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November 28, 2025

**EB-2025-0014 - Oshawa PUC Networks Inc. (Oshawa Power) Application for 2026 Distribution Rates
Pollution Probe Submission**

Dear Mr. Murray:

In accordance with Ontario Energy Board (OEB) direction, please find attached the written submissions for Pollution Probe.

This Oshawa Power proceeding was selected by the OEB to be one of the pilots pertaining to interrogatories. In addition to the normal coordination across stakeholders during the interrogatory development stage, a single set of interrogatories was consolidated by OEB Staff. Additional time was included to enable the pilot approach to be applied. Pollution Probe understands that the OEB will be requesting stakeholder feedback on the various pilots once they are completed, in order to compare the pros and cons of each approach. Pollution Probe has not included detailed feedback related to the pilot in this submission and looks forward to participating in the future process to submit and discuss feedback related to the pilots.

Respectfully submitted on behalf of Pollution Probe.

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ONTARIO ENERGY BOARD

**Oshawa PUC Networks Inc.
2026 Cost of Service Application**

POLLUTION PROBE SUBMISSION

November 28, 2025

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Consultant for Pollution Probe

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1. Introduction and Overview

Oshawa PUC Networks Inc. (“Oshawa PUC” or “Oshawa Power”) filed a Cost of Service application with the Ontario Energy Board (OEB) on April 30, 2025 under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the rates that Oshawa Power charges for electricity distribution, beginning January 1, 2026. Oshawa Power is a licensed electricity distributor serving more than 62,000 customers in the City of Oshawa, within the Regional Municipality of Durham (Durham Region).

Oshawa Power indicates that this application represents a change from the previous strategy and approach. Oshawa Power’s 2021 Cost of Service application¹ resulted in OEB approval via a Settlement Agreement that met Oshawa Power’s needs and was based on Oshawa Power stated commitments to advance the system in line with customer and the accelerating Energy Transition. The current five-year term was OEB approved and delivered based on a reduction in Capital and OM&A funding over the term compared to the initial request, but also enabled Oshawa Power to meet its requirements and advance the system effectively. The rate term previously approved was intended to provide Oshawa Power a firm foundation to meet the distribution needs within its service territory, including the capacity needed to respond to the climate emergency plans for the City of Oshawa and Durham Region. The Durham Region commitment is for net zero by 2045² which is even greater than the City of Oshawa’s 2050 net zero objective.

Oshawa Power notes that it had the lowest operating cost per customer when compared to other distribution utilities of similar cohort status, size, and geography³. Overall, Oshawa Power appears to be running its system effectively and in a manner that aligns with the energy transition and longer-term policy drivers, including net zero and electrification for the communities it serves. However, there are some gaps and opportunities for continuous improvement and these are noted below.

Oshawa Power has improved its asset condition assessment methodology, moving away from a reliance on service age as a primary criterion. Instead, a more comprehensive, multi-faceted Health Index formulation has been adopted, leading to more accurate condition assessments and better-informed asset replacement decisions, ensuring that assets exceeding risk tolerance thresholds are prioritized for replacement⁴. This approach represents industry best practice and reduces costs

¹ EB-2020-0048.

² OEB_EB-2025-0014_20251029_VOL2_88580{REVISED}, Page 25 and K2.1
PollutionProbe_HearingCompendium_20251027, pages 4 and 7.

³ OEB_EB-2025-0014_20251028_VOL1_88579, page 35.

⁴ Exhibit 1, page 25.

related to replacing assets that are still performing well⁵. An illustration of the good health of existing assets is included in the figures provided by Oshawa Power⁶.

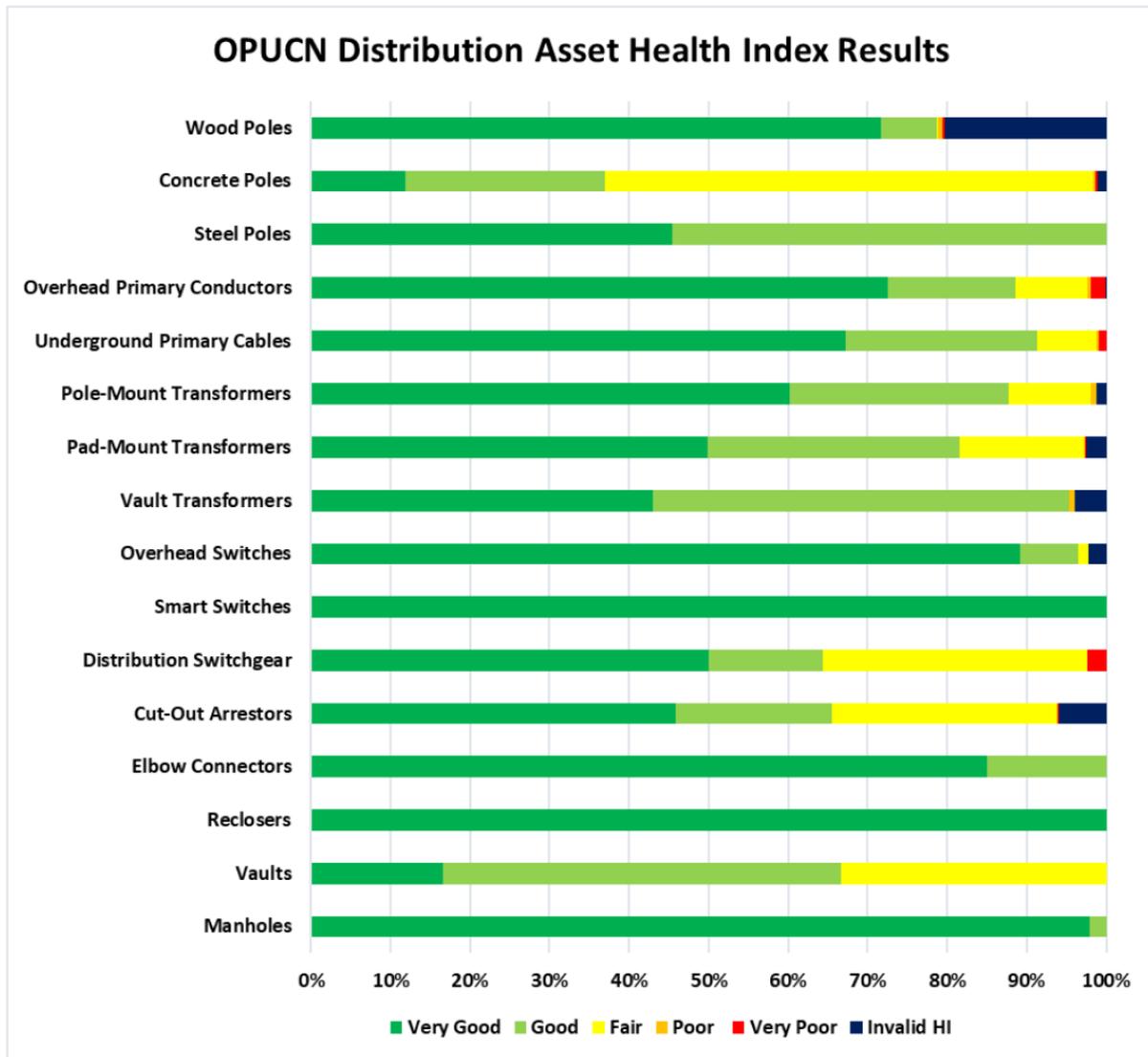


Figure E - 1: Distribution ACA Results

⁵ O OEB_EB-2025-0014_20251029_VOL2_88580{REVISED}, pages 12-13.

⁶ Figures are located at Exhibit 2, DSP page 70 and 71, respectively.

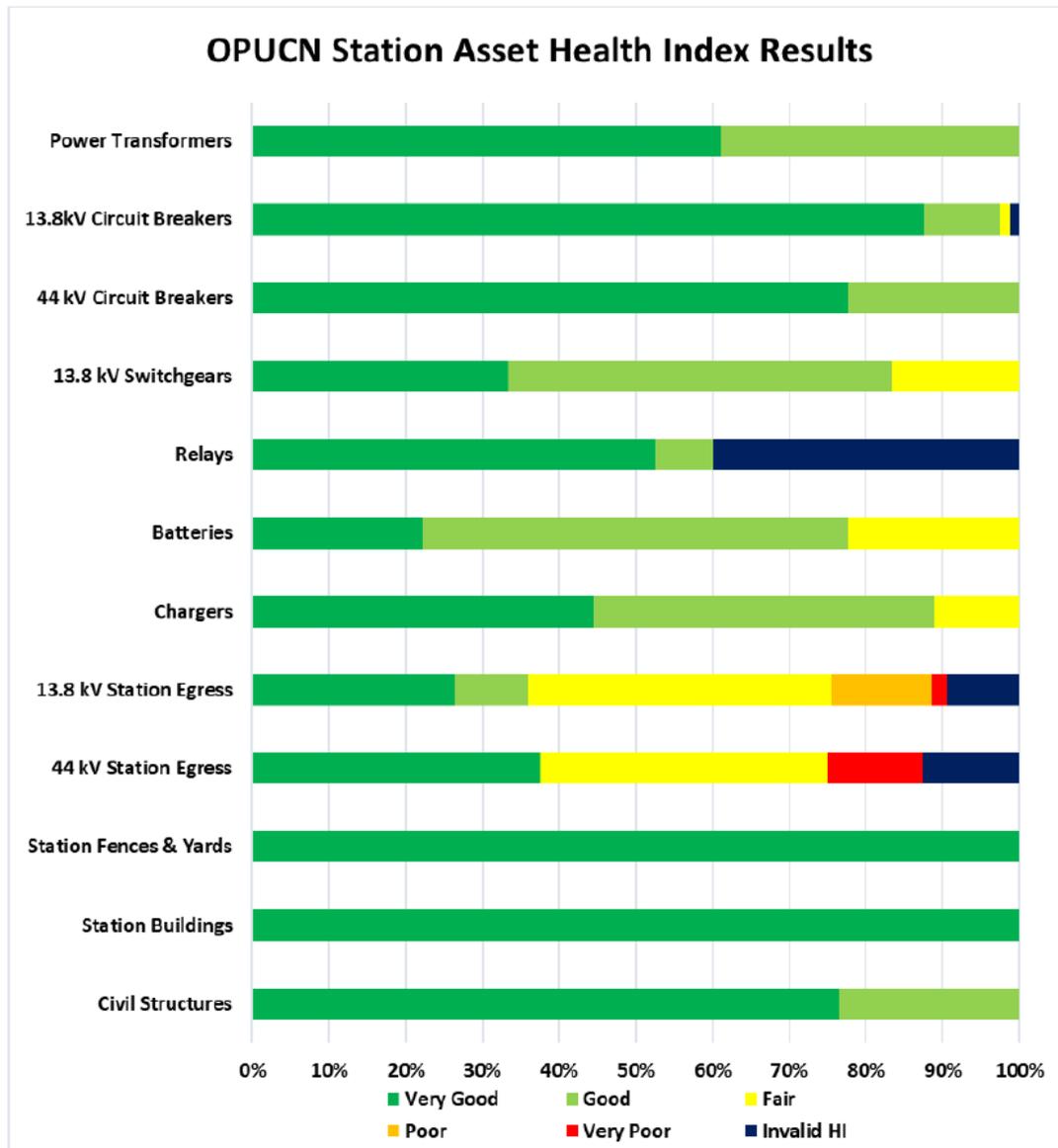


Figure 19 – Station ACA Results

Oshawa Power has indicated an intentional shift in this 2026 Cost of Service application based on proposed changes to approach which were not available during the previous application⁷. The management team at Oshawa Power is new since the last Cost of Service application and there is a new Strategic Plan⁸, Business Plan⁹, IT Business

⁷ K1.1 OPUCN_Summary of Opening Remarks_20251025 and OEB_EB-2025-0014_20251028_VOL1_88579, page 43.

⁸ Exhibit 1, Attachment 1 – 2.

⁹ Exhibit 1, Attachment 1 – 3.

Transformation Strategy¹⁰ and updated Distribution System Plan¹¹. Aside from employee attrition, it is not readily apparent how the internal challenges and changes at Oshawa Power is impacting external results. If Hydro Oshawa has been delivering in alignment with current and future needs, it is not clear what the utility strategic reset is meant to achieve or how the results will be measured and presented to the OEB in the next Cost of Service application. It appears that the direction Oshawa Power's new management plans to take is to resolve internal issues that are not fully transparent from an external point of view. It is up to Oshawa Power to explain what has changed and justify the difference in approach for this rate term, including the large increase in ratepayer funding requested. It is likely that Oshawa Power will need to pace implementation of some changes over a longer time period.

Although Oshawa Power is funded through rates set using a five-year rate term, the continuous success is dependent on prudent investments made in the past and the future rate terms as part of an integrated longer term Distribution System Plan. In other words, this rate term does not exist in a silo. The Distribution System Plan filed by Oshawa Power in this application only extends to 2030 (final five years of the ten year plan) and it not clear how the 2026 to 2030 rate term will align to the 2030+ Distribution System Plan, once developed and filed. This may have resulted in Oshawa Power trying to fit more projects in the next five years, rather than balancing it out over the next ten years.

This 2026 Cost of Service application is intended to meet customer needs in an efficient, cost-effective manner, while ensuring its plan and utility execution over the term aligns with customer and system needs, the accelerating energy transition and related policy demands including net zero commitments for the communities served. Oshawa Power is facing the same pressures as other organizations, to meet customer demand, modernize, and address a rapidly evolving policy and regulatory environment¹². Oshawa Power has coordinated over the current rate term with the City of Oshawa and the Regional Municipality of Durham on their energy and emissions plans and has considered those goals, objectives, and targets with a view to pursuing cost efficiencies and reduced emissions¹³. We understand that Oshawa Power has committed to continue this efficient coordination and for clarity, Pollution Probe requests that Oshawa Power confirm in their reply argument that this approach will continue, or if there is a reason to cease this coordination, to provide those details. Furthermore, Oshawa Power confirmed that Ontario Ministry of Energy and Electrification's Cost

¹⁰ Exhibit 1, Attachment 1 – 4.

¹¹ Exhibit 2, Attachment 2-1.

¹² OEB_EB-2025-0014_20251028_VOL1_88579, page 36.

¹³ 2-PP-37

Effective Energy Pathways Study for Ontario¹⁴ (released in parallel with the Provincial Energy for generations - Integrated Energy Plan¹⁵) is reflective of the Energy Transition and planned trajectory for the organization's service territory¹⁶. If Oshawa Power delivers on its commitments, it will continue to be well positioned to meet the future energy needs and services required.

Oshawa Power has also made commitments to leverage approaches and programs that represent industry best practices. Oshawa Power's plan also reflects a full scale-up of eDSM activities as allowable under the province's rules and directions. The plan reflects a best efforts attempt to achieve as much eDSM and Save On Energy results as possible, due to the high benefit for rate payers, Oshawa Power's grid assets and community engagement on energy¹⁷. This provides a firm foundation to ensure that Oshawa Power's Distribution System Plan can meet current and future needs as the energy transition continues to accelerate. Oshawa Power indicated that it intends to integrate these new policy directions over the rate term through the following actions¹⁸:

- i. Increased key account engagement to better track customer plans for DERs of all types (including hydrogen and district energy)
- ii. increased knowledge sharing between Oshawa Power's grid connections and key accounts teams;
- iii. Increased key account engagement with economic development organizations in Oshawa and Durham; and,
- iv. Increased resourcing for consultative projects, such as the integrated five-year energy planning process.

Oshawa Power indicates that the increased focus on Distributed Energy Resources (DERs) could mean the following to Oshawa Power's DSP and related activities to 2030¹⁹:

- i. Potential deferral of the currently foreseeable need for new transmission capacity, pending the location and type of DERs;
- ii. A potential increase short circuit levels due to DER contributions, even though Oshawa Power's capacity is currently unconstrained;
- iii. New opportunities for shared DER resources under the NWS Guidelines that enable localized capacity support and transmission capacity deferral, pending the location and type of DERs;

¹⁴ [Cost Effective Energy Pathways Study for Ontario](#)

¹⁵ [Energy for Generations | ontario.ca](#)

¹⁶ 1-PP/DRC-32.

¹⁷ 2-PP-87c

¹⁸ 1-PP-30b

¹⁹ 1-PP-30c

- iv. Improved benefit cost analysis for Oshawa Power to potentially launch its DSO as an NWS (after the capacity building portion of the project concludes); and,
- v. Changes to Oshawa Power's options for delivering Save On Energy local programs (which are designed to meet local needs).

Oshawa Power indicated that it does not have any documentation with respect to DER uptake in its territory other than the Renewable Energy Generation Investment Plan attached to the Distribution System Plan as a part of this Application. The Renewable Energy Investment Plan is only those reported via the Independent Electricity System Operator (IESO), not all local DERs²⁰. IESO only has visibility to the small number of DERs that it contracts with for wholesale grid service needs and the local distribution utility needs to have a better inventory of all local DERs that could provide system benefits today and even more importantly in the future. Unless Oshawa Power can develop a better local forecast and include DERs in the net demand forecast, the demand forecast will be over-estimated, including for Regional Planning purposes. It is recommended that Oshawa Power enhance its modeling and tracking of local DERs over the rate term to provide the ability to understand and leverage these potential resources within its service territory. This will be a critical competency in order to exhibit Distribution System Operator capabilities in the future.

Although the OEB does not specifically approve Oshawa Power's Distribution System Plan, it forms a critical underlying plan to support Oshawa Power's application²¹. It is reasonable and expected that Oshawa Power will report on achievements against the plan and stated commitments in its next Cost of Service application.

Oshawa Power notes that the overarching test in this proceeding is whether the rates proposed by Oshawa Power are "just and reasonable"²². A significant challenge in this proceeding is for Oshawa Power is to defend the cumulative revenue increases requested. Oshawa Power suggests that "Distributors are Heading Towards a Financial Cliff" and references certain Electricity Distributors Association ("EDA") evidence filed in recent Cost of Capital proceeding (EB-2024-0063)²³. The Cost of Capital was a long and thorough proceeding where the OEB considered a large amount of facts and opinions, ultimately resulting in a fair and balanced Decision. The OEB ultimately found that there was a lack of tangible evidence to illustrate that Ontario utilities were not receiving a fair return or having trouble raising funds. It is not relevant in this proceeding to select individual pieces of evidence from the Cost of Capital proceeding which were not ultimately validated or aligned to the OEB's Decision. Unless there is some current

²⁰ 2-DRC-92 and 2-PP-91.

²¹ OEB_EB-2025-0014_20251029_VOL2_88580{REVISED}, page 165, line 5 to page 166, line 4.

²² OPUCN_AIC_20251118, paragraph 1.

²³ OPUCN_AIC_20251118, page 3.

and unique circumstances that pertain to Oshawa Power, it is also not necessary to reopen that debate since the OEB issued its Decision on Cost of Capital and this applies to Oshawa Power. The focus of Oshawa Power's evidence was not on whether it would remain a viable utility, but rather on the priorities it put forward over the rate term and the related Capital and OM&A envelopes it suggests are needed to execute on all those priorities. The OEB Panel questioned whether the Oshawa Power would have challenges financing the large Capital funding it has requested (plus the pending an Incremental Capital Module (ICM) funding) and Oshawa Power indicated that they believe it can be done²⁴.

Finally and as noted by Pollution Probe during the oral hearing²⁵, it would have been difficult to advance this proceeding and understand the total impacts of the rate term if the current building estimate was not available as part of the record. Although, there may be additional future information as part of Oshawa Power's proposed ICM application, the approach used by the OEB to make this very important information available has led to a more transparent and efficient proceeding.

2. Summary of Recommendations

This section provides a summary of recommendations which should be read in conjunction with the broader document. Pollution Probe thought that it would be helpful to the OEB to provide this summary up front and prior to delving into the specifics of each issue.

- It is recommended that Oshawa Power enhance its modeling and tracking of local DERs over the rate term to provide the ability to understand and leverage these potential resources within its service territory. This will be a critical competency in order to exhibit Distribution System Operator capabilities in the future.
- Although the OEB does not specifically approve Oshawa Power's Distribution System Plan, it forms a critical underlying plan to support Oshawa Power's application²⁶. It is reasonable and expected that Oshawa Power will report on achievements against the plan and stated commitments in its next Cost of Service application.
- Capital envelope of \$68.67 million for the rate term. It is recommended that the Oshawa Power reassess its Capital plan once final information is available for the proposed building and that it be included in the pending ICM application (if Oshawa Power proceeds with that application).

²⁴ OEB_EB-2025-0014_20251029_VOL2_88580{REVISED}, page 155.

²⁵ OEB_EB-2025-0014_20251028_VOL1_88579, pages 14-15.

²⁶ OEB_EB-2025-0014_20251029_VOL2_88580{REVISED}, page 165, line 5 to page 166, line 4.

- Oshawa Power should ensure that innovation and efficiency remain important pillars of its business transformation and track the tangible (short, medium or long term) benefits to include in its next Cost of Service application. Tangibly demonstrating the benefits of the transformation program will increase the visibility and understanding to the OEB and stakeholders.
- It is recommended that Oshawa Power also share the results from the DSO project with the OEB and stakeholders involved in EB-2025-0060.
- Setting 2026 OM&A in the range of \$18 million and not more than \$18.8 million would recognise the costs pressures Oshawa Power has faced and still provide an increase of approximately 30-35% from the previous 2021 OM&A value approved by the OEB.
- As noted, if the proposed building ICM application proceeds, the OEB should require Oshawa Power to identify the operational savings that would result from the new facility and include those benefits and savings in the IEC application for OEB consideration.
- It is appropriate for the OEB to include direction in this Decision for considerations and/or information that it believes would bring value in the proposed ICM application. This could include a requirement for Oshawa Power to consider options to mitigate overall rate impacts to avoid undue rate shock should Oshawa Power file an ICM application during the 2026 to 2030 rate term. To the extent that current best available information related to the building is considered in the Decision for this 2026 Cost of Service application, it should be made clear what assumptions have been used.
- Oshawa Power has the ability to submit an ICM request related to the proposed new building separate from this 2026 Cost of Service application. Although there is a current estimate based on best available information on the record in this proceeding, it is expected that more details (including those related to options, benefits and costs) will be included in the pending ICM application. It is appropriate for the OEB to consider available information related to the proposed building in this application, knowing that information may change and that more details will be filed in a future application. It is appropriate for the OEB to include direction in this Decision for considerations and/or information that it believes would bring value in the proposed ICM application. This could include a requirement for Oshawa Power to consider options to mitigate overall rate impacts to avoid undue rate shock should Oshawa Power file an ICM application during the 2026 to 2030 rate term.

3. Submissions by Issue

The following are the submissions by issue in accordance with the Issues List.

Issue 1. Capital Spending and Rate Base

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

As noted by Oshawa Power in Table 1-7 below²⁷, the proposed net Distribution System Plan expenditures for the proposed term are 16% higher than the actuals in the previous term. Oshawa Power also overspent on Capital over the previous term by 25% and is seeking to include that overspending in rate base as part of this proceeding.

Table 1-7: Historical and Forecast Capital Expenditures

DSP Category	Actuals (\$000's)				Forecast (\$000's)					
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
System Access	\$4,219	\$4,276	\$7,704	\$4,140	\$7,995	\$9,186	\$9,270	\$9,356	\$9,443	\$9,532
System Renewal	\$6,507	\$6,538	\$12,069	\$4,585	\$7,948	\$8,045	\$8,756	\$7,056	\$7,421	\$8,108
System Service	\$2,828	\$953	\$1,294	\$1,805	\$1,093	\$1,336	\$300	\$778	\$962	\$588
General Plant	\$1,046	\$1,271	\$1,721	\$576	\$2,716	\$1,680	\$1,655	\$1,730	\$1,155	\$802
TOTAL EXPENDITURES	\$14,601	\$13,039	\$22,788	\$11,106	\$19,752	\$20,247	\$19,981	\$18,920	\$18,980	\$19,030
Capital Contributions	(\$2,049)	(\$1,639)	(\$3,179)	(\$2,303)	(\$2,343)	(\$3,228)	(\$3,253)	(\$3,277)	(\$3,303)	(\$3,328)
NET CAPITAL EXPENDITURES	\$12,552	\$11,400	\$19,609	\$8,804	\$17,409	\$17,019	\$16,729	\$15,642	\$15,678	\$15,701
2021 OEB-approved to 2026 Test Year Change									\$4,467	36%
NET DSP EXPENDITURES	\$69,774					\$80,769				
DSP Expenditures Change									\$10,995	16%

Oshawa Power has assumed for planning purposes that all capital expenditures forecasts for the test year will go into service in that year²⁸. However, this does not align with reality²⁹.

As mentioned, the Distribution System Plan filed by Oshawa Power in this application only extends to 2030 and it appears that Oshawa Power is trying to fit more projects in the next five years, rather than balancing it out over a longer timeframe. The proposed new building which is forecasted to be submitted in 2026 as ICM application is part of the Business Plan and not the Distribution System Plan. This means that balancing Capital costs will need to be done at a portfolio level and can't just be done in the Distribution System Plan. Any rate term approvals now are based on best available information and impacts related to the actual building costs will need to be considered as part of the pending ICM application. A prioritised pacing of Capital spending over a

²⁷ Exhibit 1, page 26.

²⁸ 2-Staff/CCC/CCMBC/AMPCO-35.

²⁹ OEB_EB-2025-0014_20251029_VOL2_88580{REVISED}, pages 28-32 and JT2.3.

longer period appears more prudent, particularly to balance the net impacts of the proposed building. In fact, Oshawa Power applied this approach in 2024 to counteract the large cost related to land acquisition for the new building (the land portion is \$12.2 million of the overall \$61 million estimate for the building)^{30 31}.

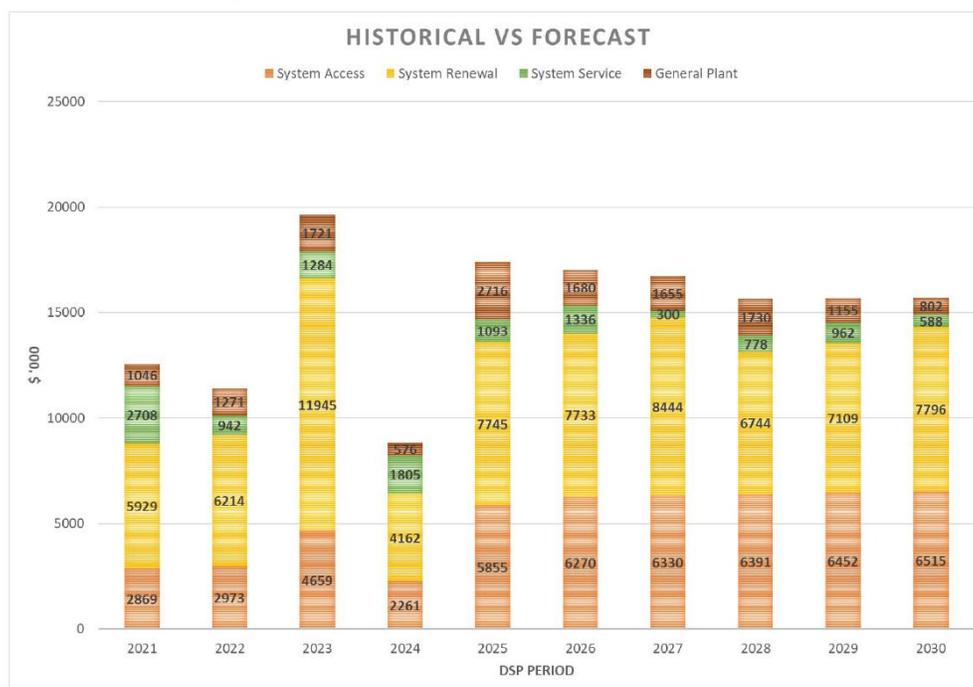


Figure 40 – Historical vs Forecast Expenditures

In 2024, Oshawa Power reported lower in-service amounts in three of the four investment categories—System Access, System Renewal, and General Plant. This was primarily due to strategic reallocation of budget toward the acquisition of land for Oshawa Power’s new Operational and Administrative Building³².

It will be more difficult to reduce Capital spending over the 2026 to 2030 term by \$48.4 million to offset the estimated cost of the building (not including land). However, the OEB can either consider those impacts now, consider them in an adjustment during the pending ICM application (i.e. consider Capital plan adjustments), or leverage both. It is recommended that the OEB apply both approaches given that it is easier for Oshawa Power to plan for Capital prioritisation now rather than trying to adjust following an ICM decision in 2026 or 2027. The OEB can make reasonable considerations based on best

³⁰ OEB_EB-2025-0014_20251029_VOL2_88580{REVISED}, page 151.

³¹ Figure 40 on page 147 Exhibit 2, attachment 2-1.

³² Exhibit 2, attachment 2-1, page 10.

available information and make any additional adjustments once all the final details are available in the ICM application, assuming that it proceeds as intended.

If Oshawa Power can reasonably mitigate one quarter of the expected building costs (not including land) over the 2026-2030 plan term, this would be a net reduction of \$12.1 million. Using Oshawa Power's full Capital request (not including the building) of \$80.769 million over the 2026-2030 term and applying an interim adjustment to cover one quarter of the current building estimate (not including land) this would result in a Capital envelope of \$68.67 million for the rate term. This is in line with the OEB approved Capital for the current Cost of Service term³³ and recognizes that prioritization will need to occur over the term.

It is recommended that the Oshawa Power reassess its Capital plan once final information is available for the proposed building and that it be included in the pending ICM application (if Oshawa Power proceeds with that application). The OEB could delay multi-year approval until the building estimates are firm, but Pollution Probe assume that this is less desirable to Oshawa Power.

1.2 Are the proposed rate base and depreciation amounts appropriate?

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. As noted previously, the current rate term Capital envelope was determined through an OEB approved Settlement Agreement³⁴. The terms of the agreement were meant to provide Oshawa Power the capital needed over the term to deliver on its commitments. Overspending of 25% is a significant amount. What is the purpose of establishing a Capital envelope if it does not resemble the Capital that a utility spends over the rate term? If this was an acceptable approach, Oshawa Power would not need to ask for any Capital envelope increase in this proceeding and would just spend what they want over the term. Of course, there can be unforeseen circumstances that arise during a rate term. It is expected that a utility will prioritize within the OEB approved Capital envelope to the extent possible.

In the partial settlement proposal, filed on September 22, 2025, Parties agreed to the working capital and depreciation methodology. Pollution Probe does not propose a disallowance of the proposed opening rate base or depreciation amounts, but is aware that facts related to that are being submitted by other intervenors. It is important that overspending by such a large amount is not construed as prudent for the future. This is particularly important for the 2026-2030 rate term given the unique cost impact of the proposed building. If Oshawa Power encounters extraordinary events during the rate

³³ EB-2020-0048 Settlement Proposal , page 12.

³⁴ EB-2020-0048 decision_rate order_Oshawa PUC_ 20210218.

term that could not have been anticipated, Oshawa Power can reduce the risks of disallowance by notifying the OEB at the time and seeking any appropriate relief.

Issue 2. OM&A

2.1 Are the proposed OM&A expenditures appropriate?

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 amount³⁵. Details related to the categories of proposed increases are noted in Table 1-8 below³⁶.

Table 1-8: Summary of OM&A Expenses

	2021 OEB Approved	2021 Actuals	2022 Actuals	2023 Actuals	2024 Actuals	2025 Bridge Year	2026 Test Year	Variance 2026 to 2021
Operations	\$ 2,891,000	\$ 2,427,693	\$ 2,613,290	\$ 3,143,980	\$ 2,833,190	\$ 2,565,658	\$ 4,003,063	\$ 1,112,063
Maintenance	\$ 1,349,949	\$ 996,991	\$ 1,103,692	\$ 1,175,488	\$ 1,442,317	\$ 1,295,390	\$ 1,349,796	\$ (152)
Billing, Collecting, and Customer Success	\$ 3,500,467	\$ 2,862,727	\$ 3,254,066	\$ 3,949,857	\$ 4,899,646	\$ 4,767,079	\$ 5,247,373	\$ 1,746,906
Community Relations	\$ 239,216	\$ 230,409	\$ 297,797	\$ 422,398	\$ 270,588	\$ 335,661	\$ 394,033	\$ 154,817
Administrative and General	\$ 5,885,460	\$ 6,782,354	\$ 7,110,887	\$ 7,072,385	\$ 9,354,202	\$ 10,261,426	\$ 11,277,725	\$ 5,392,264
Total	\$ 13,866,092	\$ 13,300,173	\$ 14,379,731	\$ 15,764,108	\$ 18,799,942	\$ 19,225,214	\$ 22,271,990	\$ 8,405,897
%Change (year over year)		-4.5%	8.1%	9.6%	19.3%	2.3%	15.8%	60.6%

The most significant annual increase in OM&A spending by Oshawa Power was in 2024, which was a 19.3% increase for that year alone and such a large spending increase impacted the utility return for that year³⁷. The proposed increase in OM&A spending over the term is the principal driver leading to the 54% increase in revenue requirement for 2026 compared to 2021³⁸. This proposed increase is significantly greater than comparable utility changes in recent applications³⁹.

As noted earlier, the drivers for business change (i.e. not business as usual) appear to be internally focused. Transformational change takes time, effort and funding. What is less clear are the external incremental benefits that will result from the transformational change. For example, will the transformational change over this term decrease the need for Capital and OM&A in the future rate term? Some of the case put forward by Oshawa Power is premised on avoiding negative consequences associated with status quo. One area that is visible is historical employee attrition⁴⁰. Attrition and employee turnover

³⁵ OPUCN_AIC_20251118, paragraph 57.

³⁶ Exhibit 1, page 28.

³⁷ 5-Staff/CCMBC-185

³⁸ 1-SEC/CCMBC-10 table 1-6.

³⁹ For example, the most recent peer group Decision was Burlington Hydro which resulted in an estimated residential bill increase of approximately 3%. (per EB-2025-0055 dec_rate order_BHI_2026 COS_20251125)

⁴⁰ Exhibit 4, Table 4-29.

issues exist, but external results do not appear to be significantly impacted to this point and were not sufficiently visible in the application, other than through anecdotal evidence. Regardless, delivering on customer and community needs as the energy landscape continues to evolve at a rapid pace requires a certain level of stability and qualified talent. This will become even more important as initiatives such as the Distribution System Operator model progresses. Oshawa Power should ensure that innovation and efficiency remain important pillars of its business transformation and track the tangible (short, medium or long term) benefits to include in its next Cost of Service application. Tangibly demonstrating the benefits of the transformation program will increase the visibility and understanding to the OEB and stakeholders.

On a positive note, it is worth noting that Oshawa Power has secured third party funding support for the Distribution System Operator (DSO) project⁴¹. This project is a capacity-building project that will result in the design and development of the tools and processes required to run a local DSO market. This project will lead to valuable learnings for Oshawa Power and more broadly in alignment with the OEB's DSO Capabilities initiative (EB-2025-0060). The project mandate includes ensuring engagement among potential market participants in Oshawa via at least 5 workshops; and to disseminate the results of the project via at least 3 stakeholder sessions with regulators, LDCs and system operators invited to attend. It is recommended that Oshawa Power also share the results from the DSO project with the OEB and stakeholders involved in EB-2025-0060.

Pollution Probe is aware that Consumers Council of Canada (CCC) plans to include a summary of analysis related to labour costs and other proposed significant category increases. Therefore, that analysis is not duplicated here. Like peer utilities, Oshawa Power will need to balance priorities and related costs within a more balanced revenue requirement. Once Oshawa Power receives its Capital and OM&A approval for the rate term, it will implement based on priorities and make the required trade-offs.

Unfortunately, the requested increase is too large even when considering some of the transformational plans Oshawa Hydro has planned to implement. Setting 2026 OM&A in the range of \$18 million and not more than \$18.8 million would recognise the costs pressures Oshawa Power has faced and still provide an increase of approximately 30-35% from the previous 2021 OM&A value approved by the OEB.

As noted, if the proposed building ICM application proceeds, the OEB should require Oshawa Power to identify the operational savings that would result from the new facility and include those benefits and savings in the IEC application for OEB consideration.

⁴¹ See Exhibit 1, p.42, EB-2025-0014 Exhibit 2 – Rate Base, Distribution System Plan, Appendix A – “NWS-Business Case”, pp.11–15; and 1-SEC/Staff/CCMBC-15.

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

Oshawa Power notes that it 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*. Oshawa Power should be prepared to provide details, if required, in the future to validate that its affiliate transactions are in alignment with this approach.

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

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

As noted earlier, the OEB recently issues its Decision on the Cost of Capital and issues the updated parameters annually. Oshawa Power suggests that “Distributors are Heading Towards a Financial Cliff” and references certain Electricity Distributors Association (“EDA”) evidence filed in recent Cost of Capital proceeding (EB-2024-0063)⁴². The Cost of Capital was a long and thorough proceeding where the OEB considered a large amount of facts and opinions, ultimately resulting in a fair and balanced Decision. There has been no relief requested from the OEB approved approach and Oshawa Power is required to follow that direction. Pollution Probe does not propose any additional adjustments.

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

Oshawa Power indicated that it 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. Pollution Probe has no proposed changes.

3.3 Is the proposed Other Revenue forecast appropriate?

Pollution Probe does not propose any changes to the Other Revenue forecast.

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

Pollution Probe has no proposed adjustments.

3.5 Is the proposed calculation of the Revenue Requirement appropriate?

⁴² OPUCN_AIC_20251118, page 3.

Pollution Probe does not propose any adjustments to the Revenue Requirement calculation at this time. It is forecasted that there will be material differences in the calculations following the OEB Decision compared to what was requested by Oshawa Power in this application. Those adjustments will impact the Revenue Requirement calculation and will need to be implemented once available.

Issue 4. Load Forecast

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

Various questions were raised during the proceeding related to the load forecast and Pollution Probe is aware that Vulnerable Energy Consumers Coalition (VECC) is including those details in its submission. Pollution Probe has no additional comments.

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

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

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

5.3 Are the proposed Retail Transmission Service Rates and Low Voltage rates appropriate?

5.4 Are the proposed loss factors appropriate?

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

5.6 Are rate mitigation proposals required and appropriate?

Pollution Probe does not have any proposed adjustments for these categories.

Issue 6. Deferral and Variance Accounts

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?

Various questions were raised during the proceeding related to the accounts noted above and Pollution Probe is aware that CCC is including those details in its submission. Pollution Probe has no additional comments.

Issue 7. Other

7.1 Is the proposed effective date appropriate?

It is unlikely that the timing for the proceeding will enable all materials to be available to establish the new rates for January 1, 2026. The OEB will have better clarity prior to issuing its Decision and will be able to set the effective date based on that timeline. It is recommended that the OEB make the effective date the beginning of the month following approval of the Rate Order.

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

As noted, Oshawa Power has coordinated with over the current rate term with the City of Oshawa and the Regional Municipality of Durham on their energy and emissions plans and has considered those goals, objectives, and targets with a view to pursuing cost efficiencies and reduced emissions⁴³. We understand that Oshawa Power has committed to continue this efficient coordination and for clarity, and Pollution Probe requests that Oshawa Power confirm in their reply argument that this approach is continuing, or if there is a reason to cease this coordination, to provide those details.

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

Oshawa Power has indicated that they plan to seek incremental funding related to the new building in a future ICM application, targeted for 2026. It is expected that Oshawa Power will need to vacate the current premises by May 31, 2028. There is always a chance that this requirement changes which could delay or remove the need for Oshawa Power to file the proposed ICM application.

Oshawa Power has the ability to submit an ICM request related to the proposed new building separate from this 2026 Cost of Service application. Although there is a current estimate based on best available information on the record in this proceeding, it is expected that more details (including those related to options, benefits and costs) will be included in the pending ICM application. It is appropriate for the OEB to consider available information related to the proposed building in this application, knowing that information may change and that more details will be filed in a future application. It is appropriate for the OEB to include direction in this Decision for considerations and/or information that it believes would bring value in the proposed ICM application. This could include a requirement for Oshawa Power to consider options to mitigate overall rate impacts to avoid undue rate shock should Oshawa Power file an ICM application

⁴³ 2-PP-37

during the 2026 to 2030 rate term. To the extent that current best available information related to the building is considered in the Decision for this 2026 Cost of Service application, it should be made clear what assumptions have been used.

Oshawa Power has known for over a decade⁴⁴ that they were likely going to have to leave the current City owned building and find another suitable option. Any time a utility has a large lumpy Capital expenditure (like a new building), it is always difficult to manage overall rate impacts while maintaining more routine system requirements. It would have been more ideal if Oshawa Power was able to consolidated the funding request for the proposed new building at the same time as the 2026 Cost of Service application, or at least to have foreshadowed this pending demand as part of the last Cost of Service application. Oshawa Power has the ability to file the ICM request as a separate application. It is also expected that the approvals granted in this proceeding will certainly be relevant when Oshawa Power files the future ICM application. Nothing in the pending ICM application removes the needs to deliver the utility services needed to meet customer, community and policy needs in alignment with the accelerating energy transition.

⁴⁴ IRR Attachment 1-5 Supplement to Lease Amendment and Extension Agreement.