn't charge it to the affiliates, did you?

A. TANG: I don't know this information.

J. SHEPHERD: All right. Can you undertake to tell us whether it was charged to the affiliates and how much it was.

A. TANG: Yes.

L. MURRAY: That will be undertaking J1.1.

UNDERTAKING J1.1: TO ADVISE WHETHER THE CAPITAL COST FOR DAYFORCE WAS CHARGED TO THE AFFILIATES AND HOW MUCH IT WAS

J. SHEPHERD: You also negotiated a new collective bargaining agreement. That is not modernization; right? That is not one of the things you did for modernization because you had to do it anyway; right?

V. BENNETT: This was more relating to attracting and retaining staff, which is also a priority, and bringing the compensation up to market so that we can keep our staff.

J. SHEPHERD: I don't understand your answer. I am sorry. Your collective agreement came due, and you renegotiated it. That had nothing do with modernizing, did it?

V. BENNETT: No. It is something we would need to do.

J. SHEPHERD: Yeah.

V. BENNETT: But it was an important piece of what we are doing generally, which is bringing up the compensation to standard levels.

J. SHEPHERD: Oh, so did you negotiate a large increase in your rates in the collective bargaining agreement? Because I didn't see that. That is why I am asking.

V. BENNETT: Are you talking about the rates paid to unionized staff?

J. SHEPHERD: Yes.

V. BENNETT: Just give me a second to find out.

J. SHEPHERD: I thought the increase was sort of an industry standard increase.

V. BENNETT: Yeah, that is the -- I want to -- just a second. I am going to find this material.

So if I can refer you to interrogatory 4-X-154. And there is a figure there, figure 4-6.

J. SHEPHERD: Yeah.

V. BENNETT: And that shows where Oshawa Power was before the negotiation and after. And as you can see, it was very much linked to benchmarks.

J. SHEPHERD: Okay. So then that wasn't part of your recruitment of more staff because you were just keeping track -- keeping pace with the rest of the industry; right?

V. BENNETT: Again, that is our focus is the getting back to industry standards, yes.

J. SHEPHERD: Okay. You talk about increasing collection effort to reduce the growth of bad debt. But bad debt has actually gone up a lot; right?

M. YACKOUB: Yes, it has been going up every year.

J. SHEPHERD: So then your modernization was it gets worse? The situation gets worse? I am not -- I am trying to connect the two, right. Like, you increase your collection efforts, bad debt is even worse than it used to be.

M. YACKOUB: Yeah, so bad debt has been rising, and the collection efforts is to stem the rising, to try to flatten that.

J. SHEPHERD: All right.

M. YACKOUB: So I would -- we did put in the interrogatories, and I can find it, how much we have collected in the past two years, and it has been significantly more than previously. So we are collecting more. We have increased our collection efforts.

Bad debt is rising, but you can presume that if you hadn't collected that amount, it would have risen faster. If that makes sense.

J. SHEPHERD: Okay. So it would have been worse but for your increased efforts?

M. YACKOUB: Apparently, yes.

J. SHEPHERD: All right. You are talking about LEAP and Ontario Electricity Support and Save on Energy, but those -- none of those are new; right? So those aren't part of your modernization. You were just doing what you were supposed to do; right? Is there something new there?

L. FILION: So as per -- sorry, apologies. As per the OEB's final rate order, EB-2023-0135, Low-Income Energy Assistance Program or emergency funding assistance, Oshawa Power is planning to increase the ask for LEAP contributions.

In our revenue requirement, we have demonstrated the need for that. So we do have an increased LEAP contribution that we are requesting in this application.

J. SHEPHERD: Again, not part of modernization of the utility?

L. FILION: I will pass that on to Ms. Bennett.

V. BENNETT: We are meeting a regulatory requirement, but also addressing an issue. So we do see it as part of our overall modernization efforts that are going into our cost of service application.

J. SHEPHERD: Now, you talk about non-wires solutions, which clearly are a modernization effort, but I looked very carefully at your capital plan, and I didn't see where any of your future infrastructure costs were being reduced because of non-wires solutions. Can you point that out, where they are?

A. GANAPATHY: Specifically around non-wires solutions --

J. SHEPHERD: Yeah.

A. GANAPATHY: -- the intention with the non-wires solution we have proposed is to keep deferred capital investments further deferred in the 2030 and beyond period in a case where load forecasts materialize beyond what the expected rate is. And we follow the OEB's load forecasting guideline to assume a reasonable assumption of growth that is provided as inputs into GTA's regional planning.

J. SHEPHERD: So you are going to spend money over the next five years on non-wires solutions, but the hit is going to come, the benefit is going to come after 2030?

You have to verbalize, sorry. You can't just nod.

A. GANAPATHY: Passing it on to Ms. Bennett. She is going to speak to it.

V. BENNETT: So I am going to refer you to the non-wires business case. This is in Exhibit 2, appendix 2-1, the DSP appendix A. And just while that is being brought up, I will explain that on page 2, we explained that we do not have system needs that could be addressed in this DSP, like Mr. Ganapathy said.

And this is more -- the non-wires solution, it is proposing this as more of an exploratory opportunities that we want to research and be able to start achieving savings now and then have them defer assets in the future.

J. SHEPHERD: Okay. Thank you.

Then, finally, in this section and -- no, maybe not finally. I lied. You talk about in 2024, everybody had to work so hard, so you had not enough staff, and yet your ROE was down to a very low level.

Those don't seem to match because if you didn't have enough people, then you weren't paying for enough people, and therefore, your ROE should have been higher. And I don't understand how not having enough people equates to we are not making enough money.

V. BENNETT: So, Mr. Shepherd, I would highlight that we did have more people in 2024. In particular, with the senior management team established in 2023, their full compensation didn't hit until 2024.

And, yes, that is correct, we still didn't have enough people to do everything. We also had the bad debt, the collections, the -- and the additional fees that we -- and -- sorry -- drivers that we identified in Exhibit 4 that all led to the lower ROE for that year.

J. SHEPHERD: Okay. And so it sounds like -- so you need these more people because, like, in 2024, you were modernizing; right? You were transforming the business. So that takes a lot of effort. I get that.

But at some point, you are done; right? You have got -- you are now on the right track, a better track. Why do you need more people, then, if -- once the transformation is finished, why do you need more people? The hard stuff is done.

V. BENNETT: I would highlight, of the ten new staff identified for 2026, five of them are O&M staff. And so they are on the ground outside doing the work, and the other half are -- the other five are admin staff that are more involved with the day-to-day modernization.

Based on the level of work that we have, we are making updates, but we expect that we will continue to need those staff based on overtime happening not just in 2024, but also for several years before this.

So we anticipate -- anticipate continuing needing that staff including for the evolving policy, regulatory environment. There is numerous additional pressures, including those -- addressed system expansion, et cetera.

J. SHEPHERD: Okay.

And the last question for you, for a while at least, is you kept saying -- and this is in your evidence too in many places, but you also said in your opening remarks that after this increase, you are going to be still in group 2, which -- and, by the way, you said, and you are still going to be 16 percent below the peg number, which obviously that is not correct; right? Did you mean to say that?

V. BENNETT: I was referring to our benchmark results, which we saw in Exhibit 1.

J. SHEPHERD: Yes.

V. BENNETT: Sorry. Let me just find it. So if we turn to Exhibit 1, page 81, and referring to the OEB-approved forecast model for the 2026 test year.

J. SHEPHERD: Okay. And so have you done it for 2027 with the building?

V. BENNETT: Yes.

J. SHEPHERD: Can we have it?

V. BENNETT: Yes.

J. SHEPHERD: I think that is an undertaking.

L. MURRAY: That will be Undertaking J1.2.

UNDERTAKING J1.2: TO PROVIDE OEB-APPROVED FORECAST MODEL FOR 2027 WITH THE BUILDING

J. SHEPHERD: And are you still in group 2 after the building?

V. BENNETT: We remain in group 2, yes.

J. SHEPHERD: Good.

Now, I want to turn to the business transformation, and I want to start -- this is Mr. -- you, Mr. Yackoub -- Yackoub; is that right? Okay.

Is the business transformation only an IT transformation, or is it a broader concept?

M. YACKOUB: Are you referring to the business transformation strategy document or just as a concept?

J. SHEPHERD: Yeah, the -- when Mr. Arbor came in, he -- he initiated this business transformation. My impression was the business transformation wasn't just IT. That was part of it, an important part of it, but there was a lot of other things going on to transform the business and make it more modern; is that correct?

M. YACKOUB: I think that is fair to say, maybe not just to make it more modern, but, you know, to improve performance standards of staff and things like that. So it is not necessarily just modernization, but, yeah, I think it spans the entire organization.

J. SHEPHERD: Okay. We will talk about that a little more later.

You talk about replacing your ERP software, which the support ends in 2027; right?

M. YACKOUB: No.

J. SHEPHERD: That is Great Plains; right?

M. YACKOUB: -- that date. Pardon?

J. SHEPHERD: It is Great Plains; right?

M. YACKOUB: It is, yes.

J. SHEPHERD: You are using Great Plains, which is a Microsoft product?

M. YACKOUB: Correct.

J. SHEPHERD: And they've announced their support is going to end in 2027.

M. YACKOUB: Just give me one second. So it is confusing. They have announced a few times, but officially their support ends in 2029.

J. SHEPHERD: In 2029. Okay.

M. YACKOUB: That is correct.

J. SHEPHERD: And, now, Great Plains is one of the most common ERP systems in North America; is that true? It is used by hundreds and hundreds of thousands of businesses?

M. YACKOUB: I don't know the number, but I assume, yes, it is very common.

J. SHEPHERD: And so you are not the only ones that have to find another solution, and Microsoft isn't just going to leave you in the lurch; right?

M. YACKOUB: What do you mean by leave us in lurch? Meaning --

J. SHEPHERD: Well, they are going to have a new product.

M. YACKOUB: They do have a new product, yes.

J. SHEPHERD: Exactly. And so what you are doing, then, is you are migrating either to the new product or one of their competitors sometime between now and 2029; right?

M. YACKOUB: Correct. So just for clarity, their new product is called Dynamics 365, and it is effectively a different product, so it is not an upgrade.

J. SHEPHERD: No. Understood. But --

M. YACKOUB: And yes.

J. SHEPHERD: -- they are offering it because they want people who have Great Plains to replace it with Dynamics 365; right?

M. YACKOUB: Well, they have had Dynamics 365 for a few years, so I don't know that they are trying to push everybody, but presumably, yes, they want all the customers.

J. SHEPHERD: So you are in the same boat as a lot of other people?

M. YACKOUB: I assume so, yeah.

J. SHEPHERD: Including presumably a whole lot of LDCs in Ontario; right?

M. YACKOUB: I know of a few, yes.

J. SHEPHERD: Yes.

The next thing you talk about -- this is on page 6 of our materials -- is the CIS. Now, the CIS is -- that was approved in 2021, but you haven't implemented it yet? You have it implemented, have you?

M. YACKOUB: Yes, we have as of --

J. SHEPHERD: It is done?

M. YACKOUB: -- October, yeah.

J. SHEPHERD: Okay. So then -- oh, I see. So this is not intended to be a future product -- project. This is a completed project?

M. YACKOUB: We have -- yeah, we have put it in service. There are some enhancements still left to do. But, yes, it is in service now.

J. SHEPHERD: Okay. And you made a correction that one of your affiliates provided services -- 2825407 Ontario Inc. provided services for CIS implementation; right?

M. YACKOUB: Correct.

J. SHEPHERD: And that was part of the cost, which is now in rate base; right?

M. YACKOUB: That is correct.

J. SHEPHERD: And it was $250,000?

M. YACKOUB: Approximately, yes.

J. SHEPHERD: Well, was it $250,000, or was it a different number?

M. YACKOUB: It wasn't exactly $250,000. It was approximately 250.

J. SHEPHERD: Okay. So this -- when it says the cost was $250,000, that is not true?

M. YACKOUB: I believe it should say "approximately." I don't know the exact number.

J. SHEPHERD: Okay. Because I was going to ask you, if this was cost, how did cost get to be to such a round number?

M. YACKOUB: Yeah. I believe that should be approximately $250,000.

J. SHEPHERD: Okay. Thank you.

And so 2825407 is a metering and connect/disconnect company, so how did they help you with your CIS?

M. YACKOUB: They provided effectively staff augmentation. So we needed extra staff to gain the knowledge and to stabilize the system. So it was effectively staff augmentation.

J. SHEPHERD: So they have their own separate staff?

M. YACKOUB: Yes, they have their own staff.

J. SHEPHERD: IT staff?

M. YACKOUB: No. They were hired in the company to provide staff augmentation. So they wouldn't be IT staff. They would be billing staff.

J. SHEPHERD: Oh. Oh, but I thought your

billing was outsourced?

M. YACKOUB: It is. So we have no in-house knowledge of billing, and that is why we needed to get staff augmentation to help us implement the CIS.

J. SHEPHERD: And the affiliate hired those people instead of the LDC why?

M. YACKOUB: That was the most cost-effective way to do it.

J. SHEPHERD: Because the people cost more if they come to the utility?

M. YACKOUB: It was a short-term position, and so we needed basically staff augmentation, and that was the most cost-effective way to get staff augmentation.

J. SHEPHERD: Yeah, I am trying to understand why it could be the most cost-effective.

M. YACKOUB: Instead of hiring in the utility?

J. SHEPHERD: Yeah. If you need somebody temporarily, you go to the market, you find somebody who is willing to work for the next six months on this project. Presumably that is what the affiliate did; right?

M. YACKOUB: The affiliate, yeah, went out and hired people.

J. SHEPHERD: Okay. And then they charged you a markup?

M. YACKOUB: No.

J. SHEPHERD: So -- well --

M. YACKOUB: I believe it was at fully allocated cost.

J. SHEPHERD: Oh, was it? Can you undertake to confirm that, please. My understanding was they were charging you market for that stuff.

M. YACKOUB: No -- oh.

A. TANG: I think per Ms. Filion's opening remark as part of the corrections --

J. SHEPHERD: I can't hear you.

A. TANG: Can you hear me?

J. SHEPHERD: Yes.

A. TANG: As part of the explanation in the corrections, we did address it is under fully allocated cost.

J. SHEPHERD: So they hired more people, and then they allocated some of their common costs to those -- to the costs of those people -- the normal uplift, and charged you that; is that right?

A. TANG: By definition of "fully allocated cost," correct.

J. SHEPHERD: So then why wouldn't it be cheaper to just hire them directly? I just don't get it. I am sorry. Maybe I am being dense today.

M. YACKOUB: We are able to get more competitive rates in this way, and it was cheaper. So we were trying to get it as cheap as possible for the ratepayer, the customers, and this was the most cost-effective way. We are able to get better rates out of the affiliate than out of the utility.

J. SHEPHERD: You would have had to pay the employees more than the affiliate paid them?

M. YACKOUB: It is possible, yeah.

J. SHEPHERD: That sounds weird. Okay. I just don't understand that, but that is okay. Obviously I am being dense. I will go on.

I want to ask you about one more thing on this, and that is the paperless field initiative. This is automating your field operations, which is a common problem in utilities; right? And, in fact, many LDCs in Ontario have gone paperless in their field operations; right?

M. YACKOUB: As I understand it, yes.

J. SHEPHERD: Okay. So what you are doing is not new; it is just catching up?

M. YACKOUB: Correct.

J. SHEPHERD: Okay. And that is done already? You have already implemented that?

M. YACKOUB: No.

J. SHEPHERD: Oh.

M. YACKOUB: So that is in the business transformation plan. We have a multi-year plan to move different processes over to paperless.

J. SHEPHERD: Okay.

Now, I just want to understand. You say:

"Business transformation is achieved by performing full business process documentation analysis and optimization." [As read]

And I'm -- that sounded like double-speak to me, and I want you to just explain it in sort of normal words that are fewer syllables, if you could, please. What does that mean?

M. YACKOUB: I will try. It wasn't intended to be double-speak but --

J. SHEPHERD: Oh, I am not saying anything pejorative. It just -- I literally didn't get it.

M. YACKOUB: So the idea -- and we did this with the CIS project -- is that we document business processes, every business process associated with the -- say, the paperless initiative, document the workflow from start to finish, and identify areas of optimization or automation, and then reengineer the process.

J. SHEPHERD: But this is what you have to do -- whenever you automate anything, you have to do a workflow of what you are doing now, and then figure out how you make that better through automation; right? It is normal practice; right?

M. YACKOUB: Yeah. Not just automation, but any optimization.

J. SHEPHERD: Okay. So this is not anything unique. It is just how you do big automation projects.

M. YACKOUB: Yeah. It is not novel, if that is what you mean. We are not doing R&D or anything like that. What this is is that we are using these projects to actually engage in that exercise of optimizing the processes.

So just like the ERP and the CIS, we are using -- instead of -- the typical process would be you hire a consultant to do this for you --

J. SHEPHERD: SAP?

M. YACKOUB: Yes.

J. SHEPHERD: And charge a lot of money?

M. YACKOUB: That is right. And so we are trying to do it in a more cost-effective way by using these software projects to do that as part of the project as we are engaging in these redesigns.

J. SHEPHERD: So the simple -- the simple version of this is when we did these projects, we did them properly?

M. YACKOUB: No. Not every software upgrade comes with a business -- full business process analysis.

J. SHEPHERD: Okay. Now, you talked about these many other technology upgrades that you have done, financial software, SCADA, OMS, GIS, phone system, self serve, meter data management, customer portal, and new networking equipment and servers. Plus cybersecurity.

That was sort of normal course of business, you had to do those things; right? They are something that you have to do on a regular basis; right?

M. YACKOUB: Correct. The differentiating factor there was that I was trying to point out that most of those systems were already out of support before we were able to replace them. So we were quite a bit behind.

J. SHEPHERD: They had been left too long.

M. YACKOUB: Absolutely. Well, out of support is an operational and cybersecurity risk, and the reason was just no capacity.

J. SHEPHERD: Okay. Now, when you brought in new networking equipment and servers, that means you don't have to do that for a while; right?

M. YACKOUB: That is right. You don't have to do mass replacements for a while, but there is still incremental work and upgrades that you have do continually.

J. SHEPHERD: Okay. Because I thought I saw a whole lot of networking equipment and servers in your capital plan.

M. YACKOUB: That is right. So when it is out of support, we have a capital project to replace it.

J. SHEPHERD: But didn't you just do that?

M. YACKOUB: Unfortunately, it keeps coming up. They keep getting old and out of support, and so we have to keep replacing them.

J. SHEPHERD: Okay. Now, just as an aside -- I am going to come back to this later, but as an aside, you are still keeping a server farm at your facility even though you are likely to move some of your major applications to cloud; right?

M. YACKOUB: No. We are not likely to move. So the only one, really, right now that is on the table is the ERP. Whether we will go on-prem or in cloud, we haven't decided yet. But many of the other applications are on-prem right now, so the CIS, you know, our meter data management, some of the high volume ones.

And there are some that will likely never move to cloud, at least in the foreseeable future, like SCADA and outage management, for security reasons.

J. SHEPHERD: Clearly. Okay. All right. I want to move to the comments you have made on the capital plan. This is you, I guess, Mr. Weatherbee.

And so you talk about significant advances have been made in capital planning, asset management, and operational -- program efficiency.

In simple terms, how have you evolved your capital planning? How has it changed over the last few years as part of this business transformation?

M. WEATHERBEE: We implemented a new strategic asset management strategy.

J. SHEPHERD: Okay. Which means?

M. WEATHERBEE: Which means we put new processes together to create a new strategy for asset management that was not in place prior at Oshawa Power.

J. SHEPHERD: So how did you do it before and after? Like, you were doing -- you were doing asset management before this change.

M. WEATHERBEE: Yes. This is a --

J. SHEPHERD: And now you are doing it afterwards. What is the change?

M. WEATHERBEE: The change is better prioritization. The change is better asset management in general. Do you want -- maybe I will pass to Mr. Ganapathy for -- if you would like a good overview of that.

A. GANAPATHY: The main change started at the ACA level. The last 2018 ACA, the asset condition assessment, was only condition-based, and it didn't have an impact factor associated with it. And as part of the settlement proposal, Oshawa Power agreed to have an asset risk-based prioritization, which was what was incorporated at the ACA level.

So at that point, each asset category got categorized for recommendations based on risk, which includes the probability of failure, which is condition-based, and then impact that comes with how the assets are tied together.

J. SHEPHERD: Sorry. Is impact that mandatory, critical, or -- what was the other one that starts with "V"? I don't remember. The three categories that we saw in the options analysis, is that impact?

A. GANAPATHY: No, that isn't. And I can get to that in a second. I am going to give you a quick overview of everything that changed --

J. SHEPHERD: Perfect.

A. GANAPATHY: -- and then I can get into the mandatory, critical, and vital. I am just going to write that down.

So beyond that, like Mr. Weatherbee mentioned, we implemented the Strategic Asset Management Plan which then takes another layer into account where it combines all of the internal needs, external needs, and basically anything that comes in the needs assessment phase gets into the planning phase, gets projects and programs created.

And then those programs and projects are prioritized within the envelope to show if something like a system access reactive project comes in, where it needs to displace another investment, you can use this prioritization methodology to make those sorts of decisions.

And to answer your question on mandatory, critical and vital, the asset condition assessment has condition-based and impact-based outcomes that it included in its recommendations.

So within those recommendations as well, there would have been tiers of -- so let's say as an example, poles. There would be poles that are very poor in condition and have a very high impact, which would put them at the very top of the risk priority.

And then there would have been some that are, let's say, fair and then high risk or fair and moderate risk, which may also have been recommended for replacement within the ACA.

So there was a filtering process done at the asset level which brings into account the mandatory, critical, and vital equipment, where all of the mandatory would be system access, which is just obligations of the LDC that we have to provide service to the customers.

Critical would be everything that is identified within the ACA, as well as operational efficiencies to mitigate risks. And vital focused more on the business transformation aspect of it and general planned items. So that is the distinguishment. And that's --

J. SHEPHERD: Okay. And mandatory, I understand. Mandatory --

A. GANAPATHY: Sorry, just to complete --

J. SHEPHERD: Sorry, go ahead.

A. GANAPATHY: -- the sentence there.

So that is all indicated in attachment 2-11, about the breakdown between what is included in each of those mandatory, critical, and vital equipment.

J. SHEPHERD: I saw that, and that is why I am asking the question because I didn't understand it.

A. GANAPATHY: I understand.

J. SHEPHERD: But if I understand what you just said, mandatory is somebody told you you have to do it, so you have to do it; you don't have a choice?

A. GANAPATHY: Not because somebody told us to do it, but because it is a regulatory body that we -- our licensure depends on it. So in that sense, yes.

J. SHEPHERD: Okay. But you don't have a choice, is the point.

A. GANAPATHY: That is correct.

J. SHEPHERD: Then critical is your ACA has assessed some combination of condition and risk level that means this is high up there. It is something that really has to get done sooner rather than later.

A. GANAPATHY: Correct. So the ACA would be one aspect of the input, and the other internal needs gathering assessments would feed into this critical project as well.

J. SHEPHERD: Oh, so are there critical things that are not replacement of assets that are falling apart? That are something different than that?

A. GANAPATHY: There is one more that I can point you to, which is the new feeders from MS9 project, which accounts for growth. So it is still reactive to customer growth; however, is not directly a system access project. So it is still considered critical, but it is not an ACA output.

J. SHEPHERD: So -- because the ACA only deals with stuff that you are replacing; right?

A. GANAPATHY: That is correct.

J. SHEPHERD: So if you have new feeders that you are building from a municipal station, if you have customers already there that need attachment, that is mandatory; you have to do it?

A. GANAPATHY: That is correct.

J. SHEPHERD: If you don't have customers there, but you are expecting in the future that there is going to be growth there, that is critical?

A. GANAPATHY: How we have categorized it, correct.

J. SHEPHERD: Okay. And then the next level is -- is there anything else that is critical. Like, something like your ERP system, is that critical?

A. GANAPATHY: Just from looking at the page that has critical projects in attachment 2-11 -- could we pull that up? So in this list, ERP is not part of it.

J. SHEPHERD: Okay. So then that -- everything else that you want to do is vital equipment; right?

A. GANAPATHY: That is correct.

J. SHEPHERD: There is no list of "nice to have"?

A. GANAPATHY: Unfortunately, we could not afford a "nice to have" envelope in this cost of service application because the conversations around the building and considerations for a substantial cost was taken into account very early in the planning process, which is why this was created.

J. SHEPHERD: All right. And by the way, where is the building in this? The building is vital equipment?

A. GANAPATHY: No. I am going to pass that on to Mr. Weatherbee.

M. WEATHERBEE: Yeah. The building is not in this DSP.

J. SHEPHERD: No, I understand it is not in the DSP, but what category is it in?

M. WEATHERBEE: It is not categorized within this.

J. SHEPHERD: It is not mandatory; right?

M. WEATHERBEE: It is mandatory.

J. SHEPHERD: Oh. So mandatory includes things that you believe you have to do regardless of whether you have a regulatory requirement to do them?

M. WEATHERBEE: Not mandatory with respect to these capital envelopes, no.

J. SHEPHERD: So then is it critical, or is it vital?

M. WEATHERBEE: We use these categories for our distribution system only. This is not -- and our distribution system related projects.

J. SHEPHERD: Like vehicles and major tools and facility general and computer hardware? I don't know, it sounds like the building belongs somewhere on this list.

V. BENNETT: The building was just addressed separately from this, but it was fully part of the considerations. As you can see at two slides lower than this -- there are no page numbers on this document -- when we were establishing the envelopes that my colleagues described, we specifically refer to the building and land as something we were working around. But it does not --

J. SHEPHERD: Sorry. Where is that?

V. BENNETT: It is the summary options for 2026 asks. It's up on the screen.

J. SHEPHERD: Yeah, I am seeing it. I am looking for a building reference, so maybe I am just missing it.

V. BENNETT: Yeah. So there is -- so if you will see the last category, the one we didn't select, which included an ACM for a new station, that is where we ruled it out despite having to omit some items that we identify in the next page because we were planning around financing for the building.

J. SHEPHERD: Okay. I still don't see where you're talking about -- about the building.

V. BENNETT: So if you look at -- so the fourth option.

J. SHEPHERD: That's the one you didn't choose, yeah.

V. BENNETT: That is correct, yeah. If you look at -- there is description, benefits, risks. There was a risk here about the financing specifically, which is why we did not select this envelope.

J. SHEPHERD: Because you already had bought the building, and you already had financed that?

V. BENNETT: No. We are making plans for it.

J. SHEPHERD: It is a financing issue. It is -- we won't be able to borrow this much money; right?

A. TANG: I believe the land and the buildings are being considered here as part of the options for a capital plan. It is an ongoing financing issue, you are correct, because these are things that we -- from a financial standpoint, these are things that we look at constantly to make sure that we have adequate resources for it.

J. SHEPHERD: So that is what confuses me here. I looked at this options analysis up and down and sideways, and I didn't see you ever looking and saying, well, we are going to spend X dollars -- what is the number? Now I have it -- we are going to spend -- let's say it is $70 million.

Let me just see if I can get the number right. I can't find it in the stuff that was sent, but -- oh, here it is. Here it is.

We are going to spend $61 million on the building, and -- and so we got to make room for that somewhere in our capital plan. How are we going to do that? I don't see that anywhere in this slide deck. Can you help me out with that?

A. GANAPATHY: Like I was describing earlier, Mr. Shepherd, the building was always an overarching condition in the distribution planning exercise. It is not explicitly mentioned here with the value.

However, we knew it was going to be a substantial ask, and which is why we have included the omissions in the next slide that add up to, I believe, around 29.21 million, and the station deferral as well, which is mentioned in the previous -- a previous slide.

J. SHEPHERD: Mr. Ganapathy, you were increasing your capital budget for the next five years from 60 million -- some 69 million to 80 million. And your list came in at 110 million, so you had to reduce it by 30 million. That had nothing to do with the building. The building is on top of that; isn't that right?

A. GANAPATHY: Passing this on to Ms. Bennett.

V. BENNETT: As Mr. Ganapathy said, the building has been a consideration the whole time. The envelopes were a way for us to build the distribution system plan, and that is what we used. But this was very much considering the financing that was expected -- the financing that was needed for the building, so that was incorporated in the -- the decision to omit the items that we did.

J. SHEPHERD: Because of the financing?

V. BENNETT: Because of the cost of the building.

J. SHEPHERD: But you yourself said that those costs, the building costs, are "outside of the base upon which rates are derived," magically similar to what the Board policy says.

And so if it is outside the base, then how was it related to your capital plan? See, your capital plan never talks about how the building affected it. This never talks about how the building affected it.

So where is your evidence that you actually did that? You are saying now, well, you considered it, but I don't see anything. Nothing.

V. BENNETT: As Mr. Weatherbee described in his opening remarks, finance and operations work together to establish envelopes. Finance was making plans for the cost of the building. The operation side was focused on the distribution system plan and prioritizing within the envelopes that the organization could maintain for capital.

J. SHEPHERD: So you didn't push any projects aside because you needed to make room for the building because you were increasing your capital plan anyway?

V. BENNETT: Well, as you can see here, we are establishing envelopes. We looked at several different options, and we actually omitted a number of projects, including the $15 million new station as well as these 30 million of omissions.

So we absolutely did plan for this, and the operations folks focused on the envelopes that they -- that we could work within.

J. SHEPHERD: All right.

I wonder if you could turn to page 65 of our compendium. And in F, you say:

"Options analysis relating to the building will be provided in the ICM application." [As read]

Well, but you are saying this 2-11 is the options analysis that included the building. But in this answer, you are saying, no, we are going to provide it later. So which is it?

V. BENNETT: So we did provide attachment 1-3, which is Cushman & Wakefield's report.

J. SHEPHERD: Yes.

V. BENNETT: Which provided the comparisons and options that were considered. Maybe we can --

J. VELLONE: Apologies, Mr. Shepherd and Commissioners. We appear to have lost the technology, and I am not sure if we are streaming anymore online. I just --

J. SHEPHERD: We are not.

J. VELLONE: We've lost all our screens in the room.

COMMISSIONER MORAN: All right. We will take a break. We are pretty close to the scheduled break, anyway.

J. SHEPHERD: I am ready for that.

COMMISSIONER MORAN: Thanks. As long as it takes to get us back online, at least 15 minutes.

--- Recess taken at 2:38 p.m.

--- Upon resuming at 3:02 p.m.

COMMISSIONER MORAN: Thank you. Please be seated.

Mr. Shepherd, just a quick time check.

J. SHEPHERD: We just had a long talk about that during the break, and I am going to try to end with just enough time for Mr. Ladanyi to squeeze in before the end of the day.

COMMISSIONER MORAN: Okay. That is what I wanted to check because I know that Mr. Ladanyi has got a conflict tomorrow, so -- okay. That is great.

J. SHEPHERD: I may talk fast. I am sorry.

J. VELLONE: Before my friend gets started, Commissioner Moran, if I may.

Just shortly before 3:00 p.m., Mr. Boyle was able to file and circulate to the parties what we believe are copies of all of the materials that have been ordered to be made public. Please allow me the evening to double-check that --

COMMISSIONER MORAN: Yeah, that's --

J. VELLONE: -- for completeness.

COMMISSIONER MORAN: That is great.

J. VELLONE: But it is -- it does include all the materials that Mr. Shepherd intended to reference in his compendium.

I was wondering if we could get that material marked as an exhibit so that people could make reference to it today.

L. MURRAY: Sure. That will be Exhibit K1.5.

EXHIBIT K1.5: COPIES OF ALL MATERIALS THAT HAVE BEEN ORDERED TO BE MADE PUBLIC

J. VELLONE: Thank you very much.

COMMISSIONER MORAN: Thank you. And take the -- take some time out from the baseball game tonight to double-check that for us.

J. SHEPHERD: Do we get to watch the baseball games? Nobody told me.

Okay. So, witnesses, I want to move to the business transformation. You've talked about it in a fairly broad-brush way. The first obvious question is -- normally the architect of a new strategy shows up to defend it. So my question is, is there a reason why the CEO is not here?

V. BENNETT: Mr. Arbor's entrusted the six of us to speak to the application as the primary authors and best able to answer the questions within the application.

J. SHEPHERD: So the business transformation strategy, was it his originally? He initiated it?

V. BENNETT: Mr. Arbor leads the group of companies, including development of the strategy. The business transformation, yeah, was authored by Mr. Yackoub.

J. SHEPHERD: So that is the IT strategy. I am not asking about that. I am asking about the business transformation strategy, which is a broader -- you talked about modernizing the utility.

V. BENNETT: If you are referring to the 2025 to 2030 strategy, yes, that was Mr. Arbor's lead.

J. SHEPHERD: Okay. The -- I assume that when it was presented to the City, he appeared -- that strategy? Does anybody know?

V. BENNETT: I would assume so, but I don't know offhand.

J. SHEPHERD: Thank you. Can you undertake to find out?

V. BENNETT: Yes.

L. MURRAY: Is that a yes? I didn't --

V. BENNETT: Yes.

COMMISSIONER MORAN: Mr. Shepherd, just before we mark that as an undertaking, I am just curious what turns on this particularly --

J. SHEPHERD: I am going to argue that --

COMMISSIONER MORAN: -- for our purposes?

J. SHEPHERD: I am going to argue that the Board should reach an adverse inference from the fact that the architect of the strategy was unwilling to appear before them, and yet did at the City, which arguably has less control over the utility than you do.

COMMISSIONER MORAN: Again, just wondering how this relates to setting just and reasonable rates. I mean, we have to deal with the evidence to -- that is being -- that is being put in front of us to determine if the Applicant has met its burden of proof to -- so that we can say what they are asking for is just and reasonable.

And in the absence of that, we will look at other versions of just and reasonable rates.

J. SHEPHERD: I agree. And I am not suggesting that the Applicant is not fully within their rights to have this panel of witnesses show up to defend their strategy. Of course they are.

But it goes to the credibility of their argument that this was all necessary and that the company has a vision and all that stuff if the person with that vision isn't willing to show up.

COMMISSIONER MORAN: Just a moment, okay?

We won't require the undertaking, Mr. Shepherd.

J. SHEPHERD: Okay.

So in the business transformation, does that include the building? Was that part of the business transformation?

V. BENNETT: Are you referring to the strategy document?

J. SHEPHERD: I am not referring to the document. I am referring to the -- Mr. Arbor came in in April 2023, and he had a plan, a vision for the direction of the company and started to implement it. We know that. That is on the record.

I'm -- the first thing he did, appears, was he got Cushman & Wakefield to do a study, so presumably the building was part of that strategy. I am asking if that is correct?

M. YACKOUB: Mr. Shepherd, just for clarification, I think you may be conflating the business transformation strategy that we filed and largely centres around technology and has a couple of other issues in it such as staff performance and things like that with the business plan.

So those are two different things. So the business transformation strategy is what we filed in Exhibit 1.

J. SHEPHERD: Ms. Bennett in her opening statement talked at length about modernizing the utility, including the new strategy and business plan and a whole lot of other things that have nothing to do with IT.

So is that -- that not the business transformation? Am I mixing things up?

M. YACKOUB: So the business transformation strategy -- yes, I think you are conflating two different things. The business transformation strategy is what we filed in Exhibit 1. Everything else I think you are referring to is just the business plan.

J. SHEPHERD: So I asked you specifically, is this a transformation, does -- is it an IT-only thing? And you said, no, there is other things too.

M. YACKOUB: That is right. But --

J. SHEPHERD: It is on the record. So what is it?

M. YACKOUB: So you wouldn't conclude that there are other things, meaning that it is all-encompassing either; right? So it doesn't mean that everything is part of business transformation.

J. SHEPHERD: Okay. The goal, though, of all of this stuff, whether you call it a business plan or a business transformation or whatever, is to modernize and make the utility -- make this utility act like a larger, more sophisticated entity; isn't that right?

M. YACKOUB: Sorry. Are you referring to the business transformation strategy or just the general business plan?

J. SHEPHERD: No, the business plan, if you like. Whatever you call it.

V. BENNETT: If we turn to the business plan, there were numerous objectives. One of those are IT transformation, and the IT business transformation strategy is specifically referred to in the business plan, but it has got a number of things. We need to continue to provide reliable electricity. That is also in our business plan.

So we are modernizing, but we have a lot to do as well. And that is why in my remarks, I talked about not just modernizing, I talked about meeting customer demand as well as regulatory requirements.

And so --

J. SHEPHERD: My impression from reading all of this stuff together, it is sort of an intuitive impression, if you like, was that it was about -- it was about acting like the larger utility you are going to be growing into the future. Is that not correct?

I am not asking for what the business plan says. I am asking for what you think.

V. BENNETT: You are asking for my opinion?

J. SHEPHERD: Yeah. I mean, you are one of the people responsible for implementing this; right?

V. BENNETT: Yeah, but I am speaking to facts on the record. And if I look at the strategy and business plan, we are planning and modernizing numerous pieces including the ones that Maged Yackoub discussed, things like getting away from paper-based systems. So there is a lot of work to do here.

And this is about serving our customers and being able to need -- do what we need to do to run our business now and in the future.

J. SHEPHERD: So why was the business transformation implemented in the first place? Did customers ask for this? Or did the City ask for it?

Or did the new CEO decide this is what he wanted do? Whose idea was it to transform the business?

V. BENNETT: So I mentioned in my opening remarks that a new senior management team was developed to address numerous issues. We talked about turnover. We talked about antiquated systems.

And so these are things that needed to be done, and the new senior management team was established and have gotten started straight away.

J. SHEPHERD: Okay. And the new senior management team had some sort of visioning sessions, as it were -- I love that term -- to understand, to get on the same page about the direction you were going in. Is that right?

V. BENNETT: I just had to confer with my colleagues because a lot of that work predates my time there, but, yes, it did include those types of sessions.

J. SHEPHERD: Were there materials produced out of that? Like, they -- like, here is what we talked about, and here is the vision we are presenting? Right at the beginning.

I am not talking about the strategic plan that came out of it later. I am talking about what that vision was that started this.

V. BENNETT: So we did produce some of these documents in response to the motion. Just give me a second to find it.

Okay. So I am going to refer you to a September 26th letter from BLG where we provided exactly this at your request, Mr. Shepherd.

So we provided several new documents, including the PESTEL analysis, which was one of the analyses that was done that informed -- ultimately informed the strategy, and another presentation done by an outside party. So those are already been filed.

J. SHEPHERD: Bob Wong. This is the Bob Wong report?

V. BENNETT: That is right.

J. SHEPHERD: Okay. I wasn't asking about those. I have those, and I am going to ask you questions about those. I am asking about the senior management team's combined vision. Because you would have met and talked about this, right, and figured out, where are we going?

We got this new team, what are we going to do? I see Mr. Weatherbee nodding because, of course, that is what you do; right?

M. WEATHERBEE: So, yes, Mr. Shepherd, we did meet as a new senior management team to discuss our strategy for 2025 through 2030.

J. SHEPHERD: Okay. And that was in 2023, actually; right? Your first discussions about that, your first discussions of the vision, were when Mr. Arbor came in.

M. WEATHERBEE: That would have began in 2023, our initial discussions, yes.

J. SHEPHERD: Okay. And I am asking are -- is there documentation of that -- what that -- the vision that came out of that, or was it simply evolving over time?

M. WEATHERBEE: It evolved into our strategic direction that you see on the evidence.

J. SHEPHERD: All right. So the customers didn't come to you and say, hey, we want you to modernize this system; right? That is not what happened.

V. BENNETT: So we have actually done customer engagement, and we provided that in Exhibit 1. There is three surveys that we provide that were done -- I have to just grab the exact dates.

J. SHEPHERD: You have surveys prior to the business transformation?

V. BENNETT: I just need to check the date because it was before I started.

Okay. If I can refer you to page 58 of Exhibit 1. So we do discuss here how we do biannual satisfaction surveys, so we do have a pulse of what -- it is actually called "utility pulse," an idea of the issues that do concern our customers.

And so this study was last completed in 2023 and helped identify key priority planning areas. So I will bring you to page 61 of Exhibit 1.

J. SHEPHERD: So your business transformation was based on this?

V. BENNETT: I believe it included it as an input.

J. SHEPHERD: Oh, just one of the inputs, okay.

V. BENNETT: Yes.

J. SHEPHERD: How did you consider in -- and maybe this is for you, Mr. Weatherbee, since you were there. How did you consider the issue of affordability for your customers in looking at your new vision of the -- or the senior management's teams new vision of the utility? How did you consider affordability?

M. WEATHERBEE: It is one of our key foundations, controlling cost at a reasonable rate for our customers.

J. SHEPHERD: So did you set a limit on how much you can spend to transform the business based on how much your customers can afford?

V. BENNETT: We leverage the OEB's total cost --

J. SHEPHERD: Sorry. I was asking Mr. Weatherbee about those early meetings that you weren't in.

M. WEATHERBEE: So I will pass that to Ms. Bennett.

J. SHEPHERD: She wasn't there. I am asking you. In those early meetings, did you set a limit on how much you could spend?

M. WEATHERBEE: Yeah, as part of a strategy documentation, it states that we will control costs at a reasonable rate for our customers.

J. SHEPHERD: So you -- did you actually look at sort of, we could spend this much, and we could get this far this fast? We could spend this lesser amount, but if we do, then it is going to take us longer or we are not -- we are going to miss some stuff or whatever. Did you do that?

M. WEATHERBEE: We paced and prioritized to ensure that we kept rates reasonable for our customers, yes.

J. SHEPHERD: It begs the question whether a 35 percent rate increase is reasonable. But let me -- that is too easy. The more important question is --

M. WEATHERBEE: So maybe to fully answer your question, we wanted to ensure we remained a cohort 2 or group 2 utility. So if we are looking for a -- if you are looking for an actual level, if that is what you are asking for, that is what -- that was our level, is to remain cohort 2. Which provides reasonable rates for our customer.

J. SHEPHERD: Okay. Did you set a timeframe for the changes that you were making to the utility? How long should it take us to get to a perfect end point, the place where we want to be?

M. WEATHERBEE: Yes. We have timelines within our strategy direction.

J. SHEPHERD: Okay. So we should look to that. That is the only timelines you have. You don't have any other information on that, on how you did tradeoffs, for example? Faster, slower, et cetera?

M. WEATHERBEE: Tradeoffs with respect to?

J. SHEPHERD: With respect to timing. If you are OPG, you can do things real fast because you have lots of money. If you are Oshawa Power, you probably can't.

M. WEATHERBEE: That is correct.

J. SHEPHERD: And so you have to trade off, then, we can do this in three years if we spend X. But if we don't have X, if that is too much, then it is going to take us five years to spend half X.

M. WEATHERBEE: The document is a strategy document. It doesn't necessarily speak to monetary and how much money we can spend over the course of those five, six years.

J. SHEPHERD: Yes, but, Mr. Weatherbee, I am not asking about the document you filed. We can all read that. I am asking about what you talked about, what the considerations were that went into your plan.

You had a -- you had extensive discussions about this. You were spending lots of money, hundreds of millions of dollars. You talked about it a lot. How did you consider affordability? How did that limit what you were allowed to do?

M. WEATHERBEE: We wanted to ensure that we maintained our cohort 2 standing.

J. SHEPHERD: So that was the -- the upside limit was, cohort 2, we are okay?

M. WEATHERBEE: That was our -- that was our agreed-to strategy.

J. SHEPHERD: All right. I want to turn to the Bob Wong report, and that is at page 79. Actually, the interesting stuff starts at page 80 of our material. Many of us know Mr. Wong.

And so I wanted -- first, does somebody want to describe what this report is about? Just summarize the point of this report.

M. YACKOUB: I can. If you can just give me a minute to get there.

J. SHEPHERD: Okay.

M. YACKOUB: So we had asked Mr. Wong to engage in an exercise to review the business and make recommendations specifically on business transformation and give us a report on his findings.

J. SHEPHERD: Well, he was actually retained by Mr. Arbor; right? Mr. Arbor arrived in April, and in May, Mr. Wong gave his report based on what he was asked to do by Mr. Arbor. Isn't that right?

M. YACKOUB: Mr. Arbor, I believe, made the connection, but I was the one who retained, if I recall correctly.

J. SHEPHERD: Okay. But it was in April?

M. YACKOUB: The time --

J. SHEPHERD: When Mr. Arbor arrived?

M. YACKOUB: Yeah, there was a year difference but --

J. SHEPHERD: A year difference?

M. YACKOUB: So this was -- if you look at the date -- here, let me get to it.

J. SHEPHERD: Oh.

M. YACKOUB: There it is, May 1st, 2024.

J. SHEPHERD: Oh. Okay, well, I am stupid. Wow. Okay.

So Mr. Wong came in, and he said to you, if you look at page 80, the first thing you have to do is figure out why change is necessary. Which is pretty straightforward, except people don't do that, which is why he had to focus on it.

And so there is a list of reasons that he has given here. You agree with those reasons; right? That is why you needed to change.

M. YACKOUB: This was his report. On a high level, yes, I think it covers some of the reasons.

J. SHEPHERD: And these are -- these are a -- are sort of standard truths, if you like, that LDCs faced. Is that correct?

Like, if you went around to any LDC, and you talked about these different things, you would say, yeah, they apply to this LDC and this LDC and this LDC -- pretty well all of them -- or most of them. Is that right?

M. YACKOUB: This particular side, yeah. But he goes into more detail later that is more --

J. SHEPHERD: I am going to talk about that.

M. YACKOUB: Okay. So if you mean this particular slide?

J. SHEPHERD: Yeah.

M. YACKOUB: Yeah. I think some of these things are general.

J. SHEPHERD: So the reasons for change are every LDC should change and become better, and here is why?

M. YACKOUB: Presumably every LDC would want to change for the better, yes.

J. SHEPHERD: Okay. Then on the next page -- oh, and by the way, on that page, he says:

"Senior management has a clear vision of the company's aspirations and ambitions." [As read]

And that is sort of the crux of this; right? You are asking for a bunch more money from your ratepayers to deliver on those aspirations and ambitions.

Are those described somewhere, your aspirations and ambitions? Because what he got -- somebody told him what the vision was; right? How did he get that information?

M. YACKOUB: We gave him our vision and mission and strategy document, and I believe that is what he is referring to there.

J. SHEPHERD: Okay. This is an earlier version of your strategic plan?

M. YACKOUB: I think so. I would have to check the dates, though. I think he has -- or it may have been a revision, but it is fundamentally what we have here.

J. SHEPHERD: Okay. So he had nothing more than that, just the stuff in your strategic plan?

M. YACKOUB: No. He did interview various staff throughout the organization as well.

J. SHEPHERD: Okay. Is there a report that went to him on what are we trying to achieve here?

M. YACKOUB: As far as I know, no. He just got the strategy document. But I don't recall exactly everything that he asked for.

J. SHEPHERD: Now, on the next page, on page 81 of our materials, he says:

"City of Oshawa wants a higher ROI and want higher dividends." [As read]

In fact, that is the first expectation that he lists, those two things. So are you planning big dividend increases?

M. YACKOUB: Just on the high -- so just two comments there. That is the first thing on this slide, yes, because it is a shareholder expectation slide. And I believe the ROI was referring to the low return on equity that Ms. Bennett and Ms. Tang referenced at the onset.

J. SHEPHERD: Well, that was -- that was 2024, so he wouldn't have known it then; right?

M. YACKOUB: It was low before then as well.

J. SHEPHERD: Okay.

So -- so the -- I -- that doesn't answer my question, which is are you planning big dividend increases? Yes or no?

M. YACKOUB: I don't know the answer.

Ms. Tang.

A. TANG: I just want to -- I just want to reiterate, shareholders do -- it is fair for shareholders to expect a return. In terms of whether they will get a big dividend, it all depends on operations. So I cannot say they will or they will not.

J. SHEPHERD: So, again, nonresponsive to my question. Are you planning big dividend increases or not?

A. TANG: I believe I addressed that. The answer is no. At this point, depends on the operations.

J. SHEPHERD: Okay. So that is not true.

So take a look at page 23 of our materials, which is your -- is the parent company's strategic plan at page 40. And this -- if you take a look at the upper right -- unfortunately, many of these things are too small for people as we get older -- you see dividends in 2023, 1.1 million; 1.2 million the next year; up to 1.6 million in the test year. But then go down to the next years. Then 2 million in '27 and 2.5 million after that.

So I thought you said you weren't planning big dividend increases. That is your plan. It is right there.

A. TANG: That is the plan subject to the achievement of the results.

J. SHEPHERD: Okay. So you are planning big dividend increases. You are just -- you have to deliver on the results in order to achieve that; right?

A. TANG: Yes. Again, I want -- I also wanted to reiterate, this is a projection, and if you look at 2024, we did not achieve -- from an ROE standpoint, we were lower from a -- we are lower in terms of what we could achieve.

So, again, this is a projection, and hence my initial answer. I cannot answer yes or no at this point. It is all subject to the results that we can achieve.

J. SHEPHERD: I am sorry. In 2024, you didn't pay the $1.2 million dividend?

A. TANG: Yes, we did.

J. SHEPHERD: Okay. So that is what I was asking about. What was it you didn't achieve, then?

A. TANG: I was comparing to ROE versus the CAGR.

J. SHEPHERD: Oh, okay. Okay. But you still paid the dividend?

A. TANG: Yes, we did.

J. SHEPHERD: And as a practical matter -- and I don't mean this in a pejorative way, because it is not -- your shareholder, the municipality, they rely on that money for their programs; right? It is part of their budget. It is a key part of their budget. It is not, like, a little amount. True?

A. TANG: Yes.

J. SHEPHERD: Okay.

And, in fact, if you go to the previous page, page 22, you will see that although you are proposing that the dividends increase substantially, you are not proposing that the percentage of income that comes from unregulated activities increases substantially; right? It is increasing roughly at the same percentage as income from regulated operations; isn't that correct?

A. TANG: Yes. That is the projection. But, again, in the unregulated world, there is a lot of drivers and environmental -- I mean a lot of drivers that it is out of our control.

J. SHEPHERD: Okay. Just --

A. TANG: So we cannot guarantee those return will be achieved.

J. SHEPHERD: Just as an aside while we are on that page so we don't have to come back to it later, I am looking at the long-term assets, and they are split between regulated and unregulated; right? The assets are split between regulated and unregulated; correct?

A. TANG: Are you referring to the 244 million and the 31 million?

J. SHEPHERD: Yeah, and so on all the way to 331 and 34. So you see that that is splitting the assets; right?

A. TANG: Yes, correct.

J. SHEPHERD: Okay. And I looked at that, and I thought, where is the building? Because there should be a big lump there for the building in regulated assets. I don't see that. Is it in there?

A. TANG: Unfortunately, I do not know the answer to that.

J. SHEPHERD: Will you undertake to advise?

A. TANG: Yes.

L. MURRAY: That will be Undertaking J1.3.

UNDERTAKING J1.3: TO ADVISE WHERE THE BUILDING IS WITHIN REGULATED ASSETS

J. SHEPHERD: Now, I want to move to -- if you look at page 82, this is back to Mr. Wong's report. He talks about the growth challenges that you are facing in -- at Oshawa Power. You see that? Growth challenges in population and in electricity demand, you see that?

M. YACKOUB: Yes.

J. SHEPHERD: It is in the second bullet.

M. YACKOUB: Oh, sorry. My mic was off. Yes.

J. SHEPHERD: Okay.

And so I want to go to page 11 of our materials.

This is page 21 of your Exhibit 1. And will you confirm that your customers have been growing over the last five years at 1.14 percent CAGR, and your demand has been declining, and your kilowatt hours have been increasing at 1 percent CAGR; is that right?

If you want to accept those numbers subject to check, you can. I realize you may not be able to do compound annual growth rate in your head, but I assure you they are accurate. But if you want to accept them subject to check, that is great.

V. BENNETT: Mr. Shepherd, apologies. Can you just repeat your question, please?

J. SHEPHERD: Sure. Your Exhibit 1, page 21, shows that the increase in customers from '21 to '26, not including connections obviously, which doesn't count, customers, is 5.8 percent, which is 1.14 percent compound annual growth rate.

Your increase in kilowatts, your demand number, is actually -- it has gone down over that five years. And your increase in kilowatt hours at 4.4 percent is a 1 percent compound interest rate. Will you accept those numbers subject to check?

J. VELLONE: I apologize. I am unable to do this math in my head. I am wondering if an undertaking would get you there, Mr. Shepherd.

J. SHEPHERD: I am just asking you to accept them subject to check. It is not really that difficult. I know you can't calculate them, but if you want to undertake to calculate them, that's okay.

J. VELLONE: That might be easier just so we don't get stuck here.

J. SHEPHERD: Okay.

L. MURRAY: That will be Undertaking J1.4.

UNDERTAKING J1.4: TO ADVISE WHETHER NUMBERS REGARDING PAGE 21 OF EXHIBIT 1 ARE ACCURATE

J. SHEPHERD: And I guess I wouldn't have thought that an increase in kilowatt hours of 1 percent a year and customers of 1.14 percent per year is a high-growth utility. There is lots of other LDCs in the province that are higher than that. So I am not sure I understand how you have any growth challenges that are different than your average LDC. Do you?

V. BENNETT: Sorry. Just one second.

Mr. Shepherd, I am sorry. I don't have familiarity enough with other areas to be able to compare it to other regions, so whether this is a higher or lower growth rate than another region.

J. SHEPHERD: Does anybody know anything about how fast you are growing relative to others on your whole witness panel? You are most of the senior management team; right? Except for the CEO, you are pretty well everybody?

V. BENNETT: Four of the six executives are on this panel.

J. SHEPHERD: Okay. So does anybody know how your growth compares to other LDCs?

V. BENNETT: Mr. Shepherd, we are really focused on our own LDC and our own system. We are not familiar and can't really speak to growth rates in other parts of the province.

J. SHEPHERD: Okay. All right.

Still on page 83 of the -- or back to page 83. I am not going to talk about the challenges. They are sort of obvious, but I -- and you have talked about them, in any case. But I want to ask about the two phrases here that are part of your aspirations: high-performing organization and leader in the energy sector.

And I am wondering, how does that affect your approach to future spending? Are you investing to achieve those things?

M. YACKOUB: So if I could just go back to the previous point, I didn't make the connection. I think you were saying because he put in his report that we had growth challenges, that it means it's exceptional. And you are asking us to compare.

I believe he -- in the previous slide, the macroeconomic, he did say Oshawa Power and other electric utilities will have to make changes to support growth challenges.

So I don't know that the claim was that this is exceptional. You know, it doesn't change the point that we haven't benchmarked against other utilities, but I don't think that was his point there. Just about this question --

J. SHEPHERD: Okay. Let me just stop you there because 1 percent of your customers is 625 new customers every year. Is that a -- is that a growth challenge? Do you have difficulty handling that level of growth?

M. YACKOUB: Well, I mean, the -- I think that would be a question around the DSP and how we are handling projected growth, but we don't have difficulty if we are planning and spending appropriately.

J. SHEPHERD: Okay.

Go ahead. I interrupted you. You can continue.

M. YACKOUB: Yeah, no. I was just -- then the other one you asked was you said, does being a trusted partner and a leader in the energy section -- sorry -- sector, under the aspiration section, you are asking, does that drive spending? Is -- was that the question?

J. SHEPHERD: And high-performing organization.

M. YACKOUB: Yeah, I think if we define a leader in the energy sector being one of the most cost-effective utilities, then, yes, that influences our spending.

J. SHEPHERD: Oh, is that how you defined it?

M. YACKOUB: That is one of the ways, sure.

J. SHEPHERD: Oh, okay. I ask that because I looked in the Wong report for any reference to cost minimization, any reference, and I didn't find one.

I didn't find a reference to what is in the best interest of the customers in his reports. I didn't find any. So perhaps you could help me and point out where those things are in that report.

M. YACKOUB: Sure. I think the word "efficiency" is mentioned many times in his report. Again, this is his report, not ours. But he speaks quite a bit about efficiency, about productivity, and those types of things, and so I think implicitly those are talking about cost performance.

But, again, this is his report for business transformation. We didn't commission him to do a cost comparison between utilities or anything like that.

J. SHEPHERD: Okay. Okay. So then -- that is actually useful.

So then after May 2024, presumably -- or maybe even before, there were certain things that I would have expected you to have done. One is a SWAT analysis. Do you know what a SWAT analysis is?

M. YACKOUB: I do, yes.

J. SHEPHERD: Okay. Did you do one?

M. YACKOUB: In which context? In business transformation?

J. SHEPHERD: The company. The LDC. Did the

LDC do a SWAT analysis?

M. YACKOUB: I don't recall, Mr. Shepherd, if we did specifically a SWAT analysis or not, not -- and what I am saying is whether we formally documented a SWAT analysis. We, of course, do this all the time as part of business.

J. SHEPHERD: Okay. So I am going to ask you to undertake -- if there is a formal SWAT analysis, I am asking you to undertake to provide it, or if not, just say so.

M. YACKOUB: Yes.

L. MURRAY: That will be Undertaking J1.5.

UNDERTAKING J1.5: TO PROVIDE LDC'S SWAT ANALYSIS, IF ONE WAS COMPLETED

J. SHEPHERD: I wonder if you did -- Mr. Wong said your shareholder wants higher dividends, and they want to increase ROI. Did you do an analysis of how to increase regulated profits?

M. YACKOUB: As part of this business transformation plan, no, we didn't do an analysis on how to increase profits.

J. SHEPHERD: I am asking the witnesses as a whole.

M. YACKOUB: We are not aware of any formal analysis on how to increase profits, but certainly increase efficiency where -- you know, that is where this business transformation plan came from is an attempt to increase efficiency, for sure.

J. SHEPHERD: Well, you haven't increased any profits using increased efficiency, have you? Actually, the only thing you have done so far, as I understand it, is asked for more money from your ratepayers; isn't that correct?

M. YACKOUB: No. That is not the only thing we have done. We have increased efficiency quite a bit so --

J. SHEPHERD: But it hasn't improved your profits. In fact, what it has done, and you have said it many times in your application, is add capacity so you can do other things; isn't that right?

M. YACKOUB: That is correct. So what we are trying to do is that we are behind, and we can't keep up, and we are trying to add capacity so we can keep up without having to increase costs more.

J. SHEPHERD: No, and that is all very good. I am not saying there is anything bad about that. What I am saying is that is not to increase profits. You didn't increase efficiency to increase profits because that is not, in fact, what the result was. The result was you increased capacity, not profits.

M. YACKOUB: So I am sorry, where we did we say we wanted to increase profits?

J. SHEPHERD: I am asking you that -- your shareholder said, we want a higher ROI, and we want higher dividends. How did you do that? What was your plan?

M. YACKOUB: Yeah, so I think, again, this was Mr. Wong's report. This wasn't the business strategy. This was his finding. If that makes sense. There is a distinction.

We didn't write this, he did, and he was advising us based on the materials that he got and the people that he interviewed of what he thinks --

J. SHEPHERD: He -- he talked to the City; right?

M. YACKOUB: I don't think he spoke with the City, no.

J. SHEPHERD: How would he get that information about what the shareholder expectations were?

M. YACKOUB: I assume he inferred it from our low ROE.

J. SHEPHERD: He just made it up?

M. YACKOUB: Inferred it from our low ROE is not making it up. But, yeah, I assume that is where he got it from. But I am not sure. He is not here.

J. SHEPHERD: So are you telling me that the senior management team in the last, let's say, two years has not done an analysis of how to increase regulated profits other than asking for higher rates? You have not done an analysis of that; right?

A. TANG: Mr. Shepherd, in terms of financial analysis, we do that all the time, but we did not specifically do an analysis on how to max -- how to increase -- how to increase our profitability.

We have been very -- we have been very focused on making sure that we do have prudent spends and making sure that all the metrics that we need to comply by are, in fact the case.

J. SHEPHERD: So one of the things that companies do, I have seen it lots of times to increase profits, is do a build versus rent analysis. And you would do that on a building, for example. You are going to spend $61 million on a building, you would say, well, okay, what is the impact if we do it this way, rent from somebody else, versus build it ourselves?

And what -- one of the impacts is how much more is our return on equity? Did you do that analysis, build versus rent? I am not asking did C & W do it; I am asking did you do it.

V. BENNETT: So, Mr. Shepherd, we did do an options analysis. I think we are maybe using this term slightly differently. We did examine different options for the building which are included in attachment 1-3 of the Exhibit 1 interrogatories. That is the Cushman & Wakefield report.

J. SHEPHERD: That is the site selection report?

V. BENNETT: It is a site selection report, but it also examined renting, it examined lease -- I will take you to it, actually, so --

J. SHEPHERD: I am sorry, Ms. Bennett, I have seen -- when somebody like Cushman & Wakefield does an analysis of "is it better to build or rent," it looks completely different than this. This is about what is the best site for you, isn't it? It says it is a site selection report. It says right on it.

V. BENNETT: It included a site selection report. But let's just go there.

J. SHEPHERD: Okay.

V. BENNETT: So if we go to the Exhibit 1 interrogatories, and it is attachment 1-3.

J. SHEPHERD: Yeah. It is also in our materials.

V. BENNETT: Oh, okay. I would like the full report, though, so --

J. SHEPHERD: That is fine.

V. BENNETT: So if we go to page 3 of that attachment, and I will just refer you to -- there was quite a lot of work that Cushman did. It was not isolated to site selection. They confirmed our area requirements -- and I am just looking at the scope of work that is about bottom third of the page. Looked at site evaluation, evaluated different options, selection of alternative sites, looking at sites to evaluate, and then costing analysis. And if you --

J. SHEPHERD: Where is evaluate different options?

V. BENNETT: So the options -- so if you -- we look -- if we go to the next page in the -- there is a table here that considered a number of different options.

J. SHEPHERD: Sorry. Let me just stop you. First, you read something from here that I don't see, evaluate certain -- different options. Where is that?

V. BENNETT: Evaluation of baseline option.

J. SHEPHERD: Which is a land lease on the HOPA property. That is Hamilton-Oshawa Port Authority; right?

V. BENNETT: Yes, that is right. And what that means is that because we didn't have a do nothing option in this case because we are being kicked out of our current facility for downtown redevelopment, and so we examined the different options.

But in this report, we talk about how we examined several different options, specifically -- so this first page -- sorry.

Going to page 4, we have some different options, and these were a variety of different -- some were buildings that could be retrofit, some were green field. And they were shortlisted, as you can see in this table.

J. SHEPHERD: Yeah.

V. BENNETT: When you go to the next page --

J. SHEPHERD: Sorry. These were all rejected; right?

V. BENNETT: These -- yeah, the ultimate

selected option were not on this list.

J. SHEPHERD: Yes.

V. BENNETT: This was an analysis that took quite some time.

There were three -- if we go to the next page, three options that were identified. One was the HOPA, that we discussed, which was a new construction with a land lease and with a shared building. There was also renovation of an existing facility which was considered as well as new construction and land purchase.

J. SHEPHERD: The renovation of an existing facility wasn't your facility. It was still a purchase. It was still a build option, not a rent option.

V. BENNETT: Not a rent option. But I will refer you to the next page of this report where we also looked at sites available for lease.

J. SHEPHERD: Yeah.

V. BENNETT: And so there were six options identified. Only one of them was in Oshawa. And so if you go to below the six options -- and these were used to -- for benchmarking, it explains why we had -- we were not able to find a suitable rental property, including the one Oshawa location in the Six, which was at 1000 Thornton Road, because it was not technically suitable for what we needed. So the rental options -- so we evaluated many options, including renting.

J. SHEPHERD: Okay. So that is interesting because if you are Cushman & Wakefield, you would typically do that sort of thing, say, okay, you want us to find you a building to buy, but here is some other options as well. I get that. But I wasn't asking about that.

I was asking about whether you did an analysis before that. When you said, okay, we are going to need a new building, are we going to build one or are we going to rent one? Well, what are the impacts on us if we do one versus the other? Did you do that analysis?

V. BENNETT: We are not aware of any analysis prior to this. This was that assessment.

J. SHEPHERD: Well, no, it is -- it doesn't talk about the impacts on your ratepayers, does it, at all, ever?

V. BENNETT: It was identifying different options.

J. SHEPHERD: In fact, there is nothing in your evidence that talks about the difference between various options in terms of how it affects rates anywhere; right?

V. BENNETT: As we note in the report, there were no technically feasible options except for the one that we identified. They were eliminated, not being the right size, being sold, and being cost prohibitive. So this was -- this was the option.

J. SHEPHERD: When you are looking at increasing the regulated profits, one of the things that you look at is outsourcing to affiliates. That is a standard sort of, this is how we can increase the profits for the shareholder, by outsourcing to an affiliate that is subject to less stringent controls.

Did you do an analysis of what happens if you outsource to affiliates to your upstream income? Because you outsourced a lot more to others; right?

M. YACKOUB: Mr. Shepherd, just for clarity, we are not speaking of the building anymore; we are just talking about outsourcing in general?

J. SHEPHERD: Yeah, yeah.

M. YACKOUB: Okay. So, no, the profit to the parent company was not considered. What was considered was, operationally, what is the best option, and what is the lowest cost. Those were the things that we considered.

J. SHEPHERD: So then Mr. Wong said to you, your shareholder wants higher dividends, you have a strategic plan that says you are going to pay higher dividends, but you never did an analysis of how to get there?

M. YACKOUB: So just for clarity, when you are saying "higher dividends," we are talking about restoring dividends to what the --

J. SHEPHERD: You were paying 2.5 million a year before?

M. YACKOUB: If I could just finish. We are talking about restoring rate of return on equity, right, to what it should be?

J. SHEPHERD: That is not what I am talking about. I am talking about dividends.

M. YACKOUB: Okay. So could you repeat the question, please.

J. SHEPHERD: Yeah. You have never paid a $2.5 million dividend to your shareholder in the past ever, have you?

M. YACKOUB: You would have to refer that to Ms. Tang.

J. SHEPHERD: You can undertake if you would like.

A. TANG: I will undertake.

L. MURRAY: That will be undertaking J1.6.

UNDERTAKING J1.6: TO ADVISE WHETHER OSHAWA POWER HAS EVER PAID A $2.5 MILLION DIVIDEND TO THEIR SHAREHOLDER IN THE PAST

J. SHEPHERD: So you weren't restoring dividends, you were responding to the shareholder saying, we want more money. And you are saying, okay, we are going to give you more money; right?

M. YACKOUB: I don't believe that Mr. Wong spoke to the shareholder at all. So you are inferring that he spoke to the shareholder, shareholder told him, we want higher dividends. I don't think that is the case.

J. SHEPHERD: Well, he said the shareholder wanted higher dividends. Wherever he got that information from, we don't -- you don't know; right?

M. YACKOUB: That is right. He said that in his report. We don't --

J. SHEPHERD: You don't know where he got that from?

M. YACKOUB: I am unsure where he got that from --

J. SHEPHERD: Okay.

M. YACKOUB: -- that is right.

J. SHEPHERD: But the fact is your strategic plan says you are going to increase the dividend dramatically from 1.4 million this year to 2.5 million two years from now. Isn't that right?

M. YACKOUB: Well, Ms. Tang said, I think, those were targets, but there is no guarantee that that is going to happen, right.

J. SHEPHERD: All right. That is just coincidence, it is not because the shareholder asked it.

M. YACKOUB: I don't think Mr. Wong spoke with the shareholder.

J. SHEPHERD: I am not asking about Mr. Wong. I am talking about whether the shareholder asked you to increase the dividends and that is why you are increasing them.

M. YACKOUB: I don't know. Ms. Tang, could you...

A. TANG: Again, as I -- again, as I mentioned before, dividend disbursements is based on operations of -- based on the result of the operations that will come from both regulated and unregulated side. So I just want to be clear on that.

So it is -- I cannot speak to whether it is a coincidence or not between the report -- the Wong report and our projection, but this is on projection.

J. SHEPHERD: All right. Well, you are the CFO. Has the shareholder asked you for higher dividends?

A. TANG: Since I started, that have not been the question that have been asked to me directly.

J. SHEPHERD: You have talked to the shareholder directly; right?

A. TANG: I have spoken to the shareholders, yes.

J. SHEPHERD: And they never asked you for higher dividends?

A. TANG: Not one of the topics, no.

J. SHEPHERD: Wow. Okay.

I wonder if you could turn to page 41 of our materials. This is the current shareholder declaration for -- by the City of Oshawa. You see on page 26, it has the front page of it. The shareholder declaration which applies to the holding company, which is called "holdco" in this, and wires company and all the other affiliates.

I want you to look at K on page 15 at page 41 of our materials. And this requires shareholder approval if you do anything 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." [As read]

Your building is not in the business plan, and it is not in the annual budget; right? And where I am going is so the shareholder had to approve the building plan?

V. BENNETT: So the business plan does include the building. I will refer you to the business plan that we filed. So if we can go to --

J. SHEPHERD: This is a business plan that is approved by the City?

V. BENNETT: Just a second. So we would need to confirm specifically what "applicable business plan" means because we do not know.

J. SHEPHERD: I am asking a very specific question. Did the shareholder have to approve your plan for the building?

A. TANG: Mr. Shepherd, I can speak on the financial side. If I can refer you to I. So any time there is financing that impacts the debt equity ratio beyond the -- beyond 1.5, we need to show approval. So if financing gets to that point, yes, we will need their approval.

J. SHEPHERD: But you don't have approval from the City yet?

A. TANG: As Ms. Bennett has mentioned, the costs are very preliminary, so we would not go to them for approval until we have a final estimate of --

J. SHEPHERD: So are you telling the Board that the City doesn't know you are doing this?

A. TANG: No, I did not say that. What I said was the approval that - for us to get into financing for the building will need shareholder's approval.

J. SHEPHERD: But you have got a City approval to go ahead with your plans for -- for example, buy the land, get the -- and start the procurement, which is going on right now. You have City approval for that; right?

V. BENNETT: So, Mr. Shepherd, we have approval from our board of directors. What we are struggling with is with the City specifically. But the board of directors represent the shareholder.

J. SHEPHERD: No, it doesn't. This is the -- the shareholder declaration, it stipulates what the City does and what the board does.

Here is where I am going with this, so why don't we cut this short because it will be easier. If you look at page 38 of our materials in 13.2(a), this is under the heading "Decisions of the Shareholder."

It says where you need to get approval from the shareholder, you have to give them a report with all information necessary for the shareholder to make an informed decision.

And I am going to ask you to file on the record any report of that type that has been given to the City on the building, including the land.

J. VELLONE: Commissioner Moran, I would welcome your guidance on whether you find this level of inquiry into the building probative or not. I am conscious that I have made repeated arguments on relevance and have not been successful, so I am going to seek guidance from the panel.

COMMISSIONER MORAN: Mr. Shepherd, I am just wondering if there is perhaps a lack of understanding between what you are assuming in your question and what the witnesses are assuming you are asking them.

Could you just go back -- could we go back to the (k). And maybe this is mostly for my benefit. I am just trying to understand.

So in (k), the shareholder has to approve any transaction that hasn't been contemplated by the applicable business plan or annual budget. I think I heard you say that you think that means the City's business plan.

J. SHEPHERD: No.

COMMISSIONER MORAN: Okay. And I think I heard

Ms. Bennett say we have to figure out what is meant by "applicable." So, again, just for clarity, are you asking if the building wasn't -- was or was not contemplated in Oshawa PUC Network's business plan, and if it wasn't contemplated, did they then go and get shareholder approval?

And what I heard Ms. Tang say in further response is that the section that really applies is (i), which is the -- and they are just not at that point yet. I am just -- to me, it sounds like there is a bit of confusion here, and maybe we are talking at cross purposes. Maybe you can help clarify.

J. SHEPHERD: So I tried to cut it short so that I would make it easier. There is three places, at least three places, where the City has to say yes before holdco or the buyer's co can go ahead with certain things, (k) is one, (i) is another. There is another one in 15.1 on major developments. And these all require City decisions. They must approve to go ahead.

It is also -- business plans also have to be approved by the City. The holdco business plan, which would, of course -- this would be a material item on the holdco business plan.

And so all of those things require a City decision, go ahead or don't go ahead. And that is logical, by the way. The City is not going to let its utility spend $61 million without knowing about it, without saying yes. And so 13.2 applies to all those situations in which an approval of the City is needed.

And so on one of those criteria, one of those clauses -- lawyers tend to have four or five clauses to make sure you catch something.

On one of those clauses at least, the shareholder would have had to make a decision, which means holdco would have had to make a report to the City saying, here is the pros and cons, here is what we are planning to do, here is why it is a good idea. They would have had to do that.

I am asking that that be filed because that will inform you on how they are approaching this.

COMMISSIONER MORAN: So is the starting point for your line of inquiry basically this question: Did Oshawa PUC Networks seek the approval of the shareholder --

J. SHEPHERD: Yes.

COMMISSIONER MORAN: -- in relation to the building, period; right? And then I guess they can give us the answer to that. And then if the answer is no, then where do we go from there?

J. SHEPHERD: Well, no, I mean, I guess if their answer is we don't have the approval of the City, I mean, aside from being shocked, I would have to shut up. Because there is nothing I can say at that point. I mean, I can in argument say, well, this isn't real yet.

They are doing a procurement but -- and they have bought the land, but it is not real yet because the City hasn't said yes. But I don't think that is possible. That is why I have asked for an undertaking, if you did this report -- I don't care about the other provisions. If you did a report like this to the City in 13.2(a), file it.

COMMISSIONER MORAN: Mr. Vellone, I am just wondering, you know, if that is -- it sounds like a fairly straightforward question. Is that something that could be undertaken?

And maybe it has to do with the fact that maybe the approval requirement hasn't been triggered yet, and if it is triggered, we are going to, or it has been triggered, and we did, and here is the report. Is this something that --

J. VELLONE: Yeah. If the Commissioners would find it helpful, Commissioner Moran, we are going to follow your direction. We are well into questions around prudence if the decision-making for the building, which I think we are planning to adjudicate later. And I am just struggling to relate it back to this case.

I will take your direction. I am not going to protest.

COMMISSIONER MORAN: So, Mr. Vellone, I think we will ask for an undertaking simply to confirm if the

City has provided approval for the building, I guess and the land, and, if so, how was that -- how was that done. And if the answer is no, then that is the answer to the undertaking as well.

J. SHEPHERD: Can I ask as a matter of clarifying, does that include the report I am seeking that they gave -- that the company had to give to the City?

COMMISSIONER MORAN: Yeah. If the request for approval was supported by a report, produce the report and --

J. SHEPHERD: Thank you.

L. MURRAY: That will be undertaking J1.7.

UNDERTAKING J1.7: TO CONFIRM IF THE CITY HAS PROVIDED APPROVAL FOR THE BUILDING AND THE LAND, AND, IF SO, TO ADVISE HOW THAT WAS DONE AND IF REQUEST FOR APPROVAL WAS SUPPORTED BY A REPORT, TO PRODUCE THAT REPORT

J. SHEPHERD: Mr. Chairman, I am skipping some stuff because I am getting close to the end, but I am sure you won't miss it.

I wonder if you could turn to page 24 --

COMMISSIONER MORAN: My apologies. There was -- I guess part of the question is, I mean, is the City aware of the utility's plan to build this building? I mean, that is inherent, I guess, in the question.

I mean, if you can confirm their level of awareness. I think that is part of the question you have; right, Mr. Shepherd? Does the City even know about it? And I guess the question is does the City even know about it?

A. TANG: I do want to address that --

COMMISSIONER MORAN: Quick question. The -- the business plan for -- your business plan, does that require shareholder approval? Or is it just your board of directors who approve it? Just out of interest.

A. TANG: Our board of directors.

COMMISSIONER MORAN: Right. And there is no requirement for that -- for your business plan to be reviewed further up the chain?

A. TANG: They are definitely aware of it. That would be something that we would have circulated and discussed with the shareholder.

And I also want to bring you back to the question on whether the shareholder knows about the land and the building. There are ongoing conversations, so they are informed.

J. SHEPHERD: I wasn't suggesting, Mr. Chair, that the City does not know about it. What I would - - what I would like to see is the report because the report will tell us something about the motivations.

For example, if the report says, oh, by the way, ROE is going to go up by a million dollars a year, that would be relevant.

COMMISSIONER MORAN: Yeah, I think the

undertaking includes any report that was used to support the request for approval, if there was a request for approval.

J. SHEPHERD: So I wonder if you could turn to page 24 of the materials. And this is your lease extension agreement. Somebody will have seen this, I am sure. It is signed by Mr. Arbor, but I am sure that some of you have looked at it.

I am raising this not because of the terms of the lease extension, although I do have one question about that, but because you appear to have known about your need to replace the building, the move out, for ten years; right?

It says right here they -- City council said, no, hang on, you are going to have to leave in April 2015 -- sorry, May 31st, 2015. I lied.

V. BENNETT: So, yes, we see that, Mr. Shepherd.

J. SHEPHERD: And so you have known for a long time that you had do this. And, in fact, you have had several extensions, and the latest extension says you have to be out by May 31st, 2028; right?

V. BENNETT: That is correct.

J. SHEPHERD: And the reason is not for downtown redevelopment. It is because under the Planning Act, the lease can't be longer than that. Isn't that right?

V. BENNETT: Mr. Shepherd, we do see this where it does say in order to ensure compliance, but it also says among other things. So it seems like there was a number of factors that went in. Our understanding is that downtown redevelopment is, in fact, a major contributor to our requirement to vacate.

J. SHEPHERD: Okay. So but because of the *Planning Act* restriction, you are not -- there is no way that you can negotiate a further extension; right?

V. BENNETT: I am not an expert on the Planning Act, so I would not be able to say.

J. SHEPHERD: Okay. In your 2021 application, when you had known about this for several years, did the utility disclose that they would have to move?

V. BENNETT: I believe the way it was worded was it was looking at options for a new facility, whether to renovate or move to a new facility. I don't believe it said -- it had a requirement to move at that that time, but I would have to confirm by reviewing it. I don't have it in front of me.

J. SHEPHERD: Okay. So you think that it was referred to in the application as a plan for a new facility, but not, and by the way, we are being kicked out?

V. BENNETT: I don't recall, and I don't have it in front of me.

J. SHEPHERD: And nothing was approved in that application related to the building; right?

V. BENNETT: That is correct.

J. SHEPHERD: Okay. And it wasn't -- the building wasn't in your DSP in that application, was it?

V. BENNETT: No.

J. SHEPHERD: Okay.

If you go to the next page, page 25, I just want to ask a couple of questions while we are on this. The one is in order to get the latest extension, which is -- the latest extension is really only -- I don't know -- 14 months or something, you agreed to a 30 percent rate increase; is that right?

A. TANG: Yes. Yes. That is part of the negotiation.

J. SHEPHERD: And then if you go down to number 4, and I haven't heard this talked about, and that is why I want to raise it. Part of your cost of moving is going to be you have to demolish everything that is there at 100 Simcoe Street South, right, that you are using? You have to return it to a greenfield site. True?

M. WEATHERBEE: That is correct, except for the main administrative building on 100 Simcoe, as it is deemed a heritage property by the City.

J. SHEPHERD: Okay. All right. And do you know how much that is going to cost? Or let me put it another way to simplify it. Is it included in the 61 million?

M. WEATHERBEE: I will defer to Ms. Tang for that.

A. TANG: No, it is not.

J. SHEPHERD: So that is additional. And do you know how much that is going to be?

A. TANG: I do not know the answer for that.

J. SHEPHERD: Do you have an estimate?

M. WEATHERBEE: We sought estimates for that within the last couple of years, yes.

J. SHEPHERD: Well, within the last couple of days?

M. WEATHERBEE: No. Couple of years.

J. SHEPHERD: Oh, years. Okay. So can you undertake to provide the estimate of that cost?

M. WEATHERBEE: Yes.

L. MURRAY: Sorry. Did I hear a yes?

M. WEATHERBEE: Yes.

L. MURRAY: That will be undertaking J1.8.

UNDERTAKING J1.8: TO PROVIDE COST ESTIMATE FOR THE 100 SIMCOE STREET SOUTH DEMOLITION

J. SHEPHERD: It was a soft, reluctant yes.

Okay. So I want to turn to the Cushman & Wakefield report. And just as a time check, Mr. Chairman, I have about eight hours left, but I will be finished in ten minutes, I think. I want you to turn to page 71 of our materials, which is page 4 of the Cushman & Wakefield report, page 4 of 11.

Do you have that? Sorry. It says here the --

"It was determined that the site should accommodate the following." It goes on to talk about office space and warehouse space, et cetera. Who determined that? Is that management told C & W, this is what we need?

M. WEATHERBEE: No. That was part of a needs analysis study that we had completed.

J. SHEPHERD: Oh, is that on the record?

M. WEATHERBEE: No, that is not on the record.

J. SHEPHERD: Can you file that?

M. WEATHERBEE: Yes.

L. MURRAY: That will be Undertaking J1.9.

UNDERTAKING J1.9: TO PROVE THE NEEDS ANALYSIS STUDY

J. SHEPHERD: And now, C & W was engaged by the new CEO, or by somebody, but right after the new CEO arrived in May 2023; right?

V. BENNETT: Yes. That is in the timeline of work.

J. SHEPHERD: And who is -- who decided that the HOPA site would be the baseline?

M. WEATHERBEE: It was an option that was considered as one of the better options.

J. SHEPHERD: By who?

M. WEATHERBEE: By senior management.

J. SHEPHERD: Okay. So senior management had already done an analysis of options for the building prior to engaging C & W; right? Because, otherwise, how would they come up with the HOPA site?

V. BENNETT: So HOPA was determined to have the lowest cost, so I don't know that there was an analysis done prior to this. I am not aware of one. But of the options that were identified, it was identified to have the lowest initial cost but had some other issues that are described on the page right after this. It is actually 72 --

J. SHEPHERD: Sorry. That wasn't my question.

V. BENNETT: -- of my materials.

J. SHEPHERD: That wasn't my question, Ms. Bennett. Cushman & Wakefield says that they had a baseline option, which was a land lease on the HOPA property. So they didn't decide that. That was the baseline option they were provided with. Who made that decision? Who provided them with that baseline option? It wasn't one of the options they looked at in this study. It was the baseline.

V. BENNETT: It was --

COMMISSIONER ZLAHTIC: Excuse the interruption. The panel doesn't know what HOPA means.

J. SHEPHERD: My apologies. Hamilton-Oshawa Port Authority. I had to look it up.

COMMISSIONER ZLAHTIC: Shame on you, Mr. Shepherd. Can you say that again, please.

J. SHEPHERD: Hamilton-Oshawa Port Authority. Apparently Hamilton and Oshawa are the two major ports on Lake Ontario and have a combined port authority. Who knew.

V. BENNETT: So I would note that HOPA was on the market scan that Cushman & Wakefield did for us. So if you go back to page 71 of your compendium, it was the final option.

And at the time the analysis was done, so that is the one we were speaking about on the next page, that was the lowest initial cost option of the options that were available.

J. SHEPHERD: Well, this is --

V. BENNETT: So that is why it was considered the baseline.

J. SHEPHERD: This is from their original report from May 2023.

V. BENNETT: That is right.

J. SHEPHERD: Which is not on the record.

V. BENNETT: No, it is not.

J. SHEPHERD: They did a market scan, what, to decide what was -- what could be acquired, or was it more than that?

V. BENNETT: Well, if we just go -- just go above the table, it describes. So after the area requirements were established, a scorecard was developed for comparison of the sites, and there were a number of criterion that are identified, and then this long list was developed.

J. SHEPHERD: Yeah, that -- the original report was prepared by Cushman & Wakefield in May 2023.

They were engaged in May 2023. So I doubt very much if they did all that area requirements and scorecard and all that stuff altogether at once and then immediately produced a report.

V. BENNETT: I -- we don't know we're referring to -- I wasn't there. We were referring to this where they were engaged and issued their first report in May 2023. We don't know the exact dates, how much time it took, how long they were looking for. We have none of that information.

J. SHEPHERD: All right.

So I am going to ask you to briefly look at page 74 of our materials. This is the site in question; right?

V. BENNETT: Yes.

J. SHEPHERD: The one that was selected? You bought this?

V. BENNETT: That is correct. We bought that land.

J. SHEPHERD: And there is -- this is -- this looks like farmland, but, in fact, this is a business development area that is -- the area around it is expected to be developed soon; right?

V. BENNETT: Yeah, this is within the Northwood Business Park.

J. SHEPHERD: And, in fact, Durham College isn't very far away; right?

M. WEATHERBEE: That is correct. Durham College is just slightly down the road on Conlin Road.

J. SHEPHERD: And there is a small airport just down the road too?

M. WEATHERBEE: There is an airport at Taunton, correct.

J. SHEPHERD: Okay.

M. WEATHERBEE: Small executive airport.

J. SHEPHERD: Now, this says on page 75 that the cost analysis included furniture, fit-up allowances, move costs, demolition costs, fiber connections, all sorts of stuff like that. And I guess I am not sure how that was done.

Can you tell me how that was done? Because I don't see anywhere there was costing of any of that stuff, and it is certainly not in your capital plan.

V. BENNETT: So this was done by Cushman & Wakefield.

J. SHEPHERD: So that is not your 61 million?

V. BENNETT: No. Actually, it refers to -- if you go back to page 72, you can see the three options, and they had pro forma calculations, and this was all done by Cushman & Wakefield.

J. SHEPHERD: Yeah, except that none of those include the one you chose.

V. BENNETT: That is correct.

J. SHEPHERD: So could you go to page 77. Now, there is an unredacted version of this that has been filed, but in the interest of time, I am not going to go to it right now.

But this is a Class D estimate from Barry Bryan Associates, who were retained, I guess, by -- were they retained by you, or were they retained by -- by C & W?

V. BENNETT: By Oshawa Power.

J. SHEPHERD: Okay. And you had an RFP, and you hired them to create concept drawings and then tell you how much was it going to cost; right?

V. BENNETT: They -- yeah, they are building designers.

J. SHEPHERD: But a Class D estimate is a very, very high-level estimate; is that fair?

V. BENNETT: Yes.

J. SHEPHERD: And subsequently, you now have a Class B estimate, right, which we see referred to at page 60 of our materials, the A.W. Hooker estimate?

V. BENNETT: That is right. I will mention that the preliminary -- the Class D estimate didn't even have the same design. It was so early that it was very difficult to -- it is difficult to compare those two numbers because of the design work that has occurred since the --

J. SHEPHERD: So the Class D estimate, we should simply ignore that because that is sort of old news? It is not relevant to what you are actually planning to do?

V. BENNETT: The Class B estimate is much more accurate to what we are planning to do.

J. SHEPHERD: All right. But the Class B estimate, if you see on page 61 of our materials, does not include furniture, municipal fees, equipment, consultants, et cetera. That is the 61 million; right? But it doesn't include all that stuff.

V. BENNETT: The 61 million includes three things: The land cost --

J. SHEPHERD: Yeah.

V. BENNETT: -- the Class B, and estimated soft costs.

J. SHEPHERD: Soft costs being architects and municipal fees and all that stuff?

V. BENNETT: Furniture and --

J. SHEPHERD: Well, furniture is not a soft cost. It is a hard cost.

A. TANG: In this context, we classify furniture and technology as part of soft costs.

J. SHEPHERD: Do we have a breakdown of that 61 million between the various components? Like, I have seen the comparison number, the one that was just filed, right, which was prepared -- that was actually prepared by ERTH Power; right? That comparison was prepared by ERTH Power for their application for a building; right?

V. BENNETT: The benchmarking analysis?

J. SHEPHERD: Yeah, that benchmarking.

V. BENNETT: It used information from the ERTH application, but it was not prepared by ERTH Power.

J. SHEPHERD: No. You just added some columns; right?

V. BENNETT: We added some columns, and we added -- I think we had maybe some different metrics underneath, but we leveraged data from the ERTH application. And -- sorry, Mr. Shepherd.

J. SHEPHERD: Go ahead.

V. BENNETT: Just to address your question, we do have interrogatory -- it is 1-X-12 that speaks to this. And so it does include the land as one cost in 2024.

J. SHEPHERD: Yes.

V. BENNETT: And then the building is split into two pieces. And if you add those up, that amounts, between the three pieces, to 61 million.

J. SHEPHERD: Okay. So you don't have a breakdown of how much is -- see, what I am looking at is you are spending a whole lot of money on, for example, network soft -- network hardware and things like that, new gear for employees, furniture, all sorts of things like that over the last year and the next couple of years. And then you are going to go into a new building, and presumably you are going to replace all that stuff.

M. WEATHERBEE: So I will let Mr. Yackoub speak to the hardware first.

M. YACKOUB: Sure. I can speak about the computer equipment that we are purchasing. None of that is impacted by the move. Anything that we purchase, we would be taking with us. So switches and servers and all that, we would be taking with us to the new place.

J. SHEPHERD: You will have to rewire the building or wire the new building up to fit your server farm and your network, but you are not going to have to have new servers and blades or whatever those things are called now.

M. YACKOUB: So we are not spending money on wiring the old building. I think you were just -- you commenting on sunk costs into the old building.

J. SHEPHERD: Yeah.

M. YACKOUB: So we are not spending -- as far as I know, and as far as I can think of, there is no sunk cost or significant sunk cost in the old building to do with computing equipment. So, yeah, we are not wiring the old building and then rewiring the new building. We are purchasing switches and servers that we will move to the new building.

J. SHEPHERD: Okay. Thank you. So I didn't even get to the IT plan or the DSP, but I think I am done. I think that is enough for me. Thank you very much.

COMMISSIONER MORAN: Thank you, Mr. Shepherd.

Noting the time is now 4:40, Mr. Ladanyi, how much time do you need? We have a bit of a hard stop.

T. LADANYI: I think only 40 minutes, and I will be, like, in the -- I can come back tomorrow at 1:30, after lunch. Or I would be happy to start now and see where it gets us.

COMMISSIONER MORAN: Why don't we see what we can get done. Would you be able to finish by 5:30?

T. LADANYI: Definitely.

COMMISSIONER MORAN: And if I can check in with the court reporter, are you okay with 5:30? Okay. Let's do it.

CROSS-EXAMINATION BY T. LADANYI

T. LADANYI: Okay. Thank you.

So if I can just follow-up on something you said earlier today. I wasn't going to ask any questions about this, but since you mentioned that you are losing employees to OPG because they now have an attractive new office at 1908 Colonel Sam Drive, and it is a beautiful building. Actually, I was there many times because I worked for OPG at one time.

So how many employees have you actually lost; can you tell me? Or does - is it anecdotal, you actually don't have numbers?

V. BENNETT: We included these -- these numbers in our application. So if we turn to Exhibit 4. And I am going to section 4.4, we have got the variance analysis on FTEs. So this starts on page 93 of Exhibit 4.

T. LADANYI: And these have all gone to OPG, or they might have gone somewhere else?

V. BENNETT: We don't know where they went.

T. LADANYI: Yeah. Because OPG is just -- that office is just an office. So the kind of people who work in an office like that are accountants, some engineers, possibly. There wouldn't be any operating staff in a building like that. Management types.

V. BENNETT: I don't know the full details of who OPG hires, but they seem to employ a wide range of skill sets.

T. LADANYI: Because OPG has been in the area for many, many years, as you know. They had an office on Brock Road, 77 Brock Road, which they left. By the way, that building was actually not owned by them. It was actually leased by them. I know that for a fact. It was not in the rate base.

So, I mean, people could have got jobs at OPG over the years all along. They could have got jobs at Darlington. There was a big Darlington project office. There was another office in Pickering that OPG leased.

So, I mean, I do not -- I am trying to understand why this OPG move would have an effect on you because there were always jobs at OPG in this area, in your area.

V. BENNETT: So with the move of the administrative facility from -- I think there is an office in downtown Toronto moving out to Oshawa, a lot of those more administrative roles are coming out.

My understanding is the other OPG roles -- and I am not an expert on OPG at all, but are more operational, related to the specific facilities that they have in the Durham region. So this increases the demand for roles that more transferrable between the two organizations.

T. LADANYI: All right. Now, I want to follow up on some of the stuff that Mr. Shepherd was just talking to you a few minutes ago, and it is actually in relation to pages 24 and 25 of his compendium.

V. BENNETT: Okay.

T. LADANYI: And I am trying to understand the urgency of going ahead with a new office. Because you have now known for many years that you have to move. It wasn't new. So this has been known for quite a number of years. Suddenly became urgent.

Does this document signed October 30th, 2024, is this a document that suddenly said this is urgent, or was there another document?

V. BENNETT: As far as we know, this is the main document.

T. LADANYI: There was no letter from the City saying, get out, move out? There was nothing like that? This is the main document?

V. BENNETT: I believe there is also a letter from the City that I -- yeah.

T. LADANYI: Could you check that, and possibly file it. I would like an undertaking, I would like to see that letter.

V. BENNETT: Yeah.

T. LADANYI: Undertaking, please.

L. MURRAY: Do we have a yes? I didn't -- sorry, maybe I am --

V. BENNETT: Yes.

L. MURRAY: Thank you. That will be undertaking J1.10.

T. LADANYI: J1.10.

UNDERTAKING J1.10: TO PROVIDE THE LETTER FROM THE CITY REGARDING OSHAWA POWER NEEDING TO MOVE OUT OF THEIR OFFICE

T. LADANYI: I am trying to understand what happens if you actually are not successful in moving out by this date I think is November 30th, 2028. What happens then? Is there, like -- just tell me, is there some kind of punishment? Are you going to have to -- suppose -- is the City going to come with bulldozers? I mean, what happens if you are unable to move for whatever reason? Can you tell me, what is the outcome?

V. BENNETT: We don't know, Mr. Ladanyi, what would happen.

T. LADANYI: So this is an unknown. All right. So when there is is a big decision, I always like to look at, essentially, when was the decision made -- you don't have to answer yet -- who was in the room when it was made, usually it is made in some kind of a conference room by a bunch of people sitting around, board of directors, senior management, whatever, and what information was available to the people in the room when they made the big decision.

So let's start off with the -- has the final decision to go ahead with this building been made yet, or is still something -- something is going to happen in the future?

V. BENNETT: Mr. Ladanyi, just to clarify, so is it the decision whether to move ahead with seeking a new facility or with buying the land?

T. LADANYI: Well, this is interesting because when I look at this decision, it seems to me that somebody -- and could be the board of directors or it could be the senior management -- decided to go ahead with the solution buying a new -- building a new building at this site no matter what the cost. Because you actually don't know the final cost, do you?

And also, no matter -- does the -- for example, is it dependent on OEB proving ICM in your future application? Suppose OEB turns down your ICM. Are you still going to go ahead with the building?

These are the kind of questions that are puzzling me. I don't quite understand the logic here. And if the final decision is made, no matter what the cost, no matter if the OEB approves it or not, the ICM, we are still going ahead with this. Or where are we now in this decision-making process? Can you tell me?

V. BENNETT: Thanks for that time, Mr. Ladanyi. So the board of directors is aware of what we have done. We have purchased the land. They are aware of the procurements that we are doing. And our plan is to proceed with the plan to file an ICM. So that is what we have planned do.

T. LADANYI: So from what I understand you are saying, you are saying, we are planning to proceed until the board of directors stops us. Is that where we are now? We are keeping the informed, and it could be that some later date, they'll say in January, stop it, we shouldn't be doing this.

For example, in this particular proceeding comes up -- the Commissioner has come up a decision that you don't like. Is it possible that the board of directors will not approve the building?

V. BENNETT: So our board of directors can give us direction at any time, of course. Whether that be in January or whenever. And so -- and we would follow that direction, of course. So, you know, until then, we are proceeding as planned.

T. LADANYI: So when you mention board of directors and you -- I presume you are management.

Board of directors is overseeing you. So you informing the board of directors what you are doing.

Are you sending them some kind of regular records, quarterly reports, monthly reports what you doing, and then they look at that and say, we like it, or, we don't like it. I mean, how do you inform them? It is not by telephone. You must be sending them some documents.

V. BENNETT: So we have board meetings on a regular schedule, and that is how we keep our board of directors informed and seek approval.

T. LADANYI: So there is a presentation at the board of directors meetings, and they are -- what are they, quarterly? How often do these meetings happen?

V. BENNETT: I think they are -- yeah, quarterly.

T. LADANYI: Quarterly. Okay.

Would it be possible for you to file what you have filed so far related to this building at these quarterly meetings for the past yeah. If there is anything confidential, please, you can actually redact it. But I think -- I am puzzled about how you are informing the board of directors and where are the board of directors on this journey to get to this building.

J. VELLONE: Commissioner Moran, again, seeking some direction here. This is maybe the longest set of questions that I have had to sit through on a request for a relief that isn't in front of the Commissioners hearing the case. It is up to you. You have heard me on this point before.

COMMISSIONER MORAN: Maybe I can just ask a question, Mr. Ladanyi. Are you asking if Oshawa PUC Networks' board of directors has passed a resolution saying, go ahead and do a new building? Is that what your question boils down to?

T. LADANYI: I would love to see that, but they have not mentioned there is such a resolution. So I am trying to understand. They keep -- they saying they keeping the board of directors informed, but board of directors now made a decision.

If they made a decision, I would love to see the decision and the minutes of the meeting where they made that decision and what did they decide. I mean, it is relevant because a lot of things in this particular -- this current case, not some future case, depend on that decision.

COMMISSIONER MORAN: Right. So I mean, Mr. Vellone raises a good question, which is we don't have in front of us an application in relation to the building. What we have is a proposal to go ahead with a building and -- which we know is going to have some impact on rates over the next couple of years alongside the current ask, and we need to understand how that all fits together. So -- which is what we are interested in.

In terms of where the board of directors is, you know, Ms. Bennett, is there a board resolution saying, we have read the report saying we want -- we are recommending that we proceed to buy some land and put a building on it, and a resolution approving that? Has that happened yet?

V. BENNETT: For the land, yes, Mr. Chair. For the building, it is discussed regularly with the board of directors, so they are up to speed. We don't believe there has been a resolution on the building itself.

COMMISSIONER MORAN: So at some point in the future, there will be a report to the board with a proposed resolution seeking approval to go ahead with the balance of that expenditure. Is that the plan?

A. TANG: Yes, that is the plan.

COMMISSIONER MORAN: Okay. So I think we have got the answer to your question, Mr. Ladanyi. There is a resolution with respect to purchasing the land, and there isn't one with respect to the building yet --

T. LADANYI: So can I ask, can we see the resolution approving the purchase of land? That is already happened in the past, and the numbers are in this case.

COMMISSIONER MORAN: Mr. Vellone is indicating yes, so perhaps by way of undertaking, then, the --

L. MURRAY: That will be undertaking J1.11.

UNDERTAKING J1.11: TO PROVIDE A COPY OF THE RESOLUTION APPROVING THE PURCHASE OF LAND

T. LADANYI: So can you tell me what information was given to the board of directors in preparation or during the meeting where they approved the purchase of land?

COMMISSIONER MORAN: So essentially, Mr. Ladanyi, you are asking for the specific agenda item, the package --

T. LADANYI: Yes. I don't actually have to see the information. I would like to see the list of what was given to them. These decisions are something that is affecting ratepayer rates, and we want to know how much confidence we can have in the management and the board of directors of Oshawa Power when they make these very important, very expensive decisions, sometimes possibly irrevocable.

So I would like to see the list. I don't want to see all the documents, the list of documents what was provided to them, so they can make a reasonable decision.

L. MURRAY: Perhaps for just -- for clarity, we will make that as a separate undertaking. That will be Undertaking J1.12.

UNDERTAKING J1.12: TO PROVIDE THE LIST OF DOCUMENTS THAT WAS GIVEN TO THE BOARD OF DIRECTORS IN PREPARATION OR DURING THE MEETING WHERE THEY APPROVED THE PURCHASE OF LAND

T. LADANYI: Okay. Thank you.

So a few minutes ago when you were questioned by Mr. Shepherd, the matter of demolishing the existing building came up, and you said that the cost of that demolition is not included in your estimates.

Now, typically utilities, when they demolish a building, they actually charge it to accumulated depreciation, if they have a sufficient pool of other buildings. And I don't know what your pool of buildings looks like, but is -- is this in any way in a forecast of accumulated depreciation in the current proceeding, or are you planning to do that?

V. BENNETT: Sorry. Just one second.

Okay. Mr. Ladanyi, we would like to refer you to Exhibit 2, page 42. So we actually -- if we can bring that up. This is about our asset retirement obligations that are included in the application.

T. LADANYI: So the demolition of the building and the clearing of the site is inside those numbers?

V. BENNETT: Yeah. So specifically, this is the obligation to decommission buildings and was -- and the accounting details are there.

T. LADANYI: Okay. Thank you. So when was the 2026 Oshawa utilities capital budget approved? When? Like, date, approximate date, month, whatever you have.

V. BENNETT: I just have to get this exact date. I think it was in -- it was December 2024.

T. LADANYI: So was the rate impact of the capital budget given to the people when making -- approving it? So they had -- did they have the information to say, if we approve a budget of this size, the rate impact will be this?

Maybe it is too high. Maybe you should lower it, lower the expenditures to keep the rate impact to some -- below some target, whatever they are aiming for. Was that kind of information provided to the people approving the capital budget?

V. BENNETT: So the capital envelopes that Mr. Weatherbee spoke to, there was those options, and the recommended options was the one that -- the option that senior management recommended. So that is what they ultimately --

T. LADANYI: Yeah, so I am not talking about the building. I am talking now about the entire capital budget.

V. BENNETT: Yeah, me too. So it is the table with the different options, so where we had the different capital options for the distribution system plan. This is the Exhibit 2 IRRs, attachment 211.

T. LADANYI: So if I understand what was discussed and what Mr. Weatherbee said, the only objective was to stay within the group 2 or cohort 2. There was no actual impact of -- on the rates from capital spending that was discussed when this was -- the capital budget was approved.

V. BENNETT: The focus was staying on these envelopes that had been identified and managing the rate with respect to -- in that way by staying within the capital envelope options --

T. LADANYI: So I hope you can answer this question. So I have been in many capital budget meetings over the years and different utilities, so usually there is tradeoffs, discussions. People in the room eventually say, maybe you should cut it by so many millions of dollars.

So can you tell me, how much was the capital budget cut -- 2026 proposed capital budget reduced by in this meeting that finally approved it?

V. BENNETT: I am going to pass this to Mr. Weatherbee.

M. WEATHERBEE: If I could -- if I could get you to pull up IRR2-X-45.

T. LADANYI: And you decided to defer spending on some assets. I think you mentioned a transformer station; is that correct?

M. WEATHERBEE: Yeah, transformer station was one of them, plus the -- I think it was 29 point some odd million in other deferrals.

T. LADANYI: Now, in my opening statement, I made a -- differentiated between revenue-producing assets, which is like a transformer station and the rest of the distribution system, conductors, switch gear, and so on, and offices, which -- offices don't produce revenue. They just essentially store people. So how would you trade off the two?

You know, when you make this decision to defer a transformer station, which obviously is required for system growth, it is required for reliability, and so on, against an office, how do you -- how would you do that?

Can't you, for example, defer the office and go ahead with the transformer station.

M. WEATHERBEE: We couldn't defer the -- the consolidated operations facility because we were asked, through our lease agreement, to leave in 2028.

T. LADANYI: So you were working against this hard deadline, but you actually don't know what would happen if you missed the deadline. You are just trying to meet this deadline. I guess maybe you will not get your bonus or whatever if you miss the deadline, or some other personal thing might happen to you, but in actual fact, the world is not going to come to an end if you miss the deadline, is there?

M. WEATHERBEE: Sorry. I will just, first off, say it had nothing to do with our bonuses. However, are you suggesting that we -- we ignore the City's request and just stay in the facility?

T. LADANYI: Well –

COMMISSIONER MORAN: Mr. Ladanyi, sorry to interrupt. I am not sure what relevance a decision by Oshawa PUC Networks to not comply with an agreement that they have entered into has to do with what we have got to decide. I think we are here to understand what the capital spend looks like, what the impact looks like for ratepayers, and what is appropriate for ratepayers to have to bear in the context of a new building being brought in the way it is.

So whether Oshawa PUC, you know, honours -- complies with its agreement to vacate the premises and demolish it, or it doesn't, I mean, it is neither here nor there, I don't think, for our purposes. I am wondering if we could just move along to your next question.

T. LADANYI: Yes. I am trying to explain. What I am getting at is this: It is possible that they have deferred some assets which are much more necessary and needed than the office in order, essentially, to meet this artificial deadline that has been set by their shareholder. And therefore, and this budget is what you are approving here. You are approving the 2026 budget.

That is what we are discussing here. So I am challenging how valid this budget is.

J. VELLONE: So ask the witnesses if they deferred anything important. Like, feel free.

T. LADANYI: I sort of have.

So why don't you answer, then, Mr. Vellone's question.

M. WEATHERBEE: Oshawa Power balance both financial and operational risk in order to consider the investment in the building and the needs of the system. We ensure that we could do all mandatory, critical, and vital equipment programs as noted in attachment 211 of the Exhibit 2 IRRs and made sure that we could maintain and enhance our system within the capital envelopes provided without sacrificing any mandatory, critical, or vital equipment projects.

T. LADANYI: Very good. So management put together the 2026 capital budget, and then presented it to the board of directors, and then board of directors approved the capital budget. Is that right?

M. WEATHERBEE: I will defer that to Ms. Tang as to the specifics, but I think she answered that question earlier.

V. BENNETT: Yeah. That's right. So we did bring it to the board of directors who approved it, and then they ultimately signed a letter that was included in our application approving the OM&A and capital amounts that we put forward.

COMMISSIONER MORAN: Which I understand is part of the filing requirements; right?

V. BENNETT: Yes.

T. LADANYI: So let's move over to the distribution system plan. So obviously when you were preparing, by the way, 2026 capital budget, you were aware of the need for the building. I mean, you -- in there is the money for the land and so.

Now, when you got a DSP, you are obviously also aware of the need for the building. I think this was covered very nicely by Mr. Shepherd earlier. So I am trying to understand what changes were made to the DSP.

Because you had this building -- even though it is not written up in the DSP, you have this capital expenditure, very large capital expenditure, in the future.

So people putting together the DSP would have said, oh, maybe we better cut some stuff in the DSP, remove some things from the DSP, because we are spending too much money. So how much was removed from DSP, from the initial plan of the DSP to the final DSP?

M. WEATHERBEE: Yeah. If I could refer you to what we have up on the screen here, the initial investment portfolio was approximately 109.9 or 110 million over that period. And the test against our funds allowed us to bring it down to 77.6, again, making sure that we could do all mandatory, critical, and vital equipment projects.

And then we had to unfortunately put it up to 80.8 based upon that -- the amendment to the DSC to the 40-year horizon. So it went from 110 million to 80.8 million.

T. LADANYI: And those changes, those reductions would have caused some reduction in the rate increases that you are expecting over the next few years. Wouldn't that be right?

V. BENNETT: Yes, that is correct.

T. LADANYI: But you don't know exactly how much. It is sort of like a -- can you give me -- if you do, please let me know.

V. BENNETT: So you are looking for an estimate of the reduction --

T. LADANYI: That is right. So with the original DSP before the cuts, there were going to be certain rate increases, and then group of people, I would presume management working on the DSP, would have said, oh, these are too high.

We have to spend money on the building, so therefore, we should cut the DSP, and this will give us -- make an effect, essentially, the rate increases over the next few years would be lower. Do you have anything like that?

M. WEATHERBEE: We didn't do those calculations in particular because this was the preliminary budget prior to moving forward with our approved budget.

T. LADANYI: By the way, who does the DSP? Is it a management group -- or, I mean, it is -- obviously, you people must be involved in some way. Isn't that right?

M. WEATHERBEE: Yeah. I had capital oversight of the capital aspects of the application, and Mr. Ganapathy beside me was the formulator, along with his team of the DSP.

T. LADANYI: The board of directors does not approve the DSP. Is that right?

M. WEATHERBEE: That is correct.

T. LADANYI: It is just a management document, and then the OEB actually does not approve it. The DSP only -- is only for information purposes.

M. WEATHERBEE: That is my understanding. The DSP is for information. The OEB approves the test year capital envelope.

T. LADANYI: My final question, I sort of asked it before. So there was an upcoming application for the ICM. I am still puzzled whether Oshawa Power will be going ahead with this building even if the ICM is not approved or not -- like, would you know that, or is it some kind of unknown in the future?

V. BENNETT: So we would plan to file an ICM application, of course, with approval of our board of directors. And we expect we will get the approval of the building before we file that.

T. LADANYI: Okay. I was going to say something, but I shouldn't give evidence, but from what I understand, that OPG originally planned to build a new office building in Clarington -- they were calling Clarington campus. And that was in their last case. And then they never did.

They actually instead took over the second half -- the other half of the GM building on Colonel Sam Drive. So that is -- they actually are never -- are not going ahead with this new building.

So there is a possibility that even though management wants the new building, they got it all planned, tells the OEB, they actually don't do it. So is there a possibility here that you actually will not do this?

V. BENNETT: Yes, it would be possible if we got that direction.

T. LADANYI: Okay. Thank you. These are all my questions.

COMMISSIONER MORAN: Thank you very much, Mr. Ladanyi.

I think we will call it a day, and we will see you back tomorrow morning. Thank you very much.

--- Whereupon the proceeding adjourned at 5:12 p.m. sine die