

**Colm Boyle**  
T: 416-367-7273  
cboyle@blg.com

**John Vellone**  
T: 416-367-6730  
jvellone@blg.com

Borden Ladner Gervais LLP  
Bay Adelaide Centre, East Tower  
22 Adelaide Street West  
Toronto ON M5H 4E3  
Canada  
T 416-367-6000  
F 416-367-6749  
blg.com



**File No. 88175.42**

November 18, 2025

**BY EMAIL & RESS**

Mr. Ritchie Murray  
Ontario Energy Board  
2300 Yonge Street, 27th floor  
P.O. Box 2319  
Toronto, ON M4P 1E4

Dear Mr. Murray:

**Re: Oshawa PUC Networks Inc. ("Oshawa Power") - Application for 2026 Distribution Rates ("Application") - EB-2025-0014  
Argument in Chief**

We are counsel to Oshawa Power in the above captioned matter. Please find enclosed an electronic copy of the Argument in Chief.

Yours truly,

**BORDEN LADNER GERVAIS LLP**

A handwritten signature in black ink that reads 'Colm Boyle' in a cursive script.

Colm Boyle

CB/JV

**ONTARIO ENERGY BOARD**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Sched. B, as amended (the “Act”);

**AND IN THE MATTER OF** an Application by Oshawa PUC Networks Inc. under Section 78 of the Act for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2026.

**OSHAWA PUC NETWORKS INC.**

**ARGUMENT IN CHIEF**

**FILED: November 18, 2025**

Board File No. EB-2025-0014

## TABLE OF CONTENTS

I.	Legal Framework .....	1
A.	Just and Reasonable Rates .....	1
B.	Financial Performance: Distributors are Heading Towards a Financial Cliff .....	3
C.	Stand Alone Utility Principle and Benefits Follow Costs .....	5
II.	Background .....	5
III.	Affordability of Rates .....	6
IV.	Capital Spending and Rate Base .....	7
A.	Issue 1.1 – Are the proposed capital expenditures and in-service additions appropriate? .	7
B.	Issue 1.2 – Are the proposed rate base and depreciation amounts appropriate?.....	13
V.	OM&A .....	13
A.	Issue 2.1 – Are the proposed OM&A expenditures appropriate?.....	13
B.	Issue 2.2 – Is the proposed shared services cost allocation methodology and the quantum appropriate?.....	23
VI.	Cost of Capital, PILs, and Revenue Requirement .....	25
A.	Issue 3.2 – Is the proposed PILs (or Tax) amount appropriate? .....	25
B.	Issue 3.5 – Is the proposed calculation of the Revenue Requirement appropriate? .....	25
VII.	Load Forecast.....	25
A.	Issue 4.1 – Is the proposed load forecast methodologies and the resulting load forecasts appropriate?.....	25
VIII.	Cost Allocation, Rate Design, and Other Charges.....	26
A.	Issue 5.1 – Are the proposed cost allocation methodology, allocations, and revenue-to-cost ratios, appropriate?.....	26
B.	Issue 5.2 – Is the proposed rate design, including fixed/variable splits, appropriate?.....	26
C.	Issue 5.3 – Are rate mitigation proposals required and appropriate? .....	27
IX.	Deferral and Variance Accounts.....	27
A.	Issue 6.1 – Are the proposals for deferral and variance accounts, including the balances in the existing accounts and their disposition, requests for new accounts, requests for discontinuation of accounts, and the continuation of existing accounts, appropriate?.....	27
X.	Other .....	31
A.	Issue 7.1 – Is the proposed effective date appropriate? .....	31
B.	Issue 7.2 – Has the applicant responded appropriately to all relevant OEB directions from previous proceedings?.....	31
C.	Issue 7.3 – Is the plan to seek additional funding for a new operational and administrative building in a subsequent IRM application appropriate .....	31

# OSHAWA PUC NETWORKS INC.

## ARGUMENT IN CHIEF

### I. LEGAL FRAMEWORK

#### A. *Just and Reasonable Rates*

1. Oshawa PUC Networks Inc. (“**Oshawa Power**”) filed its cost of service Application under section 78 of the *Ontario Energy Board Act, 1998* (“**OEB Act**”). The overarching test in this proceeding is whether the rates proposed by Oshawa Power are “just and reasonable”. The onus is on Oshawa Power to demonstrate that its rate (or payment amount) proposals are just and reasonable. If the OEB determines that the proposals are not just and reasonable, then it may set other rates (or payment amounts) which it determines are just and reasonable.<sup>1</sup>
2. The concept of “just and reasonable” rates has been the subject of extensive examination across judicial decisions, administrative jurisprudence, and scholarly literature. The most recent and authoritative articulation of “just and reasonable” rates is found in the Supreme Court of Canada’s decision in *Ontario (Energy Board) v. Ontario Power Generation Inc.* where Justice Rothstein explained that:<sup>2</sup>

[20] In order to ensure that the balance between utilities’ and consumers’ interests is struck, just and reasonable rates must be those that ensure consumers are paying what the Board expects it to cost to efficiently provide the services they receive, taking account of both operating and capital costs. In that way, consumers may be assured that, overall, they are paying no more than what is necessary for the service they receive, and utilities may be assured of an opportunity to earn a fair return for providing those services. [...]

[76] The just and reasonable approach to recovery of the cost of services provided by a utility captures the essential balance at the heart of utilities regulation: to encourage investment in a robust utility infrastructure and to protect consumer interests, utilities must be allowed, over the long run, to earn their cost of capital, no more, no less.
3. Just and reasonable rates are those that would be fair to the consumer on the one hand, and which, on the other hand, would secure to the company a fair return for the capital invested. A fair return for a utility has been described as large a return on the capital invested in its enterprise (which will be net to the company) as it would receive if it were investing the

---

<sup>1</sup>Handbook for Utility Rate Applications, October 13, 2016, at pg. 5.

<sup>2</sup>Ontario (Energy Board) v. Ontario Power Generation Inc., 2015 SCC 44, at paras 20 & 76.

same amount in other securities possessing an attractiveness, stability and certainty equal to that of the company's enterprise.<sup>3</sup>

4. The Supreme Court of Canada also states that a key principle in Canadian regulatory law is that a regulated utility under a cost of service model, over the long run, must also be given the opportunity to recover, through the rates it is permitted to charge, its operating and capital costs.<sup>4</sup> If this is not achieved the court provides the following caution:<sup>5</sup>

[16] [...] If recovery of operating costs is not permitted, the utility will not earn its cost of capital, which represents the amount investors require by way of a return on their investment in order to justify an investment in the utility. The required return is one that is equivalent to what they could earn from an investment of comparable risk. **Over the long run, unless a regulated utility is allowed to earn its cost of capital, further investment will be discouraged and it will be unable to expand its operations or even maintain existing ones. This will harm not only its shareholders, but also its customers:** *TransCanada Pipelines Ltd. v. National Energy Board*, 2004 FCA 149, 319 N.R. 171. [Emphasis added]

5. Recovering capital and operational costs ensures that the utility can continue to operate and can earn its cost of capital in order to attract and retain investment in the utility.<sup>6</sup> Ultimately, utilities seek approval of an annual “revenue requirement”, which is the total revenue required to recoup the costs of running a reliable electricity distribution network plus a fair return on equity.<sup>7</sup>
6. While the OEB has broad latitude to determine the methodology it uses when assessing utility costs,<sup>8</sup> it must determine just and reasonable rates within the bounds of the statutory objectives in section 1 of the OEB Act.<sup>9</sup> The s. 1(1) objectives for regulating electricity include:

1. To inform consumers and protect their interests with respect to prices and the adequacy, reliability and quality of electricity service.
2. To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry.

---

<sup>3</sup>*Northwestern Utilities Ltd v City of Edmonton*, [1929] SCR 186, at pgs. 192-193.

<sup>4</sup>*OEB v. OPG* at paragraph 16; *ATCO Gas and Pipelines Ltd. v. Alberta (Utilities Commission)*, 2015 SCC 45, at paras 7 & 61.

<sup>5</sup>*OEB v. OPG* at paragraph 16.

<sup>6</sup>*ATCO Gas and Pipelines Ltd. v. Alberta (Utilities Commission)*, 2015 SCC 45, at para 7.

<sup>7</sup>*Halton Hills Hydro Inc. v. Ontario Energy Board*, 2020 ONSC 6085, at para 11.

<sup>8</sup>*OEB v. OPG* at paragraph 7.

<sup>9</sup>*OEB v. OPG* at para. 124; *Halton Hills Hydro Inc. v. Ontario Energy Board*, 2020 ONSC 6085 at paragraph 12.

3. To promote electricity conservation and demand management in a manner consistent with the policies of the Government of Ontario, including having regard to the consumer's economic circumstances
4. To facilitate innovation in the electricity sector.
7. Soon the OEB may also need to consider economic growth in relation to the regulation of the electricity sector.<sup>10</sup>

**B. Financial Performance: Distributors are Heading Towards a Financial Cliff**

8. Electricity distribution utilities, including Oshawa Power, may be at the point that the Supreme Court of Canada cautioned the OEB about in *Ontario (Energy Board) v. Ontario Power Generation Inc.* Unless utilities are allowed to earn their cost of capital, further investment will be discouraged and electricity distributors will be unable to expand their operations or even maintain existing ones.
9. Most recently the Electricity Distributors Association (“**EDA**”) filed extensive submissions and expert evidence in the Cost of Capital proceeding EB-2024-0063 warning the OEB about the consequences of underfunding of utilities. The most sobering submission is how municipality owners are able to mask financial challenges until the utility is metaphorically “on fire”.<sup>11</sup> The clearest example of this is E.L.K. Energy that went from a return on equity of 10.93% in 2021 to (-22.33%) in 2023.<sup>12</sup>
10. Indeed, financial viability of electricity distributors has become a significant concern for the Minister of Energy, Stephen Lecce. Recently Mr. Lecce authored an article highlighting the financial challenges confronting distribution utilities following prolonged periods of underfunding, notably including a statement closely paralleling the language employed by the Supreme Court of Canada in the caution above:<sup>13</sup>

Report after report, the problem is well socialized. Utilities have massive maintenance backlogs that undermine grid reliability. They do not have access to sufficient capital to maintain, let alone, deliver the build-out required to meet the significant energy demand forecast anticipated by 2050. But if the backbone of our system – the distribution networks that bring power to homes, businesses and factories – cannot keep up, Ontario risks falling behind. We cannot let that happen. Our focus needs to ensure power is there when we need it.

---

<sup>10</sup>Bill 40, Protect Ontario by Securing Affordable Energy for Generations Act, 2025

<sup>11</sup>EB-2024-0063, EDA Reply Submission at para 19.

<sup>12</sup>E.L.K. Energy Inc., 2024 Scorecard.

<sup>13</sup> National Post, Stephen Lecce, Empowering Ontario for the Future, October 23, 2025.

We need communities that have strong utilities, capable of financing future infrastructure. [...]

Ontario's energy advantage has always been predicated on our capacity to plan ahead. This is why our government is turning to eminent leaders from the economy, energy sector, utilities, and municipalities to bring forth recommendations **to avoid this fiscal cliff that will only hurt ratepayers and families.** [Emphasis added]

11. This issue is not new to the OEB. Although the Supreme Court of Canada has affirmed that utilities must be allowed to earn their cost of capital, the OEB has, in practice, not ensured that this outcome is realized. In the Cost of Capital proceeding EB-2024-0063, the OEB filed a letter with tables showing the reported 2022 and 2023 regulated return on equity (ROE) values and deemed ROE values.<sup>14</sup> From this letter the following statistics can be derived for the years of 2022 and 2023:
  - (a) Electricity distribution utilities are under earning their deemed ROE in 58.3% of cases.
  - (b) The average achieved ROE is 7.36% when compared with a deemed average ROE of 8.67%. This means that, on average, utilities are nearly halfway to the 300 basis point offramp, which is an indication of when financial under performance warrants an early rebasing to ensure financial viability of the utility.
  - (c) When the 58.3% underearning distribution utilities are isolated, where Oshawa Power now resides in 2024, the average achieved ROE drops to 5.03% when compared to a deemed ROE of 8.73%, meaning that, on average, underearning distribution utilities are well below the offramp.
12. Oshawa Power anticipates that certain interveners may seek to characterize this cost of service Application as one motivated by indulgence or the pursuit of excessive dividends for its municipal shareholder. This is simply not reflected in the evidence, the testimony of Oshawa Power witnesses, or industry trends for electricity distributors generally.
13. Rather, electricity distributors are facing serious challenges in the upcoming years to remain financially viable. It is in this context that Oshawa Power asks the OEB to carefully consider all aspects of its Application to ensure the maintenance of a viable electricity industry and adequacy, reliability and quality of service for ratepayers. While Oshawa Power acknowledges the proposed rate increase is substantial,<sup>15</sup> Oshawa Power's Application reflects an outcome that is fair to both consumers and the utility.

---

<sup>14</sup>EB-2024-0063, OEB Letter, July 18, 2024.

<sup>15</sup>T1P38L17-23.

14. Oshawa Power's return on equity dropped to 4.70% in 2024 primarily due to increased operating expenses.<sup>16</sup> The OEB has an obligation to ensure that this does not continue so that Oshawa Power can earn its cost of capital in order to attract and retain investment in the utility and continue to operate a reliable distribution system for ratepayers.

***C. Stand Alone Utility Principle and Benefits Follow Costs***

15. Consistent with the stand alone and benefits follow costs principles,<sup>17</sup> Oshawa Power submits that these two principles are particularly relevant to the decision making of the City of Oshawa in relation to the building it owns at 100 Simcoe Street South that is currently rented by Oshawa Power (i.e., redevelopment). The application of the benefits follow costs principle is not affected by the Board's mandate to approve "just and reasonable rates" or to achieve a reasonable balance between the interests of utility ratepayers and the interests of shareholders.<sup>18</sup>

**II. BACKGROUND**

16. On April 29, 2025, Oshawa Power filed its cost of service application under section 78 of the OEB Act seeking an order from the OEB approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2026.
17. On May 20, 2025, the OEB issued a Notice of Hearing inviting parties to apply for intervenor status.
18. On June 13, 2025, in Procedural Order No. 1 the Association of Major Power Consumers in Ontario, Coalition of Concerned Manufacturers and Businesses of Canada, Consumers Council of Canada, Distributed Resource Coalition, Pollution Probe, School Energy Coalition and Vulnerable Energy Consumers Coalition were granted intervenor status and cost award eligibility. OEB staff also participated in this proceeding.
19. On June 24, 2025, the OEB issued its Decision on Issues List with the final and approved issues list for the Application attached as Schedule A.
20. On September 22, 2025, Oshawa Power filed a Partial Settlement Proposal with the OEB representing a partial settlement of the issues in this Application. On October 30, 2025, the OEB issued its Decision and Procedural Order No. 5 pursuant to which the OEB accepted the Settlement Proposal on the issues identified in the settlement proposal. The OEB then set the unsettled issues down for an oral hearing.

---

<sup>16</sup> IR Response 5-Staff/CCMBC-185

<sup>17</sup> *Hydro One Networks Inc. v. Ontario Energy Board*, 2020 ONSC 4331, at para 23.

<sup>18</sup> *Ibid* at para 60.

21. Between October 28 to October 30, 2025, a transcribed oral hearing was held to hear further evidence in respect of the unsettled issues.
22. For the reasons below, Oshawa Power submits that the proposed rates, and resulting revenue requirement, are just and reasonable. Oshawa Power requests the OEB approve the Application.

### **III. AFFORDABILITY OF RATES**

23. While customer affordability is not explicitly identified on the issues list, Oshawa Power recognizes that it underlies the entire application. The OEB's statutory mandate under section 1(1)(1) of the OEB Act requires it to protect consumers' interests with respect to electricity prices. This issue was a central focus during the oral hearing, and the Customer Engagement Report prepared by Verve confirmed that customers are particularly sensitive to costs.<sup>19</sup>
24. Oshawa Power submits that the affordability of rates was a key consideration, carefully addressed both in the initial development of the budget envelopes and in their subsequent refinement. Indeed, Oshawa Power developed its budget for the Application with a view to remaining in Group 2 of the OEB's benchmarking for distribution utilities, even with both the requested rate increases and the new administrative building included.<sup>20</sup> Mr. Weatherbee confirmed this was management's strategy.<sup>21</sup>
25. The result of Oshawa Power's diligent planning means that the total bill impact in 2026 is 3.2% for residential customers. This also means that Oshawa Power will continue to perform 16 percent more cost effectively than predicted by the OEB in 2026 after taking into account the proposed distribution rate increases<sup>22</sup> and 7.9%, 11.1% and 14.2% more cost effectively in 2027, 2028, and 2029, respectively, when the building is put into service. The three year average performance indicates that Oshawa Power will remain in Group 2 for the period of 2026 through 2029.<sup>23</sup>
26. The Customer Engagement Report indicates that customers have confidence in Oshawa Power, as shown in the following survey results:<sup>24</sup>
  - (a) 78% believe Oshawa Power is a financially responsible business;

---

<sup>19</sup> Exhibit 1, Attachment 1-10, at pg. i.

<sup>20</sup> T1P123L10-16; T1P89L7.

<sup>21</sup> T1P124L26-27.

<sup>22</sup> T1P38L25 to T1P39L3

<sup>23</sup> T1P88L9-28, Undertaking Response J1.2.

<sup>24</sup> Exhibit 1, Attachment 1-10, at pgs. 2-4.

- (b) 81% think Oshawa Power fosters a positive culture in its interactions with its customers;
- (c) When asked “How well do you think Oshawa Power is planning for the future?” 88% responded with appropriate, well or very well;
- (d) 90% of customers understand the importance of the proposed capital investments; and
- (e) 84% expressed confidence that Asset Management practices appropriately supports the prioritization of System Renewal projects.

27. Oshawa Power will continue to deliver on fiscal responsibility and affordable rates to maintain the confidence of its customers.

**IV. CAPITAL SPENDING AND RATE BASE**

**A. *Issue 1.1 – Are the proposed capital expenditures and in-service additions appropriate?***

28. Oshawa Power submits that the proposed capital expenditures and in-service additions are appropriate, as shown in the extract below from Chapter 2-AB filed with the Settlement Proposal and explained in detail in Exhibit 2 application, evidence and interrogatory responses.

**Table 0 – Excerpt from Appendix 2-AB**

CATEGORY	Forecast Period (planned)				
	2026	2027	2028	2029	2030
	\$ '000				
<b>System Access</b>	9,186	9,270	9,356	9,443	9,532
<b>System Renewal</b>	8,045	8,756	7,056	7,421	8,108
<b>System Service</b>	1,336	300	778	962	588
<b>General Plant</b>	1,680	1,655	1,730	1,155	802
<b>TOTAL EXPENDITURE</b>	20,247	19,981	18,920	18,980	19,030
<b>Capital Contributions</b>	3,228	3,253	3,277	3,303	3,328
<b>NET CAPITAL EXPENDITURES</b>	<b>17,019</b>	<b>16,729</b>	<b>15,642</b>	<b>15,678</b>	<b>15,701</b>
<b>CWIP</b>	18,156	5,916	6,034	6,155	6,278
<b>System O&amp;M</b>	\$ 5,353	\$ 5,487	\$ 5,624	\$ 5,765	\$ 5,909

29. Oshawa Power’s Distribution System Plan (the “**DSP**”) fully justifies the proposed net in-service capital additions of \$80,768,935 over the 2026 to 2030 period (the “**Forecast Period**”). This represents an overall increase of 16% compared to 2021 to 2025 period (the

“**Historical Period**”). The DSP proposes \$17,018,746 in net in-service capital additions in 2026 (the “**Test Year**”). These proposed additions are appropriate, prudently paced, and supported by a balanced, risk-based decision making approach. Investing less than the proposed amounts will disadvantage customers by introducing higher risk and larger rate impacts in future rate applications. This is further discussed in section A.2, below.

30. The DSP and its underlying planning process are fully aligned with the OEB’s *Filing Requirements for Electricity Distributor Rate Applications 2025 – Edition for 2026 Rate Applications, Chapter 5: Distribution System Plan*. As a result, the DSP directly addresses the objectives of the OEB’s Renewed Regulatory Framework (“**RRF**”) for electricity, as detailed in Exhibit 2, DSP, Section 5.3.
31. System Access investments are the primary driver of the DSP and are mandatory, non-discretionary obligations that Oshawa Power must fulfill as a licensed electricity distributor. These expenditures and in-service additions are required to accommodate customer connections and system modifications in compliance with the Distribution System Code, Oshawa Power’s Conditions of Service, and obligations under Oshawa Power’s distribution licence. This is further elaborated in section A.1 below.
32. The combined System Renewal, System Service, and General Plant net in-service additions proposed for the Forecast Period are materially **lower** than the Historical Period, even without reflecting inflationary increases. This highlights Oshawa Power’s prudent pacing, disciplined prioritization, and deliberate restraint in non-System Access additions despite rising cost pressures in order to accommodate the upcoming building expenditure. The drivers for each investment category are detailed in section A.1 below.

#### **A.1 Drivers of the Distribution System Plan**

33. The overall increase to in-service additions over the Forecast period is primarily attributable to System Access. The proposed Test Year in-service- additions total \$6,269,937. These investments are **non-discretionary** and are driven by Oshawa Power’s obligations as a licensed electricity distributor to invest in 1) system expansions to facilitate customer growth and housing developments, consistent with the provincial government’s focus on housing; 2) third-party relocations to accommodate municipal and regional infrastructure projects such as road widening; and 3) Connections and revenue metering requiring installation of infrastructure for new or upgraded services along the distribution system.
34. In addition, the OEB’s December 23, 2024 amendment to the Distribution System Code to extend revenue horizon for residential customers to 40 years, in response to the Minister of Energy’s November 29, 2023 Letter of Direction to lower electricity system expansion costs for new housing, further increases Oshawa Power’s portion of expansion costs by reducing customer contributions.

35. The proposed System Renewal net in-service additions in the Test Year total \$7,732,816. These investments are required to fulfill Oshawa Power’s distribution license “**Obligation to Maintain System Integrity**”,<sup>25</sup> ensuring continued safe, reliable, and sustainable operation of our distribution system.
36. In accordance with the OEB’s direction in Oshawa Power’s 2021 rate application (EB-2020-0048), Oshawa Power improved “its condition-based **asset replacement strategy including incorporating a more risk-based asset prioritization process**”.<sup>26</sup> As a result, the Asset condition assessment (the “ACA”) produced by an expert third-party vendor METSCO, that embodies risk-based prioritization of assets, was a foundational input to the DSP. Furthermore, Oshawa Power formulated its Strategic Asset Management Plan (the “SAMP”)<sup>27</sup> to enhance its asset management practices and deliver long-term value for our customers.
37. Despite higher needs identified in the ACA, all asset categories planned for renewal in the Test Year reflect **lower replacement counts** than those recommended in Tables E-4 to E-6 of the ACA (and supporting Options Analysis report).<sup>28</sup> This deliberate reduction helps mitigate Test Year rate impacts while ensuring we continue to maintain the safety of our customers and the reliability of our system by focusing only on the most critical renewal needs. Additionally, reactive renewal additions in the Test year are forecast to be approximately 8% lower than the Historical period, accounting for benefits of proactive programs and shifting the risks of higher than forecast reactive additions away from our customers and towards Oshawa Power.<sup>29</sup>
38. The proposed System Service net in-service additions in the Test Year total \$1,336,094. These investments support key modernization initiatives to enhance safety, reliability, operational flexibility, and system efficiency. Test Year investments focus on areas that maximize benefit to our customers.
39. The “3 New feeders MS9” project is vital for ensuring adequate system capacity availability to support ongoing customer growth and housing developments. While System Access investments provide the physical infrastructure to facilitate final interconnection to the distribution system, this System Service project ensures the upstream system can reliably serve that growth and alleviate existing constraints. Oshawa Power has strategically aligned the timing of this project with the City of Oshawa’s planned Conlin Road widening to further realize operational efficiencies and reduce cost burden on our customers.<sup>30</sup>

---

<sup>25</sup> ED-2002-0560, Electricity Distribution Licence, February 9, 2023.

<sup>26</sup> EB-2020-0048, Decision and Rate Order, February 18, 2021, at pg. 4.

<sup>27</sup> Application and Evidence, Exhibit 2, DSP Appendix H.

<sup>28</sup> Application and Evidence, Exhibit 2, DSP Appendix C, at pg. 10.

<sup>29</sup> Exhibit 2 IR Responses, 2-AMPCO/VECC-43(e).

<sup>30</sup> Application and Evidence, Exhibit 2, DSP Appendix B, at pg. 71-75.

40. Oshawa Power's implementation of the asset management software to digitize and improve data quality and inputs, as recommended in METSCO's Asset condition Assessment,<sup>31</sup> is planned such that the process can mature ahead of the next rate application
41. Oshawa Power's approach to Non-Wires Solutions (NWS)<sup>32</sup> reflects alignment with the OEB's expectations to incorporate NWS considerations where feasible to defer or offset traditional infrastructure investments. This approach shows long-term, customer-centric approach to managing system needs and mitigating rate impacts.
42. Oshawa Power's overall system service in-service additions in the Forecast period is **significantly lower** than the Historical period, managing rate impact while continuing to uphold safety and reliability that our customers have affirmed as top priorities.<sup>33</sup>
43. The proposed General Plant net in-service additions in the Test Year are \$1,679,900. These are required to support operational, technological and customer service functions, including facilities, fleet, office system, and IT infrastructure, including hardware and software upgrades. Not included in the DSP, but falling into the General Plant category, is Oshawa Power's new Consolidated Operational and Administrative building, which is expected to come into service in 2027.
44. As noted in Undertaking J2.6, capital IT spend in the forecast period is markedly lower than in the previous period, even when excluding inflation and the CIS project in 2025. End user, enterprise server, and SCADA Hardware/software upgrade projects are scheduled to replace end-of-life assets as per the Asset inventory and according to cyber security and operational best practices. Data classification, retention and security gaps will begin to be addressed with the Records Management Project, again, keeping in line with Cyber Security Frameworks and best practices.
45. Almost all of the remaining capital spend is dedicated to projects stemming from the Business Transformation Plan, aimed primarily at creating capacity and modernizing the organization, and at improving the customer experience: System Automation, and the various Enhancement projects are largely to streamline and move to paperless processes, as well as to be able to react to market and regulatory changes. Website and Customer facing projects are to improve customer communication and work on introducing AI powered interaction workflows. These are described in the Business Transformation Plan filed with the application. In keeping with minimizing the spend, there is no money set aside for innovation, non-core utility software, or any major future unforeseen technology projects. We have focused exclusively on what must be done to keep the business running, what is required to improve lacking customer facing areas, and what must be done to support the modernization of the utility to create much needed capacity.

---

<sup>31</sup> Application and Evidence, Exhibit 2, DSP Appendix C.

<sup>32</sup> EB-2024-0118, Non-Wires Solutions Guidelines for Electricity Distributors, March 8, 2024.

<sup>33</sup> Application and Evidence, Exhibit 1, Attachment 1-10.

**A.2 Risk Assumed and Further risks of lower Test Year in-service additions**

46. Oshawa Power’s capital planning process used an envelope-based approach,<sup>34</sup> whereby Finance and Operations jointly established an annual capital expenditure envelope that reflects both operational needs and overall financial viability. In developing this envelope, Oshawa Power explicitly considered the funding requirements for the Consolidated New Administrative and Operational Facility, including the associated rate impacts, which is discussed in detail in Issue 7.3 below.
47. Excluding projects or programs within the four OEB-defined investment categories, each of which directly supports the outcomes of the Renewed Regulatory Framework (RRF) for electricity, without evaluating the risks of such omissions would be imprudent. The need for a new facility does not eliminate or reduce the ongoing requirements to maintain the integrity, safety, and reliability of the distribution system. Accordingly, Oshawa Power established a framework consisting of three tiers: Mandatory, Critical, and Vital projects, as set out in Attachment 2-11 of the Exhibit 2 Interrogatory responses, to manage investments within established envelopes. Through this disciplined process, Oshawa Power has already assumed the full risk associated with omitting approximately \$44 million of capital needs from the Forecast period.
48. Furthermore, in order to mitigate Test Year rate impact, Oshawa Power has assumed additional risk beyond what is mentioned above, by shifting several projects out of the Test Year. Examples include:
- (a) Excluding \$1,352,400 in net in-service additions related to third-party relocations, despite third-party confirmations around completion by the end of 2026. This is evidenced in Attachment 2-8 of the Exhibit 2 Interrogatory Responses, compared to the actual Test Year inclusions shown in Appendix 2-AA.
  - (b) Reduction of forecast reactive renewal in-service additions by 8% compared to the Historical period.
  - (c) Deferring multiple proactive renewal programs, including quick sleeve replacements, Firon switch replacements, porcelain switch and insulator replacements, overloaded transformer replacements, distribution switchgear replacements, and distribution system lock replacements. These deferrals help offset rate impacts from larger, more complex renewal programs such as the Municipal Station switchgear replacements and the 3 New Feeders MS9 project. Distribution automation project – OH Automated self-healing switches, is also shifted to a 2028 commencement.
  - (d) Further reductions to the Test Year in-service additions would increase risks beyond prudent risk tolerance to both our customers and the distribution system.

---

<sup>34</sup> T1P110L11-17.

Oshawa Power is already planning to renew fewer assets than recommended in the Asset Condition Assessment, and any additional cuts would create a growing backlog of deteriorating assets. This ultimately shifts unavoidable work into future applications, resulting in larger and more abrupt rate increases for our customers. Reducing renewal work further would place our system beyond acceptable risk tolerance and compromise reliability which is an outcome our customers have consistently identified as their top priority. Reliability and safety are also not mutually exclusive. Allowing reliability to decline increases the potential for safety incidents both at the system level and at the customer interface.

49. Additional cuts would also risk non-compliance with core regulatory obligations, including Measurement Canada requirements, Ontario Regulation 22/04 safety standards, and OEB expectations for timely and efficient customer connections under the Distribution System Code. Insufficient System Access or System Service investment would hinder Oshawa Power's ability to support housing developments, an area repeatedly emphasized as a top provincial priority, and could create utility-driven delays or bottlenecks in servicing growth.
50. Moreover, reductions in system service would undermine the long-term ability of Oshawa Power to support customer decarbonization and electrification efforts. Proper planning, modernization, and the maturing of Non-Wires Solutions are necessary to defer costly traditional infrastructure investments in the future. If these enabling investments are neglected, customers will face higher long-term costs and reduced flexibility. Likewise, organizational and system-betterment initiatives are essential to maintaining a manageable O&M burden while creating capacity and ensuring that customer interactions with Oshawa Power remain efficient and responsive.<sup>35</sup>

### **A.3 Improvements to Distribution System Planning Process**

51. In accordance with direction from the OEB's Decision and Order on its 2021 cost of service application, Oshawa Power has improved its DSP planning framework, including:
  - (a) Enhancement to its asset condition assessment methodology using a more comprehensive, multi-faceted Health Index for more accurate condition assessments and incorporation of risk-based asset prioritization. This ensures assets exceeding risk tolerance thresholds are prioritized for replacement.
  - (b) Better alignment of Oshawa Power's planning process with the long-term- needs and expectations of key third-party stakeholders including customers, municipal and regional governments, broadband service providers, transit agencies, transmission providers, developers, and other key industry participants.

---

<sup>35</sup> T1P42L20-24.

- (c) Development of a risk prioritization tool, guided by the Strategic Asset Management Plan, to optimize resource allocation across all investment categories by comparing projects by risk and impact.
- (d) Exploration of non-wires solutions in accordance with the OEB's Non-Wires Solutions Guidelines for Electricity Distributors (EB-2024-0118), with several projects proposed to defer or avoid traditional investments infrastructure to meet future demand.

***B. Issue 1.2 – Are the proposed rate base and depreciation amounts appropriate?***

- 52. Oshawa Power's 2026 Test Year rate base is \$183,960,315, which is an increase of 25% compared to 2021 OEB-approved rate base.
- 53. The increase in rate base is primarily based on a 26% increase in fixed assets, primarily due to 1) System Renewal spending to improve system reliability and mitigate customer outage impacts, including overhead and underground system rebuilds and reactive work from emergency repairs and 2) System Access spending to connect customers and support third-party driven relocations. There has also been an increase to the working capital allowance component of 16% due to increase cost of power and controllable expenses since 2021 OEB-approved amounts.
- 54. Oshawa Power is requesting an increase in the depreciation expense of 53% primarily due to continued investments to serve customers, including hardware and software that depreciates more quickly than other assets.
- 55. In the partial settlement proposal, filed on September 22, 2025, Parties agreed to the working capital and depreciation methodology, but not the amounts of each which are contingent on the OEB's determination of issues 1.1 and 2.1, and have not agreed on any other aspect of rate base.
- 56. For greater certainty, the settlement proposal identified that the Parties agreed to use the proposed asset service lives consistent with Appendix 2-BB for the purposes of calculating Depreciation Expense, but did not agree on the opening balance of 2026 rate base, the amount of 2026 capital additions, and the closing balance of 2026 rate base.

**V. OM&A**

***A. Issue 2.1 – Are the proposed OM&A expenditures appropriate?***

- 57. Oshawa Power is seeking approval of a \$22,271,990 OM&A budget for the 2026 Test Year, which is an increase of 60.6% increase over the 2021 OEB approved amount.<sup>36</sup> The

---

<sup>36</sup> T1P46L20-24.

variances from the 2021 OEB approved amount were summarized in Table 4-2 from Exhibit 4 and explained throughout that exhibit.

**Table 0.A – Recoverable OM&A Cost Driver Table – 2021 to 2026 Variations**

Cost Driver	Amount
<b>2021 OEB-approved OM&amp;A</b>	<b>\$ 13,866,092</b>
Labour & Benefits	\$ 4,366,376
Subcontract Services	\$ 1,850,984
Software and Hardware Fees	\$ 745,669
Bad Debt Provision	\$ 744,464
Other	\$ 189,267
Insurance	\$ 143,514
OEB Regulatory Fees	\$ 135,785
Management Fees	\$ 125,972
Rent	\$ 79,486
LEAP Donations	\$ 78,784
Materials	\$ 43,277
Communications	\$ 38,044
Audit & Legal	\$ 4,391
Consulting	-\$ 40,594
Training	-\$ 43,332
Safety Supplies	-\$ 56,190
<b>2026 Test Year OM&amp;A</b>	<b>\$ 22,271,990</b>
<b>2021 to 2026 increase</b>	<b>60.6%</b>

58. Oshawa Power recognizes that this is a significant increase, however this represents the level of operational risk management believes best meets customer demands and maintains expected service levels while allowing the utility to earn a fair return to ensure financial viability.<sup>37</sup> Oshawa Power submits that, for the reasons set out in its examination-in-chief and as more fully articulated below, the proposed OM&A expenditures are appropriate.
59. Oshawa Power established a new senior management team focused on business transformation to create additional capacity in a workforce that is currently too lean.<sup>38</sup> One of the key challenges facing management is high turnover rates (on average about 15%)<sup>39</sup> and difficulty in attracting and retaining staff, especially since Ontario Power Generation relocated to Oshawa.<sup>40</sup> Another aspect of the business transformation program aims to use innovative approaches to building additional capacity through digitization, modernization, and automation, such as the proposed projects like ERP implementation, CIS, and paperless field initiatives.<sup>41</sup>

---

<sup>37</sup> T1P46L25 to T1P47L4.

<sup>38</sup> T1P39L8-14.

<sup>39</sup> IR Response 4-AMPCO-139.

<sup>40</sup> T1P79L5-10; T1P173L3-8.

<sup>41</sup> T1P39L23 to

**A.1 Oshawa Power’s Historical OM&A Spending**

60. In 2023, Oshawa Power had lower OM&A spending per customer when compared to LDCs of similar geography, size, and cohort status. Its benchmarking against its Cohort II peers is shown below.

**Table 1 -- 2021-2023 OM&A Per Customer Compared to Other Cohort II LDCs**

OM&A Costs Per Customer			
LDCs In Cohort (Group II)	2021	2022	2023
Fort Frances Power Corporation	\$ 447	\$ 487	\$ 547
Hydro 2000 Inc.	\$ 411	\$ 455	\$ 480
Rideau St. Lawrence Distribution Inc.	\$ 398	\$ 449	\$ 456
Lakeland Power Distribution Ltd.	\$ 345	\$ 384	\$ 402
Centre Wellington Hydro Ltd.	\$ 332	\$ 365	\$ 373
Niagara Peninsula Energy Inc.	\$ 326	\$ 342	\$ 354
Tillsonburg Hydro Inc.	\$ 363	\$ 355	\$ 346
Niagara-on-the-Lake Hydro Inc.	\$ 330	\$ 343	\$ 343
Burlington Hydro Inc.	\$ 312	\$ 321	\$ 343
EPCOR Electricity Distribution Ontario	\$ 314	\$ 336	\$ 318
Newmarket-Tay Power Distribution	\$ 286	\$ 315	\$ 308
Kingston Hydro Corporation	\$ 251	\$ 292	\$ 299
GrandBridge Energy Inc.	\$ 297	\$ 303	\$ 298
Westario Power Inc.	\$ 280	\$ 325	\$ 270
<b>Oshawa PUC Networks Inc.</b>	<b>\$ 224</b>	<b>\$ 239</b>	<b>\$ 256</b>
<b>Average of Total</b>	<b>\$ 328</b>	<b>\$ 354</b>	<b>\$ 360</b>
<b>Average Excluding Oshawa Power</b>	<b>\$ 335</b>	<b>\$ 362</b>	<b>\$ 367</b>

61. Even with the increase to OM&A proposed for 2026 in this Application, Oshawa Power’s OM&A cost per customer in 2026 will still be lower than the average of Cohort II LDCs in 2023, ignoring any rate increases these LDCs will experience between 2023 and 2026.

**Table 2 – 2024 Actual and Forecast 2025-2026 OM&A Per Customer**

Oshawa Power	2024 Actuals	2025 Bridge	2026 Test
OM&A Cost per Customer	\$ 298	\$ 312	\$ 345

62. Following the establishment of a new senior management team in 2023, Oshawa Power began modernizing its systems while continuing to meet customer needs and regulatory

requirements. As Ms. Bennett explained in her opening statement at the beginning of the Oral Hearing, these efforts by the new management team included:<sup>42</sup>

- (a) Creation of the 2025-2030 New Strategy and 2026-2030 Business Plan.
- (b) Overhaul of the Conditions of Service document after 21 years.
- (c) Implementation of an HR software (Dayforce) to improve staff time coding and cost categorization.
- (d) Negotiation of a new collective bargaining agreement for unionized staff.
- (e) Heightened collections efforts to reduce the growth of bad debt.
- (f) Ensuring customers have access to programs such as the Low-income Energy Assistance Program, Ontario Electricity Support Program and the new Save on Energy programs.
- (g) Initiated planning for non-wires solutions to effectively reduce future infrastructure costs needed to meet new customer demand.
- (h) Preparation of this Application by a staff team with no experience from the previous rebasing, including the development of the 2026-2030 Distribution System Plan as described by Mr. Weatherbee.

63. This level of activity led to significant overtime for Oshawa Power’s staff, as well as burnout as cited in exit interviews. Oshawa Power’s return on equity also dropped below its deemed return on equity of 8.34% by more than 300 basis points.

**Table 3 – Historical Return on Equity**

Return on Equity	2021	2022	2023	2024
<b>Achieved (%)</b>	7.98%	8.96%	9.50%	4.70%

**A.1.1 Labour Costs – Resource Optimization Review & Alignment to Industry Averages**

64. Oshawa Power leveraged a Resource Optimization Review (RoR) conducted by expert consultant Ms. Galli to inform its workforce plan. The RoR identified that Oshawa Power’s structure in 2024 was too lean for the size and scope for the business, which could result

---

<sup>42</sup> T1P35L15 to T1P45L20.

in the inability to meet targets and execute the organization’s strategic plan, including meeting customer needs.<sup>43</sup>

- 65. The RoR found that Oshawa Power served the most customers per full-time equivalent (FTE) employee compared to mid-sized LDC comparators, and served among the top 10 highest number of customers per FTE when compared to all Ontario LDCs.
- 66. The RoR recommended adding several roles to right size its technical workforce and for succession planning. Oshawa Power carefully reviewed these recommendations as inputs into its workforce plan. See Table 4 for the RoR’s trades and technical workforce recommendations and Oshawa Power’s response to each.

**Table 4 – Management Response to Trades & Technical Workforce Recommendations**

Role	Justification & Management Response
2 PME Apprentices (hired in 2025 and 2026)	<p>New apprentices are needed to support a new Stations and Protection &amp; Control Department, given lead time to full competency is approximately five years. There has been limited turnover in the PME team and it was assumed this would continue through 2030.</p> <p><b>Management Response:</b> Oshawa Power has included two PME apprentices in its 2026 Test Year OM&amp;A budget.</p>
14 PLT Apprentices (hired in total from 2025-2030)	<p>Oshawa Power has a near-term requirement of eight PLTs. Given the difficulty in hiring fully qualified PLTs, re-investment in a PLT apprentice program in 2025 was recommended, hiring 2-3 new apprentices each year between 2025-2030.</p> <p><b>Management Response:</b> While ideal, this level of annual hiring for apprentices is not feasible for Oshawa Power. In addition, Oshawa Power has found opportunities to hire fully qualified PLTs. Since the recommendation was made, Oshawa Power has hired one PLT and one PLT apprentice, and plans to hire an additional PLT and PLT apprentice in 2026.</p>
PLT Supervisor	<p>Oshawa Power had one PLT supervisor nearing retirement age managing 12 PLTs. The study recommended addition of one PLT supervisor for succession planning and to support less experienced staff including incoming apprentices.</p> <p><b>Management Response:</b> Given Oshawa Power has not fully implemented the recommendation on the number of apprentices to be hired, and as well, has been able to hire qualified PLTs, it has not included any new PLT supervisors in its 2026 Test Year forecast beyond the PLT sub-forepersons already on staff.</p>

- 67. The RoR also recommended adding several roles to its non-trades workforce, and similarly, these were considered in Oshawa Power’s workforce planning, including prioritizing roles that impacted organizational risk. See Table 5 for the RoR’s management and professional workforce recommendations and Oshawa Power’s response to each.

<sup>43</sup> Application and Evidence, Exhibit 4, Attachment 4-1, at pg. 57.

**Table 5 – Management Response to Management & Professional Staff**

Role	Justification & Management Response
Learning and Development/Change Management Specialist	<p>This role would support implementation of and optimization of business processes &amp; systems, with a focus on developing &amp; delivering leadership, technical and upskill-focused training based on identified skill and competency gaps.</p> <p><b>Management Response:</b> This role is not needed at this time, but will be reconsidered to support change management initiatives in 2027 onwards. Therefore this position has not been included in the 2026 Test Year forecast.</p>
Cyber Security Analyst	<p>As the LDC becomes more reliant on digital infrastructure and data, cybersecurity measures need to be robust and adapt to the changing landscape. This dedicated resource will ensure continued compliance with the OEB's cybersecurity framework, management of cyber threats, risk management, status reporting, security audits and vulnerability assessments.</p> <p><b>Management Response:</b> Implementing this new role in 2026 to support cybersecurity risk management.</p>
Financial Analyst	<p>This role will provide capacity building with a focus on budgeting/forecasting, build financial acumen and instrumental in supporting the ERP implementation scheduled for 2027.</p> <p><b>Management Response:</b> Implementing a Senior Financial Analyst 2026 adjusted role to address these areas.</p>
Supply Chain Management Analyst	<p>Supply chain management with the organization requires centralization, process improvement consistent with best practices and strategic sourcing. This role will also support the ERP implementation as a functional expert.</p> <p><b>Management Response:</b> Implementing this role in 2026.</p>
Business Systems Analyst	<p>This role will design, maintain, test and oversee information technology and act as a bridge between IT and business teams.</p> <p><b>Management Response:</b> Implementing this Business Analyst role in 2026.</p>
Project Manager	<p>Continue to help build the Project Management Office expertise and support organizational projects in all areas.</p> <p><b>Management Response:</b> Hired this role in late 2024 to support the numerous organizational projects currently ongoing.</p>
Supervisor, Customer Experience	<p>In response to customer feedback through the customer engagement survey, this role will need to address escalated calls, training &amp; development of outsourced customer service agents and ability to speak to a live agent.</p> <p><b>Management Response:</b> Hired this role in late 2024 to support Customer Service after the departure of the Manager, Customer Service.</p>
Director, Engineering and Operations	<p>The current Managing Director is of retirement age, leading a relatively inexperienced engineering team. This new role will support management and growth of the engineering team and succession planning for the Managing Director in the medium term.</p> <p><b>Management Response:</b> Anticipated to be filled in 2025 to support both execution of the 2026-2030 DSP as well as longer-term succession planning.</p>
GIS Analyst	<p>New dedicated GIS role to take on with work being managed by a manager and co-op students, focusing on maintaining and managing GIS data, creating dashboards, reports, and analyses.</p> <p><b>Management Response:</b> Implementing this role in 2026.</p>
Senior. IT Analyst	<p>This role will focus on troubleshooting and technical support for IT systems and escalations.</p> <p><b>Management Response:</b> After evaluation of staffing needs, this position was put on hold until further notice given other, higher priority hiring in the IT department. Therefore this position has not been included in the 2026 Test Year forecast.</p>

68. In addition, Oshawa Power has worked to align its compensation levels for all roles to industry averages to better attract and retain staff. A third-party review of the organization's management compensation system was completed in 2023 by the Korn Ferry group. These increases were particularly important given competition for staff with organizations such as Ontario Power Generation, Elexicon, Hydro One, and Toronto Hydro.

#### **A.1.2 Labour Costs – Other**

69. Several roles were created after 2023 outside the RoR to address key areas. These included:
- (a) **Director, Regulatory & Commercial Affairs** – This role was created in 2024 to lead a newly established Regulatory Department to increase the organization's focus on regulatory compliance and rate applications, as well as enhance its interaction with regulatory and governmental bodies given the increasing pace of regulatory and policy evolution.
  - (b) **Manager, Distribution Design & System Planning** – This role was added in 2024 to focus on system capacity planning, design and reliability improvement, replacing an engineering in training.
  - (c) **Governance Manager** – This role is required in 2026 to facilitate strong corporate governance, internal controls and risk management within the organization. This role reflects a proactive approach in managing risks both financial and non-financial, in addition to continuing efforts in proper execution of governance and compliance.
  - (d) **PC/SCADA Technician** – This role is required in 2026 as Oshawa Power continues to expand its smart grid technologies and prepare for the electrification and anticipated increased demand on the grid. Effective protection and control of grid devices is becoming more demanding and now requires added focus beyond Oshawa Power's current practice of utilizing its Control Room staff coupled with its PME team to manage all P&C/SCADA programming and administration.
70. There were also several student roles created throughout the organization as part of the organization's partnerships with local colleges and universities.

#### **A.1.3 Security, Insurance OEB Assessment Fees**

71. Security patrol and monitoring, subcontracted to a local security company, was needed to address copper thefts and unauthorized access at Oshawa Power's substations. This has drastically decreased theft and reduced any reactive capital expenses that would have been incurred in the replacement of stolen copper.

72. Insurance costs, comprised of liability and property insurance required to protect the organization and its assets throughout its daily operations, have increased due to inflation and asset growth.
73. OEB Assessment fees have increased annually at a higher rate than in previous periods.

#### **A.1.4 Customer Success & Collecting – Bad Debt Management, Collections, Call Centre**

74. Incremental effort has been required to manage bad debt and collections which is comprised of an increase in subcontractor costs related to collections and the call centre, an increase in the bad debt expense, and the new Director, Meter-to-Cash role.
75. Oshawa Power outsourced its call centre in March 2024 eliminating in-house customer service representatives to a third party with better flexibility and agility in managing call seasonality by ramping resources up or down as needed.
76. Oshawa Power began executing its focused plan to collect more outstanding customer bad debt in 2024 after halting disconnections for both residential and commercial customers in 2020 with gradual increasing collection activities and resuming disconnection of residential customers at reduced levels in 2022 and 2023. In April 2024, as a result of increasing outstanding customer debt despite the efforts to date, increased collections activity was undertaken to curb the growth of bad debt in Oshawa Power's service territory. This increased collection activities led to higher call volumes, requiring additional investment in the outsourced call centre to increase the number of agents beginning in 2025.
77. In addition, in 2026 Oshawa Power is proposing to double its contribution in the Low-income Energy Assistance Program (LEAP) Emergency Financial Assistance based on need for the fund identified in 2024. Collections activities include ensuring qualifying customers with outstanding debt are able to access LEAP, with the 2026 contribution based on actual disbursement levels required to meet the need in 2023 and 2024.
78. The bad debt expense is an annual provision for losses on accounts receivable which may have become uncollectible despite exhaustive collection efforts. With the increase collections activity planned for the 2025 and 2026 collection seasons, Oshawa Power anticipates that the growth in the bad debt expense will begin to decrease in 2026 compared to 2024.
79. The Director, Meter-to-Cash role was established in 2025 in response to customer engagement results to lead improvements to customer service, including the call centre, and optimization of collections to reduce outstanding customer debt.

### **A.1.5 Cybersecurity, Software & Hardware**

80. As a result of rapid innovation, Oshawa Power is experiencing incremental costs related to the implementation of comprehensive cybersecurity controls to meet the OEB's cyber security requirements.
81. Additional software and hardware fees were also a significant driver based on the technology upgrades described by Mr. Yackoub during the opening statements of the oral hearing. This included new subscriptions or SaaS software (office, phone system), as well as operational software required including SCADA licensing, Green Button customer portal, engineering analysis software and Dayforce.

### **A.2 OM&A Adjustments to Formulaic Approach**

82. While Oshawa Power submits it justified the increases to the OM&A budget through a detailed account of the key drivers as summarized in section A.1 above and in Exhibit 4 application, evidence and interrogatory responses regarding OM&A costs, the proposed OM&A budget for 2026 is justified even on a formulaic basis. Oshawa Power notes that a formulaic approach may not be appropriate in this case as it ignores:
- (a) the evidence of employee up to 25% turnover in a single year and lean workforce;<sup>44</sup>
  - (b) an expert report from Ms. Galli justifying increases to the workforce complement;<sup>45</sup>
  - (c) a Korn Ferry Compensation Market Analysis evidencing benchmarking of Oshawa Power salaries;<sup>46</sup> and
  - (d) material cost increases that have resulted from COVID.<sup>47</sup>
83. At the beginning of the Oral Hearing, Ms. Tang acknowledged the increase in OM&A budget and the use of a formulaic approach to assess the reasonableness of an applicant's OM&A increase. Ms. Tang highlighted several adjustments to be considered if the formulaic approach was to be used, including a base year no earlier than 2023 should be used, as well as adjustments for costs that were beyond management's control but must be addressed to prudently manage risks.<sup>48</sup>
84. In response to undertaking J2.11, Oshawa Power provided Ms. Tang's calculation of OM&A and necessary adjustments. Those adjustments are described in more detail below.

---

<sup>44</sup> IR Response 4-AMPCO-139.

<sup>45</sup> Exhibit 4, Attachment 4-1.

<sup>46</sup> Exhibit 4 IR Responses, Attachment 4 – 5.

<sup>47</sup> T1P47L15-20.

<sup>48</sup> T1P47L15-20.

**Table 6 – Adjustments to Formulaic Approach**

	2023	2024	2025	2026	Note	
<b>OM&amp;A</b>	<b>\$ 15,764,108</b>	<b>\$ 16,607,374</b>	<b>\$ 17,220,525</b>	<b>\$ 17,915,029</b>	(1)	
Labour (recommended by Resource Optimization Review/P50)		318,229	784,908	1,574,071	(2)	
Labour (before or outside of Resource Optimization Review)		1,128,364	1,665,292	1,959,602	(3)	
Subcontractor - Security Patrol		27,130	27,062	25,712	(4)	
OEB Assessment Fees (incremental from approved)		30,052	65,147	61,888	(5)	
Insurance (incremental from approved)		981	35,191	30,772	(6)	
Bad debt management and collections (incremental effort)		697,625	477,373	845,874	(7)	
Call Center support (incremental effort)		385,682	306,070	556,280	(8)	
Cyber Security (incremental external costs)		28,389	79,296	105,186	(9)	
Software/Hardware migrated to subscription model		43,348	170,000	154,250	(10)	
Required operational software		192,186	273,360	280,162	(11)	
<b>Total</b>	<b>15,764,108</b>	<b>19,459,361</b>	<b>21,104,225</b>	<b>23,508,828</b>		
Total incremental adjustment	-	2,851,986	3,883,700	5,593,799		
<b>Note</b>						
(1) 2023 reflects actual OM&A spent; 2024-2026 calculated OM&A based on formulaic adjustment described below.						
<b>Formulaic Calculation</b>						
<b>Calculation Inputs</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Inflation (assume 2025 is the same as 2024 published)	2.20%	3.30%	3.70%	4.80%	3.60%	3.60%
Customer # (Appendix 2-L/IRR Table 4-5)	59,955	60,629	61,915	62,899	63,245	64,083
Customer growth x 0.44 (PEG empirical research in support of incentive rate-setting benchmarking report "For each 1% change in number of customers, cost was estimated to change by 0.44%.")		0.49%	0.93%	0.70%	0.24%	0.58%
Stretch (Cohort II)	-0.15%	-0.15%	-0.15%	-0.15%	-0.15%	-0.15%
Formulaic Adjustment	2.05%	3.64%	4.48%	5.35%	3.69%	4.03%
(2) New roles included based on Resource Optimization Review (Refer to Ex. 4 IRR Tables 4-53, 4-54 and 4-55) and alignment to industry averages						
(3) New roles created prior or outside of Resource Optimization Review (Refer to Ex. 4 IRR Tables 4-53, 4-54 and 4-55), for example, PC/SCADA for grid expansion and monitoring, Manager, Distribution design & system planning to support on-going system planning, and Director, Regulatory & Commercial Affairs to meet increasing regulatory						
(4) Security patrol costs incurred to monitor copper theft and safety (Refer to Ex. 4 IRR 4-x-118 and Ex. 4 IRR Tables 4-9); figures represent incremental costs in excess of 2023 actual plus inflation for each of 2024, 2025 and 2026.						
(5) Incremental increases in regulatory fees (Ex. 4 IRR 4-x-140) - figures represent incremental costs in excess of 2023 actual plus inflation for each of 2024, 2025 and 2026.						
(6) Incremental increases in insurance to reflect incremental premium based on asset growth - figures represent incremental costs in excess of 2023 actual plus inflation for each of 2024, 2025 and 2026.						
(7) Incremental effort required to manage bad debt and collections (Refer to Ex. 4 IRR 4-x-150) and additional Director, Meter-to-Cash for on-going monitoring - figures represent incremental costs in excess of 2023 actual plus inflation for each of 2024, 2025 and 2026.						
(8) Incremental effort required to manage higher than anticipated volume (Refer to Ex. 4 IRR 4-x-160 and Ex. 4 IRR Tables 4-9) - figures represent incremental costs in excess of 2023 actual plus inflation for each of 2024, 2025 and 2026.						
(9) Incremental costs relating to cyber security requirements (Refer to Ex. 4 IRR 4-x-135 part a/e) - figures represent incremental costs in excess of 2023 actual plus inflation for each of 2024, 2025 and 2026.						
(10) New Subscription or SaaS Software/Hardware (Office, Phone System)						
(11) Operational software required including SCADA Licensing, Green Button Customer Portal, Engineering Analysis software and Dayforce)						

### A.2.1 Formulaic Base Year Not Before 2023

85. Oshawa Power’s last rebasing application had a 2021 Test Year, a year after the start of the COVID-19 pandemic. As Oshawa Power described in the Application and in response to interrogatories, Oshawa Power experienced a decrease in OM&A labour due to the pandemic, the inability to attract and retain employees, and supply chain disruptions in that year and the year following.
86. In 2023, Oshawa Power started to recover its staffing numbers and resume a normal level of activity given the conclusion of the pandemic. For this reason, the formulaic approach should not use a historical base year earlier than 2023.

**B. Issue 2.2 – Is the proposed shared services cost allocation methodology and the quantum appropriate?**

87. Oshawa Power provides and receives services based on market or on a fully allocated cost basis in accordance with its Services Agreements with its affiliates, in accordance with the OEB’s Affiliate Relationship Code. The shared services are as follows for 2025 and 2026 as shown in Tables 7 and 8 below.

**Table 7 – 2025 Shared Services & Corporate Cost Allocation**

Year:

**Shared Services**

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			\$	\$
Oshawa Power	OPUCES	Strategic Oversight	Fully Allocated Costs	\$137,533	\$137,533
Oshawa Power	OPUCES	Shared Finance Services	Fully Allocated Costs	\$100,127	\$100,127
Oshawa Power	OPUCES	Business Development Support	Fully Allocated Costs	\$43,921	\$43,921
Oshawa Power	OPUCES	Other Shared Services	Fully Allocated Costs	\$66,858	\$66,858
Oshawa Power	OPUCS	Strategic Oversight	Fully Allocated Costs	\$84,718	\$84,718
Oshawa Power	OPUCS	Shared Finance Services	Fully Allocated Costs	\$20,967	\$20,967
Oshawa Power	OPUCS	Other Shared Services	Fully Allocated Costs	\$40,883	\$40,883
Oshawa Power	OPUC	Strategic Oversight	Fully Allocated Costs	\$142,914	\$142,914
Oshawa Power	OPUC	Shared Finance Services	Fully Allocated Costs	\$44,427	\$44,427
Oshawa Power	OPUC	Other Shared Services	Fully Allocated Costs	\$22,335	\$22,335
Oshawa Power	2252112 Ontario Inc.	Admin Fees	Fully Allocated Costs	\$22,633	\$22,633
Oshawa Power	2825407 Ontario Inc.	Strategic Oversight	Fully Allocated Costs	\$173,516	\$173,516
Oshawa Power	2825407 Ontario Inc.	Shared Finance Services	Fully Allocated Costs	\$85,952	\$85,952
Oshawa Power	2825407 Ontario Inc.	Other Shared Services	Fully Allocated Costs	\$111,938	\$111,938
Oshawa Power	2825407 Ontario Inc.	Operational Support	Fully Allocated Costs	\$274,660	\$274,660
Oshawa Power	OPUCS	Joint Use Pole Rental	Market	\$50,680	\$50,680
Oshawa Power	OPUCS	Duct Fibre Optic Rental	Market	\$27,642	\$27,642
2825407 Ontario Inc.	Oshawa Power	Metering Services	Market	\$154,442	\$98,185
2825407 Ontario Inc.	Oshawa Power	Collection	Market	\$416,893	\$278,140
OPUCES	Oshawa Power	Customer Support	Fully Allocated Costs	\$121,261	\$121,261

**Corporate Cost Allocation**

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	\$
OPUC	Oshawa Power	Management Services	Cost Based	73.0%	\$501,129

**Table 8 – 2026 Shared Services & Corporate Cost Allocation**

Year: 2026

**Shared Services**

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			\$	\$
Oshawa Power	OPUCES	Strategic Oversight	Fully Allocated Costs	\$137,533	\$137,533
Oshawa Power	OPUCES	Shared Finance Services	Fully Allocated Costs	\$100,127	\$100,127
Oshawa Power	OPUCES	Business Development Support	Fully Allocated Costs	\$43,921	\$43,921
Oshawa Power	OPUCES	Other Shared Services	Fully Allocated Costs	\$66,858	\$66,858
Oshawa Power	OPUCS	Strategic Oversight	Fully Allocated Costs	\$84,718	\$84,718
Oshawa Power	OPUCS	Shared Finance Services	Fully Allocated Costs	\$20,967	\$20,967
Oshawa Power	OPUCS	Other Shared Services	Fully Allocated Costs	\$40,883	\$40,883
Oshawa Power	OPUC	Strategic Oversight	Fully Allocated Costs	\$142,914	\$142,914
Oshawa Power	OPUC	Shared Finance Services	Fully Allocated Costs	\$44,427	\$44,427
Oshawa Power	OPUC	Other Shared Services	Fully Allocated Costs	\$22,335	\$22,335
Oshawa Power	2252112 Ontario Inc.	Admin Fees	Fully Allocated Costs	\$22,633	\$22,633
Oshawa Power	2825407 Ontario Inc.	Strategic Oversight	Fully Allocated Costs	\$173,516	\$173,516
Oshawa Power	2825407 Ontario Inc.	Shared Finance Services	Fully Allocated Costs	\$85,952	\$85,952
Oshawa Power	2825407 Ontario Inc.	Other Shared Services	Fully Allocated Costs	\$111,938	\$111,938
Oshawa Power	2825407 Ontario Inc.	Operational Support	Fully Allocated Costs	\$274,660	\$274,660
Oshawa Power	OPUCS	Joint Use Pole Rental	Market	\$50,680	\$50,680
Oshawa Power	OPUCS	Duct Fibre Optic Rental	Market	\$27,642	\$27,642
2825407 Ontario Inc.	Oshawa Power	Metering Services	Market	\$154,442	\$98,185
2825407 Ontario Inc.	Oshawa Power	Collection	Market	\$416,893	\$278,140
OPUCES	Oshawa Power	Customer Support	Fully Allocated Costs	\$121,261	\$121,261

**Corporate Cost Allocation**

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	\$
OPUC	Oshawa Power	Management Services	Cost Based	73.0%	\$501,129

88. Ms. Filion highlighted in her examination in chief that two costs had been inadvertently omitted from the 2025 Shared Services table related to the implementation of the new Customer Information System (CIS).
89. Following interrogatories and after the Motion hearing on September 29, 2025, Oshawa Power provided its Cost Allocation model for shared employees showing costs and FTEs allocated to affiliates. The model also provided FTE allocations per shared employee role for 2024 to 2026.
90. In response to the OEB’s Decision & Procedural Order No. 5, Oshawa Power also filed affiliate financial statements and all agreements and MOUs between Lakefront Utilities and Oshawa Power and its affiliates. This included a service agreement between Lakefront Utilities and Oshawa Power’s affiliate 2825407 Ontario Inc. that started on October 15, 2024.
91. Through an undertaking at the Oral Hearing, Oshawa Power confirmed that 2825407 Ontario Inc. has incurred a net loss in its contract with Lakefront as of September 30, 2025.

**VI. COST OF CAPITAL, PILS, AND REVENUE REQUIREMENT**

***A. Issue 3.2 – Is the proposed PILs (or Tax) amount appropriate?***

92. Oshawa Power leveraged the 2026 version of the Income Tax/PILS Workform provided by the OEB, issued on February 5, 2025, and populated with the financial inputs to support the proposed 2026 revenue requirement.
93. In the partial settlement proposal, filed on September 22, 2025, Parties accepted Oshawa Power's proposed calculations of forecast PILs, subject to any adjustments arising from the OEB's decision on the unsettled issues, whereas the final results of the Income Tax/PILS model will be contingent on the OEB's determination of Issues 1.1 and 2.1.
94. For greater certainty, the settlement proposal identified that Oshawa Power will continue to follow the methodology used to calculate PILS based on the Income Tax/PILS model including consistency with Federal and Provincial requirements and the appropriate calculation of adjustments such as tax credits and Capital Cost Allowance.

***B. Issue 3.5 – Is the proposed calculation of the Revenue Requirement appropriate?***

95. Oshawa Power leveraged the 2026 version of the Revenue Requirement Workform (RRWF) provided by the OEB, issued on February 5, 2025, and populated with the financial inputs to support Oshawa Power's proposed OM&A costs, return on Rate Base, Depreciation and PILs for the 2026 Test Year. Oshawa Power confirms that its revenue requirement was properly calculated in accordance with the OEB's Filing Requirements.

**VII. LOAD FORECAST**

***A. Issue 4.1 – Is the proposed load forecast methodologies and the resulting load forecasts appropriate?***

96. Oshawa Power is seeking approval of its load forecast for the 2026 Test Year. The load forecast was developed using the same regression analysis methodology approved by the OEB in its 2021 cost of service application (EB-2020-0048), leveraging the most recent load forecast guidance in the OEB's Filing Requirements, including consideration of additional loads from electric vehicles and electric heating that are incremental to the load forecast using historic volumes only.
97. As per the updated Load Forecast Model included with the partial Settlement Proposal, the 2026 Test Year kW forecast is 1,111,579 kW or an increase of 0.4% from the 2021 OEB Approved, whereas the kWh forecast of 1,129,895,139 kWh represents an increase of 5.0% from the 2021 OEB Approved.
98. The changes to the load forecast can be explained by a 5.2% growth in customers and connections, primarily in residential and small general service customers. There has been

a slight decline in the number of commercial and industrial customers resulting in lower, but still positive, billed kW growth.

### **VIII. COST ALLOCATION, RATE DESIGN, AND OTHER CHARGES**

#### ***A. Issue 5.1 – Are the proposed cost allocation methodology, allocations, and revenue-to-cost ratios, appropriate?***

99. Oshawa Power leveraged the 2026 version of the cost allocation model provided by the OEB, issued on February 5, 2025, and populated with the cost data to support the proposed 2026 revenue requirement, customer and load data.
100. In the partial settlement proposal, filed on September 22, 2025, Parties accepted Oshawa Power's proposed cost allocation methodology, allocations, and revenue-to-cost ratios, subject to any adjustments arising from the OEB's decision on the unsettled issues, whereas the final results of the Cost Allocation model were not agreed to because the required financial inputs are not settled.
101. For greater certainty, the settlement proposal identified that Oshawa Power will continue to follow the cost allocation methodology described Exhibit 7 of its evidence and Section 2.7 of the Filing Requirements, and that changes to the cost allocation model will be limited to updating trial balance data according to the approved revenue requirement, and updating volumes, customer counts, and demand data according to the approved load forecast. Furthermore, revenues will be adjusted to move revenue-to-cost ratios within the OEB-approved ranges and additional revenue rebalancing to maintain revenue neutrality will be applied to the class(es) furthest away from unity, unless otherwise approved for rate mitigation purposes.

#### ***B. Issue 5.2 – Is the proposed rate design, including fixed/variable splits, appropriate?***

102. Oshawa Power is proposing to increase the fixed monthly charge for the Residential class by 19.5%.
103. The current fixed/variable split in distribution revenue was approved in the OEB's Decision and Order on Oshawa Power's 2021 cost of service application, which was based on forecast customer and connection counts, consumption and approved rates. The proposed fixed/variable proportions for the Residential, General Service < 50 kW, Street Lighting, and Unmetered Scattered Load rate classes were calculated by applying the existing approved distribution rates to the 2026 Test Year load forecast. The 2026 fixed charges of the General Service 50 to 999 kW, General Service 1,000 to 4,999 kW, Large Use, and Sentinel Lighting rate classes are set equal to the 2025 fixed charge as the charges calculated by applying the existing approved distribution rates to the 2026 Test Year load forecast resulted in rates that exceed the existing fixed charge and the maximum fixed charge calculated in the cost allocation model.

104. In the partial settlement proposal, filed on September 22, 2025, Parties accepted Oshawa Power’s proposal for rate design, including fixed/variable splits, as appropriate, subject to any adjustments arising from the OEB’s decision on the unsettled issues, whereas the final customer class Rate Design were not agreed to because the required financial inputs are not settled.
105. For greater certainty, the settlement proposal identified that Oshawa Power will continue to follow the rate design methodology described Exhibit 8 of its evidence and Section 2.8 of the Filing Requirements, and that existing fixed/variable splits will be maintained, unless a fixed charge exceeds the existing fixed charge and the maximum that is calculated in the cost allocation model.

**C. Issue 5.3 – Are rate mitigation proposals required and appropriate?**

106. The proposed bill impacts shown in the partial settlement proposal are as follows:

**Table 9 – Summary of Bill Impacts**

Rate Class	Sub-Total A		Sub-Total B		Sub-Total C		Total Bill	
	\$	%	\$	%	\$	%	\$	%
Residential	\$5.90	19.8%	\$4.62	13.7%	\$4.19	8.1%	\$4.18	3.2%
GS < 50 kW	\$12.49	19.9%	\$8.67	11.9%	\$7.54	6.4%	\$7.51	2.3%
GS 50-999 kW	\$161.45	19.9%	\$227.49	24.4%	\$206.50	10.9%	\$220.23	2.5%
GS 1,000-4,999 kW	\$1,154.13	21.7%	\$1,790.00	27.2%	\$1,521.88	8.0%	\$1,588.57	1.8%
Large Use >5MW	\$4,962.53	17.7%	-\$599.44	-2.1%	-\$2,064.39	-2.1%	-\$2,107.94	-0.4%
Street Lighting	\$0.73	19.6%	\$0.75	19.3%	\$0.74	16.6%	\$0.84	9.8%
Sentinel Lighting	\$3.33	32.5%	\$3.11	28.6%	\$3.06	23.0%	\$3.05	11.4%
USL	-\$2.94	-11.0%	-\$4.53	-14.6%	-\$5.00	-10.1%	-\$5.01	-3.6%

107. As of the settlement proposal, only the Sentinel Light rate class fell slightly above the threshold of 10% on the total bill. Oshawa Power is therefore not proposing specific rate mitigation. Should it be determined that rate mitigation is appropriate, Oshawa Power proposes to decrease the revenue-to-cost ratio for this rate class such that the distribution rate result in a bill increase of exactly 10%. The revenue-to-cost ratio for the Residential rate class, which is the only other rate class with a revenue-to-cost ratio below 100%, would be increased to maintain revenue neutrality in 2026. This adjustment would be reversed in 2027 such that Residential rates are not impacted on an ongoing basis.

**IX. DEFERRAL AND VARIANCE ACCOUNTS**

**A. Issue 6.1 – Are the proposals for deferral and variance accounts, including the balances in the existing accounts and their disposition, requests for new accounts, requests for discontinuation of accounts, and the continuation of existing accounts, appropriate?**

108. In the partial settlement proposal, filed on September 22, 2025, except for: i) Oshawa Power’s proposed disposition of Account 1508 – Other Regulatory Assets, Sub-account

GOCA (the “**GOCA DVA**”) and ii) the two proposed new distributor-specific deferral/variance accounts as set out in Oshawa Power’s interrogatory response to 1-SEC/Staff/CCC/PP/CCMBC/VECC-9(b)<sup>49</sup> and Attachment 1-4 of the Exhibit 1 Interrogatory Responses<sup>50</sup> (Account 1508 – Other Regulatory Assets, Sub-account Oshawa Power Avoided Rent Deferral Account (“**OPARDA**”) and Account 1508 – Other Regulatory Assets, Sub-account Oshawa Power New Facility OM&A Cost Variance Account (“**OPNFOCVA**”) (collectively the “**New Accounts**”), settlement was reached on the treatment and disposition of Group 1 and Group 2 deferral account balances as follows:

- (a) As set out at Exhibit 9, page 30 Oshawa Power has not yet decided whether to remain with on-premise approach or migrate to a cloud-based solution for the new ERP. Accordingly, Oshawa Power agrees to withdraw its request to establish a new distributor-specific deferral account, the Cloud Computing Implementation Costs Deferral Account, to record cloud computing implementation costs in order to transition from on-premise to a cloud-based solution. In consideration of the foregoing, should Oshawa Power elect to proceed with the implementation of a cloud-based solution prior to its next cost of service application, Oshawa Power may submit a request at that time to establish such an account, and the Parties may take whatever position they believe is appropriate on that account at that time. However, all Parties agree not to object that the request is in an IRM application or a standalone application rather than a rebasing application. Oshawa Power will discontinue the current generic account, Account 1511 – Cloud Computing Implementation Costs Deferral Account.
- (b) Oshawa Power shall dispose of Group 1 DVA balances of \$(97,229).
- (c) Oshawa Power shall dispose of Group 2 Account 1508 – Other Regulatory Assets, Sub-account OEB Cost Assessment Variance in the amount of \$115,101. Oshawa Power did not dispose of this balance in its prior cost of service application (EB-2020-0048) because it preferred to await audited balances before disposition (EB-2020-0048, Decision and Rate Order, February 18, 2021, Appendix B, page 35). The Parties agree that the 2020 materiality threshold of \$100,000 shall apply and, as a consequence of using the 2020 materiality threshold, this amount is material.
- (d) The balance of Account 1508 – Other Regulatory Assets, Sub-account ULO Implementation Costs is below the materiality threshold for this cost of service Application of \$195,000, and therefore the balance will be written off.
- (e) The balance of Account 1508 – Other Regulatory Assets, Sub-account LEAP EFA Funding Deferral Account is below the materiality threshold for this cost of service Application of \$195,000, and therefore the balance will be written off.

---

<sup>49</sup> Exhibit 1 IR Responses, 1-SEC/Staff/CCC/PP/CCMBC/VECC-9(b).

<sup>50</sup> Exhibit 1 IR Responses, Attachment 1-4 Draft Accounting Orders.

- (f) The balance of Account 1508 – Other Regulatory Assets, Sub-account Pole Attachment Revenue is below the materiality threshold for this cost of service Application of \$195,000, and therefore the balance will be written off.
- (g) The balance of Account 1508 – Other Regulatory Assets, Sub-account Retail Service Charges is below the materiality threshold for this cost of service Application of \$195,000, and therefore the balance will be written off.
- (h) The balance of Account 1592 – PILs and Tax Variance for 2026 and Subsequent Years – Sub-account CCA Changes is below the materiality threshold for this cost of service Application of \$195,000, and therefore, the balance will be written off.
- (i) The Parties agree to Oshawa Power’s proposed discontinuance of accounts and continuation of existing accounts as set out in the table below.

**Table 10 – Deferral and Variance Accounts to Continue/Discontinue/New as of January 1, 2026**

Account Description	USoA	Continue / Discontinue / New	Settlement Proposal
<b>Group 1</b>			
Smart Meter Entity Charge	1551	Continue	Settled
RSVA WMS	1580	Continue	Settled
RSVA WMS CBR Class A	1580	Continue	Settled
RSVA WMS CBR Class B	1580	Continue	Settled
RSVA Network	1584	Continue	Settled
RSVA Connection	1586	Continue	Settled
RSVA Power	1588	Continue	Settled
RSVA Global Adjustment	1589	Continue	Settled
Disposition and Recovery/Refund of Regulatory Balance (2020)	1595	Discontinue	Settled
Disposition and Recovery/Refund of Regulatory Balance (2021)	1595	Discontinue	Settled
Disposition and Recovery/Refund of Regulatory Balance (2022)	1595	Discontinue	Settled
Disposition and Recovery/Refund of Regulatory Balance (2023)	1595	Continue	Settled
Disposition and Recovery/Refund of Regulatory Balance (2024)	1595	Continue	Settled
<b>Group 2</b>			
ULO Implementation Cost	1508	Discontinue	Settled
GOCA Variance Account	1508	Discontinue	Settled
LEAP EFA Funding Deferral Account	1508	Discontinue	Settled
OPEB Deferral Account	1508	Continue	Settled
OEB Cost Assessment Variance	1508	Continue	Settled
Pole Attachment Revenue Variance	1508	Discontinue	Settled

Lost Revenue for Collection of Account and Reconnection Charges	1508	Discontinue	Settled
Retail Service Charges Incremental Revenue	1508	Discontinue	Settled
Cloud Computing Implementation Costs	1511	Discontinue	Settled
LRAM	1568	Discontinue	Settled
PILS and Tax Variance	1592	Continue	Settled
Other Regulatory Liabilities	2405	Continue	Settled
Cloud Computing Implementation Costs	1508	New	Withdrawn
Oshawa Power Avoided Rent Deferral	1508	New	Not settled
Oshawa Power New Facility OM&A Cost Variance	1508	New	Not settled

109. In this application, Oshawa Power has included Account 1508 – Other Regulatory Assets, Sub-account GOCA (the “**GOCA DVA**”) as a request for disposition. The account has a principal balance of \$216,114 for 2024 and \$214,924 for 2025 representing a total principal balance requested for disposition in the amount of \$431,038.
110. The principal balances were calculated in accordance with the EB-2023-0143, Decision and Order, October 31, 2023, Section 3.3 Incrementality of Costs, Findings on page 6 and Schedule A Electricity Accounting Order<sup>51</sup> proposed accounting entries on page 11.
111. Oshawa Power views the increases in the unit costs per locate to be the direct result of Bill 93. Bill 93 Getting Ontario Connected Act, 2022 received Royal Assent on April 14, 2022 and came into force on the day it received Royal Assent. During this time period, Oshawa Power’s locate service provider delivered its new pricing model and compliance improvements with its first pricing change effective April 1, 2022. The unit costs per locate exceeded revenue requirement in base rates by 18.8% in 2022, 63.4% in 2023, 79.9% in 2024 and 86.6% forecast for 2025. The unit cost per locate is driving the significant increase in locate costs during the period of 2022 through 2025 as volumes of locates have remained lower than the assumptions used to develop the 2021 OEB Approved Locate Costs. Details provided in the table below.

**Table 11 – Locate Costs vs. Revenue Requirement 2021-2025**

Locate Costs	2021 Actuals	2022 Actuals	2023 Actuals	2024 Actuals	2025 Forecast
Locate Costs	\$433,389	\$340,520	\$457,350	\$575,001	\$586,194
Number of locates	10,289	6,853	6,462	7,051	6,697
Unit cost per locate	\$42.12	\$49.69	\$70.78	\$81.55	\$87.53
<b>Revenue Requirement in Base Rates</b>	<b>2021 OEB Approved</b>	<b>2022 IRM 3.15%</b>	<b>2023 IRM 3.55%</b>	<b>2024 IRM 4.65%</b>	<b>2025 IRM 3.45%</b>

<sup>51</sup> EB-2023-0143, Decision and Order, October 31, 2023.

Locate Costs	\$321,070	\$331,184	\$342,941	\$358,888	\$371,270
Number of locates	7,916	7,916	7,916	7,916	7,916
Unit cost per locate	\$40.56	\$41.84	\$43.32	\$45.34	\$46.90
<b>% increase/(decrease) over base rates</b>	<b>2021 Actuals</b>	<b>2022 Actuals</b>	<b>2023 Actuals</b>	<b>2024 Actuals</b>	<b>2025 Forecast</b>
Locate Costs	35.0%	2.8%	33.4%	60.2%	57.9%
Number of locates	30.0%	-13.4%	-18.4%	-10.9%	-15.4%
Unit cost per locate	3.9%	18.8%	63.4%	79.9%	86.6%

112. Oshawa Power did not record a balance in its GOCA DVA for 2023 despite the establishment of this account effective April 1, 2023. Oshawa Power started recording balances in its GOCA DVA account for 2024 and 2025 incremental costs in excess of revenue requirement in base rates.

**X. OTHER**

**A. *Issue 7.1 – Is the proposed effective date appropriate?***

113. Oshawa Power remains of the view that the appropriate effective date for distribution rates is January 1, 2026. Oshawa Power has met all OEB filing deadlines.

114. Should the OEB not issue a decision by January 9, 2026 to allow Oshawa Power sufficient time to implement rates effective January 1, Oshawa Power requests that the OEB

- (a) declare existing rates interim January 1, 2026;
- (b) approve the collection of forgone revenues from January 1, 2026 to the implementation date for 2026 rates; and
- (c) instruct Oshawa Power to file a draft rate order to collect total forgone revenue over a 12-month period through rate riders.

**B. *Issue 7.2 – Has the applicant responded appropriately to all relevant OEB directions from previous proceedings?***

115. For the reasons set out in Exhibit 1, section 1.4.9, Oshawa Power remains of the view that it has appropriately responded to all relevant OEB directions from previous proceedings.

**C. *Issue 7.3 – Is the plan to seek additional funding for a new operational and administrative building in a subsequent IRM application appropriate***

116. The City of Oshawa is requiring Oshawa Power to vacate the current building, where Oshawa Power has been located for the past 93 years, in order to allow for the

redevelopment of downtown Oshawa.<sup>52</sup> The new administrative building could not be deferred any longer.<sup>53</sup>

117. On July 15, 2025, the OEB issued a Decision on Motion clarifying the scope of Issue 7.3 in the context of the cost of service proceeding. The OEB clarified that the following topics were in scope for this proceeding in relation to the new administrative
- (a) estimated forecast of Oshawa Power’s new building;
  - (b) comments on lumpy investment years and rate impacts of capital investments in the long-term;
  - (c) consider the reduction in O&M costs when planning capital investments; and
  - (d) consideration of the potential impact of the new facility on the OM&A costs in the current proceeding.
118. Each of these matters are addressed below.
119. Oshawa Power wishes to highlight at the outset that it is not seeking Advanced Capital Module, Incremental Capital Module (“**ICM**”), or any other relief related to the new administrative building in this proceeding. Final costs and in-service timelines remain uncertain.<sup>54</sup> The business case supporting the investment will be addressed comprehensively as part of a future ICM proceeding.<sup>55</sup> This proceeding is not the proper forum for assessing the merits, prudence, or reasonableness of the administrative building costs or options. Any such consideration falls outside the scope of the relief sought and the issues before the OEB.
120. The future ICM application will include updated, detailed information about the new facility related to the need, prudence and materiality of this investment, as required by the OEB when it approves cost recovery outside the base upon which rates were derived. During the oral hearing, Ms. Bennett explained that Oshawa Power plans to conduct customer engagement related to the new facility, including providing updated bill impacts, and will file the results of this engagement in its ICM application.<sup>56</sup>
121. Oshawa Power retained Cushman & Wakefield who considered a number of potential alternatives as shown in Attachment 1-3 of the Exhibit 1 Interrogatory Responses, the implications of which were discussed extensively during the oral hearing.<sup>57</sup> Cushman &

---

<sup>52</sup> T1P37L25 to T1P38L1; T1P159L1-4; Undertaking Response J.1.10.

<sup>53</sup> T1P184L9-23.

<sup>54</sup> Application and Evidence, Exhibit 1, pg. 10.

<sup>55</sup> T1P176L5-10; T1P38L2-5; T2P54L13-17; T3P12L13-16.

<sup>56</sup> T2P87L3-15.

<sup>57</sup> T1P141L17 to T1P145L28;

Wakefield ultimately concluded that there were no technically feasible options except for the one that was selected at 2072 Thornton Road.<sup>58</sup> The response from lenders has been positive and the building costs are expected to be manageable within the projected debt levels.<sup>59</sup>

122. Accordingly, Oshawa Power submits that the plan to seek additional funding for a new operational building in a subsequent IRM application is appropriate. Importantly, Oshawa Power will remain a Group 2 utility with predicted costs 11-14% lower than expected even when the building is included in the capital forecast.<sup>60</sup>

### **C.1 Estimated forecast of Oshawa Power's new building**

123. On October 28, 2025, Oshawa Power filed unredacted versions of its evidence showing that the total hard construction cost for the building is estimated to be approximately \$36.8 million.<sup>61</sup> The new facility final cost is estimated to be \$61.0 million based on the actual cost of land acquisition, the Class B estimate for construction of the facility, and estimated soft costs.<sup>62</sup>

124. This filing should satisfy the first matter the OEB stated was in the scope of this proceeding.

### **C.2 Comments on lumpy investment years and rate impacts of capital investments in the long-term**

125. As discussed in section IV.A.2 above, while the capital expenditures for the construction of the new administrative building are not explicitly included in the 2026–2030 DSP, the DSP's planned capital expenditures were formulated with full awareness of, and taking into account, the costs associated with the new facility. Evidence of this planning and pricing process was included as Attachment 2-11 of the Exhibit 2 Interrogatory Responses, as described above.

126. The initial proposed capital program was approximately \$110 million over the five-year period of the DSP. Oshawa Power carefully considered these investments and made reductions to capital expenditure envelope to accommodate the building. This initially resulted in a reduction to \$77.6 million for the five-year DSP forecast period but the capital expenditure envelope had to be increased to \$80.8 million (the number proposed in the

---

<sup>58</sup> T1P145L24-28, T2P116L6 to T2P117L6.

<sup>59</sup> T2P154L15 to T2P155L24.

<sup>60</sup> Undertaking Response J1.2.

<sup>61</sup> IR Response 1-SEC/Staff/CCC/PP/CCMBC/VECC-9, October 28, 2025.

<sup>62</sup> EB-2025-0014, Letter, October 28, 2025, PDF pg. 22.

Application)<sup>63</sup> to account for the amendment to the Distribution System Code for the new 40-year revenue horizon.<sup>64</sup>

127. Management weighed operational and financial risks to develop a DSP annual capital expenditure level for 2026 to 2030 that would balance system needs with anticipated costs associated with the new facility going into service in 2027.<sup>65</sup> The total cost of both the DSP and the new facility over the five year period is approximately \$141.8 million (\$80.8 million DSP forecast plus \$61.0 million for the new building), as shown in Table 1-7 below:

**Table 12 – Restated Table 1-7 – Historical and Forecast Capital Expenditures**

DSP Category	OEB-Approved	Actuals (\$000's)					Forecast (\$000's)								
	2021 Test Year	2021	2022	2023	2024	Land	2025	Building <sup>1</sup>	2026	Building <sup>1</sup>	2027	Building <sup>1</sup>	2028	2029	2030
System Access	\$5,911	\$4,219	\$4,276	\$7,704	\$4,140		\$7,995		\$9,186		\$9,270		\$9,356	\$9,443	\$9,532
System Renewal	\$6,198	\$6,507	\$6,538	\$12,069	\$4,585		\$7,948		\$8,045		\$8,756		\$7,056	\$7,421	\$8,108
System Service	\$1,109	\$2,828	\$953	\$1,294	\$1,805		\$1,093		\$1,336		\$300		\$778	\$962	\$588
General Plant	\$1,775	\$1,046	\$1,271	\$1,721	\$576	\$12,637	\$2,716	\$10,146	\$1,680	\$28,327	\$1,655	\$9,913	\$1,730	\$1,155	\$802
<b>TOTAL EXPENDITURES</b>	<b>\$14,993</b>	<b>\$14,601</b>	<b>\$13,039</b>	<b>\$22,788</b>	<b>\$11,106</b>	<b>\$12,637</b>	<b>\$19,752</b>	<b>\$10,146</b>	<b>\$20,247</b>	<b>\$28,327</b>	<b>\$19,981</b>	<b>\$9,913</b>	<b>\$18,920</b>	<b>\$18,980</b>	<b>\$19,030</b>
Capital Contributions	\$2,043	\$2,049	\$1,639	\$3,179	\$2,303		\$2,343		\$3,228		\$3,253		\$3,277	\$3,303	\$3,328
<b>NET CAPITAL EXPENDITURES</b>	<b>\$12,949</b>	<b>\$12,552</b>	<b>\$11,400</b>	<b>\$19,609</b>	<b>\$8,804</b>	<b>\$12,637</b>	<b>\$17,409</b>	<b>\$10,146</b>	<b>\$17,019</b>	<b>\$28,327</b>	<b>\$16,729</b>	<b>\$9,913</b>	<b>\$15,642</b>	<b>\$15,678</b>	<b>\$15,701</b>
2021 Actuals to 2026 Test Year Change														\$4,070	31%
<b>NET DSP EXPENDITURES</b>		\$69,774					\$80,769								
DSP Expenditures Change														\$10,995	16%

128. Examples of projects that were deferred to accommodate the new building included (see also paragraph 44):<sup>66</sup>

- (a) A new municipal substation in the Columbus area – \$15.5 million;<sup>67</sup>
- (b) Relocation of city and region infrastructure – \$3.71 million;<sup>68</sup>
- (c) Meter reverification – \$5.5 million;<sup>69</sup> and
- (d) Assets that were identified for replacement in the asset condition assessment but deferred based on a lower risk level compared to other assets within the same category that were of a higher priority – \$20 million.<sup>70</sup>

<sup>63</sup> IR Response 1-SEC/CCMBC/VECC-12.

<sup>64</sup> T1P187L17-27.

<sup>65</sup> T1P44L19 to T1P45L10.

<sup>66</sup> Exhibit 2 IR Responses, Attachment 2 – 11; T2P26L10-13; T2P56L19-24.

<sup>67</sup> T2P27L22-24; T2P57L6-9.

<sup>68</sup> T2P26L23 to T2P27L4.

<sup>69</sup> T2P27L5-11; T2P60L24 to T2P61L25.

<sup>70</sup> T2P27L12-17; T2P61L26 to T2P27L22.

129. Oshawa Power prudently paced and reprioritized capital spending to limit expenditures to mandatory, critical, and vital equipment projects to accommodate the new administrative building.<sup>71</sup>

**C.3 OM&A Costs**

130. Oshawa Power provided an accounting comparison of current OM&A costs broken down by subcategory with preliminary new administrative building operation costs from Oshawa Power’s owner’s representative.<sup>72</sup>

**Table 13 – Building OM&A Costs Broken Down by Subcategory**

Category	New Building	Current Buildings at 100 Simcoe Street	Other Buildings	Total
Rent		\$425,000		\$425,000
Maintenance	\$500,000	\$193,795	\$16,760	\$210,555
Utilities		\$104,971	\$9,829	\$114,800
Phone System		\$30,317	\$2,622	\$32,939
Other		\$81,167	\$6,148	\$87,315
<b>Total</b>	<b>\$500,000</b>	<b>\$835,251</b>	<b>\$35,359</b>	<b>\$870,610</b>

131. Oshawa Power also proposed new group 2 deferral accounts to address changes in OM&A related to the new facility.<sup>73</sup> The purpose of the two new OM&A deferral accounts relates to Oshawa Power’s transition from a leased facility to a company-owned new facility, ensuring that financial impacts are reflected fairly for ratepayers and align with regulatory principles.

132. The first account, known as the Oshawa Power Avoided Rent Deferral Account, is specifically designed to track avoided rent costs that will no longer be incurred once Oshawa Power moves from its existing leased spaces into the new facility.

133. The second account, known as the Oshawa Power New Facility OM&A Cost Variance Account, is focused on capturing variances—whether increases or decreases—between

---

<sup>71</sup> T1P44L19 to T1P45L10.

<sup>72</sup> Settlement Proposal, Pre-Settlement Follow Up and Clarification Questions, SC-CCC-1, September 22, 2025.

<sup>73</sup> T3P118L5 to T3P119L22.

actual OM&A expenses (excluding rent) directly attributable to the operation of the new facility, and the amounts originally forecast and embedded in rates.

134. Together, these two accounts will ensure that savings arising from the new building are recognized as soon as possible to the benefit of ratepayers.<sup>74</sup>

All of which is respectfully submitted this 18<sup>th</sup> day of November, 2025.



Colm Boyle  
Counsel to Oshawa PUC Networks Inc.

---

<sup>74</sup> Exhibit 1 Interrogatory Response 1-SEC/Staff/CCC/PP/CCMBC/VECC-9(b).