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BY EMAIL

November 28, 2025

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

Dear Mr. Murray:

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

Please find attached OEB staff's submission in the above referenced proceeding pursuant to the OEB's Decision on Confidentiality & Procedural Order No. 6. Oshawa PUC Networks Inc. and all intervenors have been copied on this filing.

Yours truly,

Tyler Davids
Advisor – Electricity Distribution Rates

Encl.

cc: All parties in EB-2025-0014



ONTARIO ENERGY BOARD

OEB Staff Submission

Oshawa PUC Networks Inc.

Cost of Service Application

EB-2025-0014

November 28, 2025

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Introduction

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

The OEB issued an approved issues list for this proceeding on June 24, 2025. A settlement conference took place on August 18-20, 2025.

Following the settlement conference, Oshawa PUC Networks filed a settlement proposal (Settlement Proposal) setting out an agreement among all the parties to the settlement on September 22, 2025.¹ For ease of reference, Oshawa PUC Networks and the intervenors are collectively referred to as the “Parties”.

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

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

Partial settlement was reached on the following issues.

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

No settlement was reached on the remaining issues.

- Issue 1.1 – Capital and In-Service Additions
- Issue 2.1 – Operations, Maintenance & Administration Expenses (OM&A)
- Issue 2.2 – Shared Service Cost Allocation Methodology

¹ Oshawa PUC Networks, Association of Major Power Consumers in Ontario (AMPCO), Coalition of Concerned Manufacturers and Businesses of Canada (CCMBC), Consumers Council of Canada (CCC), Distributed Resource Coalition (DRC), Pollution Probe, School Energy Coalition (SEC), and Vulnerable Energy Consumers Coalition (VECC) participated in the settlement conference.

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

On October 20, 2025, the OEB issued its Decision & Procedural Order No. 5 in which it accepted the Parties' proposed agreement on the fully settled issues identified in the Settlement Proposal. The OEB also made provision for a transcribed oral hearing on the remaining issues, which was to be followed by written argument.

The transcribed oral hearing took place on October 28-30, 2025. Oshawa PUC Networks filed responses to undertakings in the oral hearing on November 4, 2025.

On November 11, 2025, the OEB issued its Decision on Confidentiality and Procedural Order No. 6, which granted Oshawa PUC Networks' request for confidential treatment of certain undertaking responses, requested additional information from Oshawa PUC Networks, and extended the procedural schedule for the remainder of the proceeding accordingly.

On November 18, 2025, Oshawa PUC Networks responded to the OEB's request for information and filed its Argument-in-Chief.

OEB Staff Submission

OEB staff's submission reflects the observations and concerns which have arisen from OEB staff's review of the record of this proceeding and is intended to assist the OEB in evaluating the application and in setting just and reasonable rates.

It is OEB staff's general position that Oshawa PUC Networks' application does not demonstrate adequate prioritization of affordability for its customers. If the OEB were to approve the application in the form following the Settlement Proposal, the result would be a distribution rate increase of approximately 20% for most rate classes.²

OEB staff also notes that Oshawa PUC Networks' evidence indicates that it intends to file an Incremental Capital Module (ICM) as part of its 2027 Incentive Rate-Setting Mechanism (IRM) application. The subject of the ICM will be the construction of a new administrative building for Oshawa PUC Networks, which is estimated to cost \$61 million. The estimated rate rider for the building would be \$4.45/month for a typical residential customer. With the inclusion of this additional estimated rate rider, the overall estimated distribution rate increase for most rate classes rises to more than 30% over two years (excluding 2027 Price Cap increases), as shown in the table below.³

Table 0.1 – Estimated distribution bill impacts due to 2026 cost of service and new building over two years

	Current Bill	\$ Increase in 2026	% Increase in 2026	New Building Estimated Rate Rider in 2027	Total % increase
RESIDENTIAL SERVICE CLASSIFICATION – RPP	\$29.79	\$5.90	20%	\$4.45	35%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION - RPP	\$62.88	\$12.49	20%	\$9.40	35%
GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION - Non-RPP (Other)	\$812.66	\$161.45	20%	\$107.05	33%
GENERAL SERVICE 1,000 TO 4,999 KW SERVICE CLASSIFICATION - Non-RPP (Other)	\$5,323.10	\$1,154.13	22%	\$661.88	34%

² In its Argument-in-Chief, Oshawa PUC Networks highlighted that the total estimated bill impact for a typical residential customer is 3.2%. However, OEB staff notes that while the total bill impact is below 10%, the distribution portion of the bill (i.e., Subtotal A), which is the subject of the unsettled issues, is 20% for residential customers.

³ Exhibit K1.4

LARGE USE SERVICE CLASSIFICATION - Non-RPP (Other)	\$27,976.89	\$4,962.53	18%	\$3,546.32	30%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION - RPP	\$26.80	(\$2.94)	-11%	\$2.69	-1%
SENTINEL LIGHTING SERVICE CLASSIFICATION - Non-RPP (Other)	\$10.24	\$3.33	33%	\$1.67	49%
STREET LIGHTING SERVICE CLASSIFICATION - Non-RPP (Other)	\$3.72	\$0.73	20%	\$0.53	34%

Issue 1: Capital Spending and Rate Base

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

OEB staff submits that the proposed capital expenditures and in-service additions are not appropriate as filed. OEB staff recommends that Oshawa PUC Networks' net in-service additions budget for 2025 be reduced from \$17.76 million to \$16.46 million, representing a reduction of \$1.30 million.⁴ OEB staff also recommends that Oshawa PUC Networks' 2026 net in-service additions be reduced from \$17.02 million to approximately \$13.17 million, representing a reduction of \$3.85 million.

Balancing new administrative building cost with remaining capital plan

In developing its 2025 and 2026 budget, OEB staff submits that Oshawa PUC Networks has not adequately demonstrated how it balanced the costs it expects to pay for its new administrative facility with the rest of its planned capital costs. OEB staff's recommended reductions regarding Oshawa PUC Networks' capital expenditures and in-service additions are partially driven by Oshawa PUC Networks' expected 2027 ICM for its new administrative building. It is OEB staff's view that Oshawa PUC Networks did not adequately balance this large, "lumpy", and expected cost with its remaining capital plan.

In comparing the in-service additions for the historical period (2021-2025) to the forecast period (2026-2030) before any consideration of the building, there is an increase in forecasted spending of \$10.6 million or 15%. Oshawa PUC Networks explained its rationale for the increase in section 5.4.2 of its Distribution System Plan

⁴ OEB staff's recommended capital reductions in 2025 are for the purposes of setting just and reasonable rates based on year-to-date actuals up to September 2025. OEB staff recognizes that a decision may be rendered after the completion of most or all of Oshawa PUC Networks' 2025 capital projects; Oshawa PUC Networks provided an updated Chapter 2 Appendices 2-AA in response to Undertaking J2.4. Capital forecasts for 2025 increased to \$17.8 million. Oshawa PUC Networks stated that it is not seeking recovery of the variance from its original budget.

(DSP). However, in its DSP, Oshawa PUC Networks did not provide a comparison of the historical period against a forecast period that accounts for the new building cost.

When the total forecasted building cost of \$61 million is added (and divided over 2024-2027), the difference in capital expenditures between the forecast period and the historical period increases to \$26.1 million or 28%, as seen in Table 1.1.⁵

Table 1.1 – Variance in Capital Expenditures Between Historical and Forecast Periods

	As per DSP (without building)	DSP with building
Net Expenditures - Historical Period (2021-2025)	\$70,126	\$92,909
Net Expenditures - Forecast Period (2026-2030)	\$80,769	\$119,009
Variance (\$'000)	\$10,643	\$26,100
Variance (%)	15%	28%

Oshawa PUC Networks completed an 'Operational Discussion and Capital Envelope Recommendation' analysis (DSP Options Analysis) in July 2024 to compare various capital envelopes.⁶ The DSP Options Analysis shows no evidence of how Oshawa PUC Networks reprioritized its capital plan in response to the cost of the building, apart from consideration of financing options. In fact, the proposed building was not categorized in the DSP Options Analysis as 'mandatory', 'vital', or 'critical' like all of Oshawa PUC Networks' other projects. Yet, Oshawa PUC Networks claims that the finance and operations team worked together to establish a possible capital envelope that accounted for the new building.⁷

The recommended capital envelope in the DSP Options Analysis estimated an annualized cost of \$15.5 million over the forecast period (\$77.5 million total) and omitted \$44.6 million of other project costs considered.⁸

OEB staff notes that many of the projects that form the \$44.6 million in omissions include low risk scenarios with high costs. For instance, Oshawa PUC Networks contemplated a scenario in which all of its meters would fail reverification, leading to \$11 million of replacement costs across 2026-2030. However, Oshawa PUC Networks deferred \$5.5 million in meter replacements under the assumption that not all batches of meters sent for reverification will fail. OEB staff submits that it is unreasonable to assume that all batches would fail reverification to begin with without supporting data,

⁵ While capital expenditures for the land began in 2024, the total cost of the building are not expected to go into service until 2027 as part of a future ICM.

⁶ Responses to Interrogatories, Exhibit 2, Attachment 2-11

⁷ Oral Hearing Transcript, Vol 1, p.110

⁸ Argument-in-Chief, p.11

which Oshawa PUC Networks does not have.⁹

Since the development of the DSP Options Analysis, the capital expenditure forecast over 2026-2030 has risen to \$80.8 million, with \$17.0 million of that amount in the 2026 test year. Given that the forecast period costs are \$10.6 million (15%) greater than the historical period without the inclusion of the building and \$26.1 million (28%) with the inclusion of the building, it is unclear how the omission of \$44.6 million demonstrates that Oshawa PUC Networks appropriately prioritized its 2026-2030 budget around the building.

In its Argument-in-Chief, Oshawa PUC Networks identified a number of other projects that it deferred from the 2026 test year “in order to mitigate test year rate impact.”¹⁰ However, OEB staff submits that Oshawa PUC Networks has not appropriately paced its capital projects to mitigate test year rate impacts given that the test year net capital budget is \$17.0 million, compared to the average forecast budget (2026-2030) of \$16.2 million.

While OEB staff is recommending a 7% reduction to Oshawa PUC Networks’ overall capital envelope for 2025 and a 23% reduction in 2026, OEB staff has identified the following areas in which Oshawa PUC Networks could seek reductions to meet OEB staff’s recommendations. These areas were determined by OEB staff based on its assessment of the evidence, and Oshawa PUC Networks’ justifications for each area of spending.

- a) Meter replacement program spending in 2026: **\$300k reduction**
- b) Switchgear and related replacements at MS7 in 2025 and MS5 in 2026: **\$3.0 million reduction in 2026**
- c) Pole replacement program in 2025 and reactive budget in 2026: **\$100k and \$200k reduction, respectively**
- d) 2025 General Plant budget: **\$1.2 million reduction**; and deferral of lower priority 2026 General Plant projects: **\$350k reduction**

Further rationale for each proposed capital budget reduction is provided below along with additional recommendations regarding Oshawa PUC Networks’ non-wire solutions (NWS) projects.

Meter replacement program in 2026 (\$300k reduction)

Oshawa PUC Networks has historically replaced meters on a reactive basis (i.e. replaced only once an issue or failure is identified). Beginning in 2026, Oshawa PUC

⁹ Oral Hearing Transcript, Vol 2, p.61

¹⁰ Argument-in-Chief, p.11

Networks plans to start proactively replacing 2,800 meters per year. Oshawa PUC Networks stated that in 2028 “there are a large number of meters (35,000+) requiring verification and a proactive approach is adopted to balance risk of failures and pace out future reverification groups to avoid bulk investment needs.”¹¹ When a batch of meters fails reverification due to seal issues, the entire batch requires replacement.

The table below outlines meter replacement costs and the number of units being replaced each year.

Table 1.2 – Meter replacement cost and number of units replaced¹²

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Cost (\$'000)	\$400	434	\$354	\$321	\$321	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100
Units	2,026	1,498	903	513	657	2,800	2,800	2,800	2,800	2,800

Oshawa PUC Networks has planned meter replacements on the assumption that not all batches sent for reverification will fail. However, apart from the age and typical useful life of meters, Oshawa PUC Networks does not have data showing what the actual risk or probability of failure for its meter population is.¹³ From Table 1.2, it is evident that, although the probability of failure due to sealing issues is unknown, the number of meter replacements due to all failure modes has seen a downward trend in the historical period.

While OEB staff understands the decision to change to a proactive replacement strategy, OEB staff submits that there is a lack of data underlying the decision to increase meter replacements in 2026 to the level requested by Oshawa PUC Networks. OEB staff submits that Oshawa PUC Networks should reduce its meter replacement spending or re-prioritize its meter replacements relative to other lower priority projects in its capital plan.

In calculating a \$300k capital reduction for the 2026 test year, OEB staff assumed meter replacements similar to that of 2021 (2,000 units) as a conservative approach, at the unit price assumed by Oshawa PUC Networks for 2026.

2025 pole replacement budget (\$100k reduction)

Oshawa PUC Networks is increasing its pole replacement cost in 2025 to \$500k and will be replacing 49 poles as part of this program. This is more poles than any other year between 2021-2030.¹⁴ Oshawa PUC Networks noted that the program is expected to

¹¹ Distribution System Plan, Appendix B, p.68

¹² *Ibid.*

¹³ Oral Hearing Transcript Vol 2, p.137

¹⁴ Distribution System Plan, Appendix B, pp.21-22

exceed the original 2025 budget by \$100K (25%), as reduced spending in 2024 shifted work into 2025 to maintain infrastructure reliability.¹⁵ OEB staff considers it prudent to reduce the number of poles being replaced in 2025 to a pace similar to that of prior years. As such, OEB staff submits that Oshawa PUC Networks should reduce its 2025 pole replacement costs to the average program spend for 2021-2024 of approximately \$400k (a reduction of \$100k).

Oshawa PUC Networks engaged METSCO to conduct an Asset Condition and Risk Assessment Report (ACA) in 2023.

When looking at the ACA, only 91 poles are classified in poor/very poor condition, yet Oshawa PUC Networks plans to replace 373 poles across all its programs over the forecast period (2026-2030).¹⁶ OEB staff understands that not all pole replacements are due to poor condition results. However, with an improving trend in reliability, as seen in the table below, and with distribution rates expected to significantly increase over the next two years, OEB staff submits that Oshawa PUC Networks should seek to reprioritize some of its pole replacements currently budgeted in 2025 to reduce impacts on 2026 rates.

Table 1.3 – Reliability Metrics, System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index

	2020	2021	2022	2023	2024
SAIDI	1.46	0.57	1.46	0.79	0.32
SAIFI	1.50	0.66	1.04	0.80	0.29

2026 reactive budget (\$200k reduction)

Oshawa PUC Networks is increasing its net reactive budget to \$1.8 million in 2026, which is a 20% reduction from its average spend from 2021-2023.¹⁷ Oshawa PUC Networks' net reactive budget in 2024 and 2025 were \$1.6 million and \$1.7 million respectively.¹⁸ OEB staff submits that the net reactive budget be reduced from \$1.8 million by \$200k to bring the 2026 net reactive budget to the average of 2024-2025 levels (\$1.6 million). OEB staff believes it would be more appropriate to consider the 2024 and 2025 reactive budgets in estimating the forecast period for the reasons listed below.

Oshawa PUC Networks stated that a portion of the reactive work that occurred in historical high-cost years such as 2021 was removed from the collective impacts of

¹⁵ Distribution System Plan, p.110

¹⁶ SC-CCC-2

¹⁷ Distribution System Plan, Appendix B, p.64

¹⁸ Response to Undertaking J2.4, Attachment J2.4

targeted proactive renewal programs.¹⁹ As part of the ACA in 2023, METSCO conducted a risk assessment that calculated the impact and probability of asset failure, emphasizing reliability, safety and environment.²⁰ OEB staff would have expected the risk assessment to increase Oshawa PUC Networks' ability to target the most appropriate assets for renewal as part of its proactive renewal programs, thereby lowering the need for reactive replacements closer to levels experienced in 2024-2025.

Oshawa PUC Networks also stated that a portion of the reactive work that occurred in historical high-cost years such as 2021 was removed due to the introduction of distribution automation since 2021.²¹ Since 2021, Oshawa PUC Networks has increased its Fault Location, Isolation, and Service Restoration (FLISR) distribution automation device coverage from 8% to 40%. The increased coverage of FLISR devices is one of the factors behind why Oshawa PUC Networks' reliability has seen an improved trend over the years.²² OEB staff believes that this increase to automation coverage should have an increasingly positive impact on reliability as coverage increases, thereby lowering reactive work closer to 2024-2025 levels.

Municipal substation switchgear replacement program (\$3 million reduction)

Oshawa PUC Networks originally planned for the replacement of substation switchgears at MS2, MS5, MS7, MS11, and MS13 in its 2021 cost of service application at a cost of \$1.8 million per year.²³ The replacement of many of the switchgears was deferred. In 2023, Oshawa PUC Networks completed the replacement of the switchgear and related assets at MS2 at a cost of \$3.1 million. Oshawa PUC Networks provided several reasons as to the variance in costs as part of this proceeding.²⁴

Oshawa PUC Networks now plans to replace the switchgear and related assets at MS7 in 2025 for \$3.4 million, and in 2026, it plans to replace the municipal substation switchgear and related assets at MS5 at a cost of \$3.0 million.²⁵ Oshawa PUC Networks noted that the program will "replace switchgears in poor condition posing high risk and approaching economic end of life within the forecast period, to prevent potential failures that can cause extended outages and safety risks."²⁶

OEB staff believes that there is insufficient evidence to support the proposed timing of the investments in this program, especially given increased costs in 2025 and the forecast period. As such, OEB staff submits that Oshawa PUC Networks should defer the 2026 MS5 Switchgear replacement project. OEB staff submits that other alternatives could include (1) shifting the in-service date of the switchgear replacement at MS7 from

¹⁹ 2-Staff-62

²⁰ Distribution System Plan, Appendix C, p.29

²¹ 2-Staff-62

²² Exhibit K2.4

²³ EB-2020-0048, Distribution System Plan, Appendix A, p.79

²⁴ 2-CCC/VECC-47b

²⁵ Response to Undertaking J2.4, Attachment J2.4

²⁶ Distribution System Plan, Appendix B, pp.59-61

2025 to 2026 and MS5 from 2026 to a future year, or (2) deferring other System Renewal investments of \$3.0 million in its 2026 capital budget in order to prioritize this program within an appropriate capital envelope.

The support for this recommendation follows below.

Oshawa PUC Networks noted that the source of the information it used in developing the municipal substation switchgear replacement program include (a) the ACA and (b) a Lifecycle Risk & Options Analysis (switchgear options analysis) conducted by METSCO in 2023.²⁷

(a) Asset Condition and Risk Assessment

Section 4.2.3 of the ACA outlines the condition of the switchgear buses. According to the ACA, three switchgear buses are in fair condition, while the other 15 are in good or very good condition. According to the risk assessment, one switchgear bus is in a high-risk state, 13 are in a moderate state, and four are in a low moderate to low-risk state. With no switchgear buses in poor condition and only one switchgear bus in a high-risk state, OEB staff does not find it prudent to be replacing assets at both MS7 and MS5 in 2025 and 2026 given their condition and risk rating in light of the expected large distribution rate increases in 2026.

OEB staff also notes that, given that the ACA was conducted in 2023, it is unclear how automation initiatives since then have been considered. Oshawa PUC Networks has continued to invest in FLISR distribution automation devices since 2023, and it is also installing three new feeders at MS9 in 2026 that will reduce the risk of failure on MS7 assets by increasing the ability of load switching between MS7 and MS9.

(b) Switchgear options analysis

As part of the switchgear options analysis, METSCO determined an optimal intervention time (OIT) for replacement and refurbishment of Oshawa PUC Networks' station power transformers and switchgears.²⁸

The switchgear at MS13 was proposed for replacement as part of Oshawa PUC Networks' 2021 cost of service and METSCO still recommends that it be replaced before 2030. It is also as old as the switchgears at MS7, yet²⁹ Oshawa PUC Networks has not planned for the switchgear replacement at MS13 in the 2026-2030 period. As such, Oshawa PUC Networks appears willing to defer projects recommended by METSCO despite the weight it has put on the switchgear options analysis report to justify this program.

²⁷ Distribution System Plan, Appendix B, p.62

²⁸ Distribution System Plan, Distribution System Plan, Appendix C, Substation Power Transformers and Switchgears Lifecycle Risk & Options Analysis – 2023, p.10

²⁹ EB-2020-0048, Distribution System Plan, Appendix A, p.79

Additionally, the switchgear options analysis report does not provide an exact optimal timeline to replace the switchgears. Instead, the OIT provides recommendations for which switchgears to replace before 2030. As such, there is no evidence to suggest that Oshawa PUC Networks cannot defer investments at MS7 or MS5 in 2025 and 2026 respectively given the large rate increases that are expected over the next two years.

General Plant projects in 2025 (\$1.2 million reduction) and 2026 (\$350k reduction)

OEB staff submits that Oshawa PUC Networks could defer some of its General Plant projects to mitigate rate impacts.

(a) 2025 IT Projects (\$1.2 million reduction in 2025)

When comparing the 2025 budget from the partial Settlement Proposal to that provided in response to Undertaking J2.4, there has been an increase of \$412k. Oshawa PUC Networks noted that it does not plan to recover costs from the increase. The table below provides a breakdown of the variance in the 2025 budget.³⁰

Table 1.4 – 2025 Capital Budget Variance (Partial Settlement Proposal versus Undertaking Responses (\$'000))

	2025 Capital Budget - Partial Settlement	2025 Capital Budget - Undertaking Responses	Variance
System Access	\$5,855	\$6,457	\$602
System Renewal	\$7,745	\$6,499	\$(1,246)
System Service	\$1,093	\$963	\$(130)
General Plant	\$2,657	\$3,843	\$1,186
Net Capital Expenditures	\$17,349	\$17,762	\$412

While Oshawa PUC Networks noted that it does not plan to recover costs related to the 2025 spending increase³¹, it is clear from the table that Oshawa PUC Networks is spending less in 2025 in the System Renewal and System Service categories compared to estimates provided at the time of the partial Settlement Proposal and spending \$1.2 million more in the General Plant category, which represents projects that are not part of

³⁰ Response to Undertaking J2.4 - Attachment J2.4 Appendix 2-AA

³¹ In response to Undertaking J2.4, Oshawa PUC Networks noted that it would not seek to recover the increase of \$0.35 million compared to its original 2025 budget of \$17.4 million. However, OEB staff calculated Oshawa PUC Networks' 2025 capital budget to be \$17.3 million at the time of the partial settlement proposal. In the Oral Hearing Transcript, Vol.2, p.45, Oshawa PUC Networks clarified that the columns representing year-to-date spending from January to June and forecasts for July to December should have been summed to form the 2025 budget at the time of the partial settlement proposal.

the distribution system. Of the \$1.2 million General Plant variance, the Customer Information System (CIS) project has increased by \$797k from \$1.5 million to \$2.3 million.³²

As Oshawa PUC Networks noted in its Argument-in-Chief, the onus is on the applicant to demonstrate that its rate proposals are just and reasonable.³³ Oshawa PUC Networks has not provided justification for the increase in costs for the General Plant category. As such, OEB staff submits that the General Plant 2025 expenditures should be reduced to the budget provided at the time of the partial Settlement Proposal of \$2.7 million. This results in a reduction of \$1.2 million from the latest 2025 net budget of \$17.8 million, and a reduction in the 2026 opening rate base.

(b) 2026 IT Projects (\$200k reduction in 2026)

With respect to 2026, OEB staff submits that the website redesign, intranet upgrade, and customer communication redesign projects with a combined estimate of \$200k in 2026 be deferred. As the projects are individually immaterial, Oshawa PUC Networks has not ranked them as part of its project ranking and prioritization matrix.³⁴ However, OEB staff submits that there is insufficient justification for these projects given the large increase in total capital expenditure over the forecast period.

(c) Fleet – Panel Van Replacement (\$150k reduction in 2026)

Oshawa PUC Networks noted that it is replacing three vehicles in its 2026 budget. The 2026 fleet budget is \$220k greater than what had been spent on average from 2021-2025. Of the three vehicles being replaced, a 2012 panel van is being replaced at a cost of \$150k. While the panel van has passed its 10-year service life, it has yet to reach its engine hours threshold of 10,000 as it currently has 9,467 engine hours.³⁵ OEB staff recommends that this vehicle investment of \$150k be deferred to a future year or that Oshawa PUC Networks defer lower priority projects to accommodate this vehicle replacement.

Recommendations for NWS Projects

Besides the reductions to Oshawa PUC Networks' capital budget described above, OEB staff makes the following submissions on Oshawa PUC Networks' proposed NWS projects.

Oshawa PUC Networks' evidence states that its DSP does not have any system needs that could be met by an NWS.³⁶ However, Oshawa PUC Networks has proposed four early-stage and exploratory NWS projects, totaling a planned \$715k over the 2026–

³² Response to Undertaking J2.4 - Attachment J2.4 Appendix 2-AA

³³ Argument-in-Chief, p.1

³⁴ Distribution System Plan, Table 30, p. 151

³⁵ Response to Undertaking J2.10B

³⁶ Distribution System Plan, Appendix A, p.2

2030 period. Oshawa PUC Networks categorized all project-related costs as capital expenditures due to their alignment with the DSP and their role in replacing future DSP investments.³⁷ Oshawa PUC Networks further noted that with program development and application of a proper Benefit-Cost Analysis (BCA) format, it will be able to appropriately categorize costs in accordance with IFRS either as capital or operating cost.

OEB staff supports the proposed NWS projects, recognizing their potential to provide Oshawa PUC Networks with flexibility in addressing load growth and deferring future capital investments. The projects also support Oshawa PUC Networks' advancement in planning and future implementation of cost-effective NWS, consistent with OEB guidance.

OEB staff notes that while the overall investment is not expected to materially impact rates, certain NWS project costs such as staffing, customer incentives, third party payments, and other expenses not directly tied to placing an Oshawa PUC Networks-owned asset into service, should not be capitalized. These costs should be classified in accordance with IFRS, Oshawa PUC Networks' capitalization policy, and the OEB NWS Guidelines.

The OEB recognizes that utilities may seek to earn a return on investments related to NWS and encourages the use of appropriate mechanisms to do so. The OEB's *Filing Guidelines for Incentives for Electricity Distributors to Use Third-Party DERs as Non-Wires Alternatives* outlines three incentive mechanisms that distributors may apply for when using third-party DERs as NWSs. As Oshawa PUC Networks develops its NWS programs and applies the BCA, it may consider applying for one of these incentive mechanisms, if applicable, to support the use of third-party DERs in meeting system needs.

OEB staff recommends that Oshawa PUC Networks be required to provide an update on the progress and outcomes of its four proposed NWS projects as well as the NRCan-funded Distributor System Operator (DSO) project that is leveraged for these projects as part of its next Cost of Service application. This update should include metrics and information on the distribution system benefits realized (e.g., reliability, added capacity, flexibility), customer costs and savings, project progress (i.e., status, successes and challenges, risks), and any lessons learned from the NWS and DSO projects.

1.2 Are the proposed rate base and depreciation amounts appropriate?

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

³⁷ 2-StaffCQ-5b

BB for the purposes of calculating the depreciation expense.

OEB staff recognizes that the Parties have not agreed to the rate base and depreciation amounts. These amounts include the final determination of the Cost of Power, controllable expenses, the opening balance of 2026 rate base, the 2026 capital additions and the closing balance of the 2026 rate base. The final determination of these amounts is contingent on the OEB's determination on Issues 1.1 and 2.1.³⁸

On October 17, 2025, the OEB announced that effective November 1, 2025, the Ontario Energy Rebate (OER) would be increasing to 23.5%. OEB staff expects Oshawa PUC Networks to update the OER component of Cost of Power and resulting working capital during the Draft Rate Order process in determining its rate base.³⁹

Asset Retirement Obligation – 100 Simcoe

Oshawa PUC Networks operates from a property at 100 Simcoe, which is owned by the City of Oshawa. Oshawa PUC Networks is a tenant under a lease arrangement and has an obligation, at the end of the lease term, to demolish or decommission the leased premises.⁴⁰ According to the lease agreement dated October 30, 2024, Oshawa PUC Networks must, within six months of vacating the premises and no later than November 30, 2028, at its own expense, fulfill its decommissioning obligations pursuant to the terms of its agreement.⁴¹

In response to OEB questions related to its expected 2027 ICM for the new administrative building, Oshawa PUC Networks provided detailed information on its current Asset Retirement Obligations (ARO) as discussed in the paragraphs below.⁴²

In 2023, Oshawa PUC Networks received a demolition quote of approximately \$906k⁴³ and escalated this by 3% per year to the assumed demolition date in November 2028, resulting in nominal future cash flows of approximately \$1.08 million. This amount was discounted back to April 1, 2017, which Oshawa PUC Networks treats as the point at which the demolition obligation effectively arose, producing a present value ARO of approximately \$762k. This amount is amortized on a straight-line basis over the period from April 2017 to November 2028, resulting in an annual depreciation expense of approximately \$65k.

Although Oshawa PUC Networks indicates that the ARO arises in April 2017 when the lease arrangement was amended, Oshawa PUC Networks states that it first

³⁸ Settlement Proposal, p.14

³⁹ [Ontario Energy Board Announces Changes to Electricity Prices for Households, Small Businesses and Farms](#), October 17, 2025

⁴⁰ Lease amendment and extension agreement effective June 1, 2023 to September 30, 2028 – previously filed as Exhibit 1 IRRs, Attachment 1-5

⁴¹ [Responses to OEB questions](#), dated November 18, 2025, p 32

⁴² *Ibid*, p 5-6

⁴³ *Ibid*, Attachment OEB-2_1, Quote on Demolition

commenced recording of the ARO on its 2022 audited financial statements.⁴⁴ In response to OEB's questions regarding the ARO, Oshawa PUC Networks states that "2026 will be the first time any depreciation for this ARO will be recognized in rates, despite the amortization of these costs back to 2017, meaning there were no costs passed to customers for the amounts amortized between 2017 and 2025."⁴⁵

In this application, Oshawa PUC Networks is seeking to recover \$65k in annual depreciation expense related to its ARO in its 2026 revenue requirement. It does not propose to recover any accretion expense on the liability for the years 2017-2025, which have not been recovered from customers in prior rate years. Nor does Oshawa PUC Networks propose to recover the accretion expense for 2026 and the forward years.⁴⁶ Oshawa PUC Networks indicated that it intends to bring forward an ICM application in 2027 to recover incremental revenue requirement associated with the new building, while the ARO for the current premises will remain in place until the demolition obligation is discharged.

OEB staff submits that only three (3) years of recovery of the annual depreciation expense should be recovered for the rate term, the equivalent of \$39,195⁴⁷ in the 2026 revenue requirement. The terms of the lease agreement are explicit in that Oshawa PUC Networks must vacate the premises by May 31, 2028 and decommission the premises (i.e. demolish building and restore land) by November 30, 2028 at the latest. Therefore, from a cost-causality standpoint, it is reasonable to view only the ARO-related costs corresponding to this period as recoverable in the current rate term.

The ARO is an expense representing a legal and financial obligation of Oshawa PUC Networks that is recognized for financial reporting purposes. The ARO was initially recognized on Oshawa PUC Networks' 2022 audited financial statements. However, OEB staff notes that the obligation to decommission existed at the 2017-year end. OEB staff is of the view that the obligation should have first been disclosed in Oshawa PUC Networks' 2021 cost of service application.⁴⁸ With that being said, OEB staff acknowledges that Oshawa PUC Networks is not requesting retroactive recovery for the historical 2022-2025 years, but is instead requesting recovery for 2026 through 2031.

⁴⁴ The demolition quote from footnote 48 is dated March 16, 2023 and the auditor's report for December 31, 2022 is dated April 24, 2023

⁴⁵ *Ibid*, OEB 2, part e

⁴⁶ *Ibid*, Oshawa PUC Networks states that the depreciation of \$65k requested leaves out the accretion expense as it reflects the present value of the decommissioning cost in 2017. It is not seeking to revise the depreciation amount because it is not material and the omission benefits customers

⁴⁷ \$65,325 annual expense * 3/5 year rate term

⁴⁸ EB-2020-0048, for 2021-2025 rates

Issue 2: OM&A**2.1 Are the proposed OM&A expenditures appropriate?**

Oshawa PUC Networks requested a 2026 OM&A budget of \$22.3 million, representing a 61% increase from its 2021 OEB-approved amount of \$13.9 million.

Oshawa PUC Networks' OM&A costs for each year since 2021 are reproduced in the table below.⁴⁹

Table 2.1 – OM&A per year (\$ millions)

	2021 OEB- Approved	2021 Actuals	2022 Actuals	2023 Actuals	2024 Actuals	2025 Bridge Year	2026 Test Year
OM&A costs	\$13.9	\$13.3	\$14.4	\$15.8	\$18.8	\$19.9	\$22.3
% change		-4%	8%	10%	19%	6%	12%

OEB staff submits that the 2026 OM&A budget should be reduced by \$2.25 million to \$20.02 million, representing a reduction of 10%. OEB staff submits that this recommended reduction represents a more appropriate level of spending that still allows Oshawa PUC Networks to address its growing needs while maintaining reasonable rates for its customers. The recommended reduction is based on cumulative effects of the following issues which OEB staff submits have not been adequately justified:

- a) increases to employee and executive base pay and incentives (\$550k reduction)
- b) proposed new employee roles (\$1.2 million reduction)
- c) assumption of zero percent vacancy rate in its 2026 OM&A budget (\$500k reduction)

Base pay and incentives (\$550k reduction)

Oshawa PUC Networks noted that in 2024-2026, it has been working to align its compensation levels based on the 50th percentile (P50) value as disclosed in an industry compensation study that was conducted by Korn Ferry in 2023.⁵⁰ OEB staff is of the view that the increases to base pay and incentives are not justified, and for the reasons that follow, OM&A compensation should be decreased by \$550k.

Oshawa PUC Networks explained that one of the reasons for the increase in compensation levels is to mitigate the high turnover rate of its staff. The annual turnover

⁴⁹ Partial Settlement Proposal - Chapter 2 Appendices, 2-JA

⁵⁰ Oral Hearing Transcript, Vol. 2, p.206

rate is reproduced in the table below.

Table 2.2 – Turnover Rates

	2021	2022	2023	2024	2025	2026
Rate	25%	15%	8%	12%	5%	8%

Oshawa PUC Networks discussed how it is in a competitive space surrounded by other utilities. However, Oshawa PUC Networks did not provide any data that illustrates how many employees have left Oshawa PUC Networks for other utilities or for other reasons.⁵¹ In addition, based on turnover rate expectations in 2025 and 2026 as shown in Table 2.2, Oshawa PUC Networks has in fact decreased its turnover rate, yet continues to increase incentive and base pay structures, as well as drastically increase its number of Full-Time Employees (FTEs).

Incentive Pay

As shown in Table 2.3 below, the average incentive rate for executives from 2021-2025 was 22% and is increasing to 29% in 2026. The average incentive rate for non-union staff from 2021-2025 was 10% and is increasing to 14% in 2026.

According to the 2023 MEARIE Management Salary Survey that Oshawa PUC Networks used as a secondary reference, the average incentive percentage for all levels of staff was 9% in 2023 across 36 local distribution companies.⁵² In comparison, OEB staff calculates that on average for Oshawa PUC Networks, incentive pay is approximately 18% of total salary as seen in the table below⁵³ based on total salary for all incentive eligible employees.

Oshawa PUC Networks argues that the 2023 Korn Ferry study leveraged a greater range of companies than the MEARIE survey, and therefore more accurately reflects the labour market in which Oshawa PUC Networks must compete to attract and retain staff. However, as noted above, Oshawa PUC Networks was not able to provide information on why its former employees left or where they found new employment.

⁵¹ Oral Hearing Transcript, Vol. 3, p.65

⁵² Response to Undertaking J3.2

⁵³ Response to Undertaking J3.1

Table 2.3 – Salary and incentive for employees (Incentive eligible employees only)

	2021 OEB- Approved	2021	2022	2023	2024	2025 Budget	2026 Budget
Executive	514,837	714,796	543,240	897,620	1,407,953	1,797,079	1,949,041
Salary	468,034	584,620	443,301	724,954	1,160,858	1,466,430	1,511,473
Incentive	46,803	130,176	99,939	172,666	247,095	330,649	437,568
% of Salary	10%	22%	23%	24%	21%	23%	29%
Management	2,772,187	1,488,280	1,271,653	1,349,489	1,555,682	,027,740	2,504,615
Salary	2,563,224	1,268,791	1,103,146	1,223,183	1,404,056	1,774,945	2,179,861
Incentive	208,963	219,489	168,507	126,306	151,626	252,795	324,754
% of Salary	8%	17%	15%	10%	11%	14%	15%
Non-Union	158,003	1,192,049	1,256,881	2,102,708	2,491,235	2,535,622	2,908,765
Salary	158,003	1,035,052	1,136,351	1,971,350	2,328,377	2,245,171	2,561,719
Incentive		156,997	120,530	131,358	162,858	290,451	347,046
% of Salary		15%	11%	7%	7%	13%	14%
Total	3,445,027	3,395,125	3,071,774	4,349,817	5,454,870	6,360,441	7,362,421
Salary	3,189,261	2,888,463	2,682,798	3,919,487	4,893,291	5,486,546	6,253,053
Incentive	255,766	506,662	388,976	430,330	561,579	873,895	1,109,368
% of Salary	8%	18%	14%	11%	11%	16%	18%

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Given that turnover has decreased, the findings of the 2023 MEARIE Management Salary Survey and Korn Ferry report, and given that distribution rates are estimated to increase by over 30% over two years for most rate classes as discussed earlier, OEB staff does not find it prudent to be increasing incentive payments at this time and recommends using the 2021-2025 average of 22% for executive incentives (resulting in an approximate \$100k reduction in 2026) and using 10% for non-union employees (resulting in an approximate \$100k reduction in 2026).

Base Pay Salary

Oshawa PUC Networks has increased executive salaries by a large margin. OEB staff

⁵⁴ Interrogatory Responses, Exhibit 4, Attachment 4-5, p.9

⁵⁵ Information has been redacted based on the OEB's Decision and Order on Confidentiality, dated October 27, 2025, p.3 regarding the Korn Ferry Compensation Market Analysis

calculates the average salary per executive in 2021 was \$146k (four executives) and has increased to \$216k per executive (seven executives) in 2026, representing an increase of 70% increase over five years.

Based on the Korn Ferry study, the 2023 Ontario market 50th percentile base salary for [REDACTED]

Oshawa PUC Networks noted that it has not done a benchmarking study since 2023. Based on the large increases in executive salaries, especially in 2024 and 2025 following the completion of the study, OEB staff believes it is prudent to reduce the base salary for executives to approximately 2024 levels, where average salaries for executives were \$166k.⁵⁷ As such, OEB submits that executive salaries be reduced in 2026 by a minimum of \$350k (this does not include the effect on benefits and incentives). [REDACTED]

[REDACTED]
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Proposed new roles (\$1.2 million reduction)

A large portion of the OM&A increase since 2021 is due to increases in the headcount of the organization. As part of its 2021 cost of service application, the OEB approved an OM&A budget for Oshawa PUC Networks that included 91 FTEs. However, Oshawa PUC Networks has operated with fewer headcount during the entire historical period.⁵⁹ The table below shows the mid-year FTEs from 2021 to 2026.

Table 2.4 – Mid-year FTEs per year

	2021 OEB- approved	2021	2022	2023	2024	2025 Bridge Year	2026 Test Year
Management (including executives)	19	16	15	17	20	22	23
Non-management	72	65	57	63	66	65	74
Total	91	81	72	80	86	87	97

Total mid-year FTEs are expected to increase by one from 2024 to 2025 and by 10 from

⁵⁶ Interrogatory Responses, Exhibit 4, Attachment 4-5, p.9

⁵⁷ An average salary of \$166k/executive FTE was calculated based on seven executive FTEs and \$1.2 million.

⁵⁸ Information has been redacted based on the OEB's Decision and Order on Confidentiality, dated October 27, 2025, p.3 regarding the Korn Ferry Compensation Market Analysis

⁵⁹ OEB staff recognizes that in 2024 a number of roles in the call center were outsourced, lowering Oshawa PUC Networks' total headcount from that point on.

2025 to 2026. Oshawa PUC Networks plans to add three new positions in 2025 and 14 in 2026 (including students).⁶⁰

OEB staff submits that Oshawa PUC Networks' 2026 OM&A budget could be reduced by \$1.2 million, reflecting a decrease of 10 FTEs. In determining this reduction, OEB staff used an approximate compensation budget per FTE of \$125k based on the total 2026 OM&A compensation budget of \$13.5 million⁶¹ and 105 year-end FTEs.⁶²

The rationale for OEB staff's proposed reduction is discussed in greater detail below:

(a) Business Transformation Plan

In 2023, Oshawa PUC Networks' new CEO established a new management team. The CEO and new management team developed a 2026-2030 business transformation plan to modernize the distributor's system (the Business Transformation Plan). The Business Transformation Plan lays out the changes in the organization that require an increased headcount. When asked for documentation or presentations that were considered in preparing the Business Transformation Plan, Oshawa PUC Networks provided a risk register, a Political, Economic, Societal, Technology, Legal, and Environmental (PESTLE) analysis, a business transformation presentation, and a 2023 customer engagement survey.⁶³

OEB staff notes that none of the documents provided cost-benefit analyses comparing options for areas of organizational change. As a result, it is unclear whether other alternatives were considered before Oshawa PUC Networks' new management team adopted the Business Transition Plan. It is similarly unclear how the Business Transition Plan represents the most optimal outcome for the distributor and its customers.

(b) Resource Optimization Review (ROR) and consultant expertise

Oshawa PUC Networks engaged a consultant, Lise Galli of Marjorie Richards & Associates Limited, to conduct an ROR in 2024. The ROR recommended adding a number of technical and management roles. Oshawa PUC Networks used the ROR as a key input in developing which roles to incorporate into its 2025 and 2026 budgets.

One of the metrics used to assess Oshawa PUC Networks was a benchmarking study of customers per FTE.⁶⁴ However, this benchmarking study did not account for outsourcing by Oshawa PUC Networks and also did not account for outsourcing

⁶⁰ 4-CCC/VECC-142d

⁶¹ Partial Settlement Proposal, Chapter 2 Appendix App.2-K, September 23, 2025

⁶² Response to Undertaking J3.1

⁶³ OPUCN Letter Response to SEC Updated IRR 1-SEC-7b, September 26, 2026, pp.2-3

⁶⁴ Argument-in-Chief, p.17

performed by other distributors in the study.⁶⁵ For that reason, OEB staff does not believe weight should be placed on this metric in the context of the ROR.

(c) Incremental addition of roles planned for 2025 and 2026

Power Line Technicians (PLT) and Power Maintenance Electricians (PME)

Oshawa PUC Networks proposes to hire one PLT, one PLT apprentice, and two PME apprentices in 2026.⁶⁶ While the ROR recommended increases to PLTs and PMEs, OEB staff submits that these four hires are not necessary.

Among the reasons for the recommended increase in PLTs and PMEs provided in the ROR is the anticipated 20% increase in capital work between 2021-2025 and 2026-2030 and a high turnover rate. However, OEB staff submits that Oshawa PUC Networks has not provided sufficient support to show how a 20% increase to the capital budget over the two periods, which includes General Plant work that is outside the scope of the distribution system, requires the addition of four new FTEs, especially given the significant expected rate increases in 2026.

Distribution and IT Students

Oshawa PUC Networks plans to hire two distribution students and an IT student during the 2026 test year.⁶⁷ There are no explanations provided in Oshawa PUC Networks' evidence as to why these roles are needed. With no justification, OEB staff believes these roles should be omitted from the 2026 budget. For the purposes of determining a comparable FTE count, OEB staff has assumed that these three students equate to one FTE.

Director Meter to Cash

The Director Meter to Cash position was filled in 2025 and has been tasked with organizing the meter to cash pipeline at Oshawa PUC Networks to find efficiencies and streamline processes. One of the focuses of 2025 and 2026 is halting the increases in arrears through optimizing collections technology, process and strategy. Oshawa PUC Networks believes that without collection efforts and investments, arrears would continue to rise exponentially, thereby increasing bad debt.⁶⁸

In 2023, Oshawa PUC Networks began outsourcing some of its metering and collection activities to its affiliate, 2825407 Ontario Inc. in place of a third-party company. Total

⁶⁵ Oral Hearing Transcript, Vol.1, p.74

⁶⁶ Exhibit 4, p.76

⁶⁷ 4-CCC/VECC-142d

⁶⁸ 4-Staff-150b

collection efforts are increasing from \$472k in 2023 to \$768k in 2026.⁶⁹ Bad debt expenses are increasing from \$1.1 million to \$1.2 million in the same period⁷⁰ as seen in the table below. While Oshawa PUC Networks notes that the bad debt would be higher if not for the efforts, it is not clear from Oshawa PUC Networks' evidence what the level of correlation is between its investments in collection activities and its bad debt expense. As such, OEB staff submits that given the lack of support for the level of investment in collection activities, Oshawa PUC Networks should lower its OM&A budget the equivalent of one FTE.

Table 2.5 – Collection cost versus bad debt expense

	2021 OEB- approved	2021	2022	2023	2024	2025	2026
Total collection costs	\$738k	\$541k	\$546k	\$472k	\$516k	\$680k	\$768k
Bad Debt Expense	\$456k	\$358k	\$420k	\$1,120k	\$1,472k	\$1,000k	\$1,200k

Administrative and General New Additions

The roles being considered or already hired in 2025 and 2026 in the administrative and general category include: Manager of Governance, Senior Financial Advisor, Supply Chain Analyst, Cyber Security Analyst, Business Analyst, and an IT student.

Oshawa PUC Networks is forecasting an increase in its mid-year FTE count in its “Operations and Maintenance” category by three from 2021 to 2026. Notably, Oshawa PUC Networks is increasing its FTE count by 18 over the same period in the “Administrative & General” category as shown in Table 2.6 below.⁷¹

Neither Oshawa PUC Networks nor the ROR benchmarked how Oshawa PUC Networks compares to other distributors in terms of the number of roles required in different categories (i.e., operations, maintenance, customer service, administrative and general).⁷² OEB staff finds this would have been helpful in discerning at a high level where Oshawa PUC Networks' priorities lie compared to its peers.

⁶⁹ Response to Undertaking J3.5

⁷⁰ Partial Settlement Proposal, Chapter 2 Appendices, 2-JC

⁷¹ 4-CCC/VECC-142c

⁷² Oral Hearing Transcript, Vol. 2, p.184

Table 2.6 – 2021-2026 mid-year FTE values by program

Program	2021 OEB- Approved	2021 Actuals	2022	2023	2024	2025 Bridge Year	2026 Test Year
Operations and Maintenance	50.0	44.0	37.0	38.9	41.9	42.3	47.1
Customer Service	19.8	14.4	10.8	11.8	8.8	7.6	9.5
Administrative & General	21.6	22.4	24.1	29.6	35.6	36.9	40.0
Total	91.4	80.8	71.9	80.2	86.4	86.9	96.6

When asked about the savings and efficiencies of many of the proposed general and administrative FTE additions for 2025 and 2026, Oshawa PUC Networks noted that “the purpose of the roles is to solve problems, and some of those problems may be efficiency problems.”⁷³

OEB staff will not delve into the needs of each role. However, as previously discussed, there has been a large increase in the number of administrative and general staff since 2021, and also a lack of evidence showing the benefit of implementing the proposed roles or the efficiencies from these roles. As such, OEB staff submits that Oshawa PUC Networks should find efficiencies across its OM&A budget to reduce the budget by the equivalent of four FTEs (the number of administrative and general FTEs added since 2024).

Vacancy assumption of zero in OM&A budget (\$500k reduction)

From 2021-2024 Oshawa PUC Networks has seen a number of vacancies as reflected in Table 2.7 below.⁷⁴ On average, Oshawa PUC Networks had a vacancy rate of 9% across the four years.

Table 2.7 – Vacancies & vacancy rate

	2021	2022	2023	2024
Vacancies	8	6	4	11
Rate	11%	8%	5%	13%

Oshawa PUC Networks assumed that it would have zero vacancies in its 2026 budget.⁷⁵ OEB staff finds it unrealistic to assume that there would be no vacancies in

⁷³ Oral Hearing Transcript, Vol.3, p.82

⁷⁴ 4-CCC/CCMBC/VECC/AMPCO-144b

⁷⁵ Oral Hearing Transcript, Vol. 3, p.33-34

any given year in light of the historical values in the table above.

When asked about the lack of vacancies assumed in its budget, Oshawa PUC Networks noted if roles cannot be filled in 2026, Oshawa PUC Networks expects to hire subcontractors for that work similar to what it had done in 2021 when it could not find staff.⁷⁶

OEB staff notes that even in 2021, where Oshawa PUC Networks claims to have addressed its vacancies through subcontractors, Oshawa PUC Networks still underspent its planned amount by 4% and had a vacancy rate of 11%.

As such, OEB staff recommends reducing Oshawa PUC Networks' total 2026 OM&A compensation budget of \$13.5 million⁷⁷ by 4%, the same level of underspend in 2021. This would result in a reduction of approximately \$500k in Oshawa PUC Networks' OM&A budget.

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

While OEB staff finds the proposed shared services cost allocation methodology and the quantum to be appropriate for the purposes of rate setting, OEB staff makes the following observations regarding the shared services cost allocation methodology. OEB staff submits that these observations warrant consideration during the determination of appropriate capital and OM&A envelopes for Oshawa PUC Networks.

Collection and metering costs

In 2023, Oshawa PUC Networks began outsourcing some of its collection and metering work to an affiliate, 2825407 Ontario Inc., whereas it had formerly outsourced this work to a third-party company. It is unclear to OEB staff how Oshawa PUC Networks' decision to outsource this work in 2023 instead of bringing it in-house constitutes a benefit to ratepayers, especially after 2024 when collection costs significantly increased.

2825407 Ontario Inc. staff augmentation

2825407 Ontario Inc. is an energy service provider, providing metering services and disconnect and reconnect services. To complete the customer information system (CIS) project in 2025, 2825407 Ontario Inc. hired staff over a short period of time to fill the gap in Oshawa PUC Networks' lack of knowledge in customer billing. This augmented staffing complement was charged and capitalized to Oshawa PUC Networks at a fully allocated cost of approximately \$250k.⁷⁸ While OEB staff will not opine whether this is appropriate, it is unclear to OEB staff how Oshawa PUC Networks' decision to have the

⁷⁶ *Ibid.*

⁷⁷ Partial Settlement Proposal, Chapter 2 Appendix App.2-K, September 23, 2025

⁷⁸ Oral Hearing Transcript, Vol.1, pp.93-96

affiliate hire staff instead of the distributor directly hiring staff is to the benefit of ratepayers.

Collaboration with Lakefront Utilities

According to Oshawa PUC Networks, an affiliate of the distributor, 2825407 Ontario Inc., provides services to Lakefront Utilities. The affiliate contracts four Oshawa PUC Networks staff members to conduct this work at a fully allocated cost. The affiliate then charges Lakefront Utilities a 10% markup.⁷⁹ From October 14, 2024 to September 30, 2025, there has been a net loss of \$28k on these services.⁸⁰

OEB staff does not see the shared service between Oshawa PUC Networks' affiliate and Lakefront Utilities as a benefit to Oshawa PUC Networks or its customers. Oshawa PUC Networks has cited burnout and capacity issues as reasons for requiring more staff yet is using its resources to contract work to another distributor via an affiliate at a net loss.

Issue 3: Cost of Capital, PILs, Revenue Requirement

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

The Parties fully settled the issue as described in the Settlement Proposal.⁸¹ OEB staff took no issue with the settlement as described in its submission on the Settlement Proposal.⁸²

On October 31, 2025, the OEB issued the 2026 Cost of Capital Parameters. OEB staff expects Oshawa PUC Networks to update the short-term debt rate and rate of equity during the draft rate order stage to the OEB deemed rates of 2.72% and 9.11% respectively.⁸³

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

The Parties settled the methodological aspects as described in the Settlement Proposal, subject to any adjustments arising from the OEB's decision on the unsettled issues, particularly Issues 1.1 and 2.1.⁸⁴

OEB staff took no issue with the settlement as described in its submission on the

⁷⁹ Oral Hearing Transcript, Vol. 2, pp.228-231

⁸⁰ Response to Undertaking J2.13

⁸¹ Settlement Proposal, p.18

⁸² Staff Submission on the Settlement Proposal, p. 5

⁸³ OEB Letter: [2026 Cost of Capital Parameters](#), October 31, 2025

⁸⁴ Settlement Proposal, p.19

Settlement Proposal.⁸⁵ OEB staff will review any resulting draft rate order to ensure that it is consistent with both the Settlement Proposal and any Decision.

3.5 Is the proposed calculation of the Revenue Requirement appropriate?

OEB staff submits that the calculation of the revenue requirement is appropriate subject to changes resulting from the OEB's determination on Issues 1, 2 and 3.

Issue 4: Load Forecast

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

Oshawa PUC Networks has forecasted customer connections based on a geometric average growth rate using data from January 2015 to June 2025. The geometric average growth rate over this time is applied to the monthly average customer count in as of June 2025 to forecast the remainder of 2025 and 2026.

The customer connection forecast indicates 776 residential customer additions from 58,688 in 2025 to 59,464 in 2026. In interrogatories, Oshawa PUC Networks indicated that as of June 2025, there were 725 residential lots yet to be connected in subdivisions, and four more subdivisions approaching energization of distribution assets. Oshawa PUC Networks has indicated that several other subdivisions are under construction without definitive energization dates. OEB staff notes that it is unclear how many subdivision customers will be added for the remainder of 2025 and in 2026.⁸⁶

OEB staff has no concerns with the methodology or the resulting customer connection forecasts but observes that the forecasting methodology projects a continuation of historic growth trends. In this context, OEB staff would anticipate a continuation of historic spending on connecting new customers in the system access capital category. However, as noted in Table 1.1, system access expenditures ranged between \$4,140k and \$7,704k (average \$5,085k) between 2021 and 2024. In 2026 to 2030, they are forecast to range from \$9,186 to \$9,532k (average of \$9,357k), an increase of 84%.

⁸⁵ Staff Submission on the Settlement Proposal, p. 5

⁸⁶ Response to Interrogatory 3-Staff/VECC-98

Table 4.1 – Customer Forecast

Customers	2019	2020	2021	2022	2023	2024	2025	2026
Residential	54,652	54,890	55,425	56,096	57,160	58,026	58,688	59,464
GS < 50	4,195	4,212	4,271	4,305	4,393	4,427	4,495	4,545
GS 50-999	535	543	547	553	533	524	528	530
GS 1,000-4,999	13	12	12	13	12	12	12	12
Large Use	1	1	1	1	1	1	1	1
Street Light	13,934	13,979	14,038	14,204	14,384	14,452	14,554	14,755
Sentinel Lights	19	19	19	19	19	19	19	19
USL	278	283	283	285	292	291	294	296
Total	73,627	73,939	74,597	75,474	76,795	77,766	78,591	79,622

To forecast energy volumes, Oshawa PUC Networks has used a separate linear regression to forecast the kWh for the Residential and all General Service and Large Use rate classes. OEB staff has no concerns with the energy forecast.

The billing demand was forecast based on a historic ratio of energy use to demand. OEB staff notes that this is the most frequently used methodology for forecasting billing demand and thus staff has no concerns with its use or the resulting demand forecast.

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

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

The Parties settled the methodological aspects as described in the Settlement Proposal, subject to updated financial inputs resulting in updated outputs.⁸⁷ OEB staff took no issue with the settlement as described in its submission on the Settlement Proposal.⁸⁸

OEB staff will review any resulting draft rate order to ensure that it is consistent with both the Settlement Proposal and any Decision of the OEB.

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

The Parties settled the methodological aspects as described in the Settlement Proposal, subject to updated financial inputs resulting in updated outputs.⁸⁹ OEB staff took no issue with the settlement as described in its submission on the Settlement Proposal.⁹⁰

⁸⁷ Settlement Proposal, p.25

⁸⁸ Staff Submission on the Settlement Proposal, p. 6

⁸⁹ Settlement Proposal, p.27

⁹⁰ Staff Submission on the Settlement Proposal, p. 7

OEB staff will review any resulting draft rate order to ensure that it is consistent with both the Settlement Proposal and any Decision of the OEB.

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

The Parties fully settled the issue as described in the Settlement Proposal.⁹¹ OEB staff took no issue with the settlement as described in its submission on the Settlement Proposal.⁹²

On October 9, 2025, the OEB issued its letter on preliminary UTRs and Hydro One Sub-Transmission RTSRs.⁹³ When Oshawa PUC Networks files its draft rate order, it should incorporate the updated transmission rates.

On March 31, 2025, the OEB issued a report on the design of a new Electric Vehicle Charging Rate (EVC Rate), *Electric Vehicle Charging Rate Overview – Final Report*. The EVC Rate reduces the RTSRs that participating electric vehicle charging stations pay. The report requires electricity distributors to begin offering the EVC Rate to eligible customers in 2026, once their OEB-approved 2026 distribution rates become effective.

OEB staff notes that the proposed RTSRs satisfy this requirement and has no concerns.

5.6 Are rate mitigation proposals required and appropriate?

In its initial application, Oshawa PUC Networks noted that two of its rate classes, Sentinel Lighting and Street Lighting, exceeded the 10% threshold for mitigation. It proposed to explore ways of reducing its bill impacts during the interrogatories and settlement phases.⁹⁴ As of the approved settlement, the total bill impact for Sentinel Lighting remains at 11.4%.⁹⁵ OEB staff notes that parts of the proceeding remain undecided, and that it is possible all rate classes may have a total bill impact of less than 10% after updating for the OEB's decision on other issues. In that case, OEB staff submits that rate mitigation would not be required. It is also possible that multiple rate classes could exceed the 10% total bill impact threshold after updates.

OEB staff note that currently, the bill impact in the Sentinel Lighting rate class is due in part to a revenue-to-cost adjustment from 88.24% to 96.19%. The total bill impact could most likely be reduced to 10% by applying a smaller increase to the revenue-to-cost ratio, or at the very least, the total bill impact could be reduced by not adjusting the revenue-to-cost ratio above the current calculated ratio. OEB staff also notes that the approved settlement on cost allocation includes flexibility for adjustments to revenue-to-

⁹¹ Settlement Proposal, p.28

⁹² Staff Submission on the Settlement Proposal, p. 7

⁹³ OEB Letter: [2026 Preliminary Uniform Transmission Rates and Hydro One Sub-Transmission Rates](#), October 9, 2026.

⁹⁴ Exhibit 8, p. 17

⁹⁵ Settlement Proposal, p. 7

cost for the purpose of rate mitigation.⁹⁶

Therefore, OEB staff submit that any increase in the revenue-to-cost ratios be limited such that the resulting total bill impact is not more than 10%.

Issue 6: Deferral and Variance Accounts

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

Account 1508 – sub account – Getting Ontario Connected Variance Account (GOCAVA)

Oshawa PUC Networks is requesting to dispose of a principal debit balance of \$431,038 in Account 1508 – sub account – Getting Ontario Connected Act Variance Account (GOCAVA). The balance is comprised of \$216,114 in 2024 and a forecast balance of \$214,924 for 2025, representing the incremental costs in excess of revenue requirement in base rates (adjusted annually) related to the locate costs during the rate term. Oshawa PUC Networks confirmed that the principal balances were calculated in accordance with the OEB's [Getting Ontario Connected Act \(GOCA\) Decision and Order](#) and proposed accounting entries in the Schedule A Electricity Accounting Order.⁹⁷

The findings of the GOCA Decision and Order state that the disposition of any balance in this account will be subject to a prudence review and a *requirement to establish that any cost incurred over and above what is provided for in initial and IRM adjusted base rates is an incremental cost resulting from Bill 93* (emphasis added). The determination of whether the costs recorded in the account were prudently incurred is a matter to be determined when the OEB comes to consider the disposition of account balances.⁹⁸

Under questioning, Oshawa PUC Networks stated that their analysis of locate costs showed that the initial budget of approximately \$321k for locate costs back in 2021 was based upon a volume of 7,916 locates at a unit cost of approximately \$38.24, and that for 2024 they had not reached those volumes.⁹⁹ The locate costs for the rate term and their volumes are reproduced below from the Argument-in-Chief.¹⁰⁰

⁹⁶ Settlement Proposal, p. 25

⁹⁷ EB-2023-0143, Decision and Order - Getting Ontario Connected Act Variance Account, dated October 31, 2023

⁹⁸ *Ibid*, p. 7

⁹⁹ Oral Hearing Transcript, Vol. 3, pp. 113-114

¹⁰⁰ Argument-in-Chief, pp. 30-31

Table 6.1 – Locate Costs

	2021- approved	2021	2022	2023	2024	2025	2026
\$ Locate costs	321,070	433,389	340,520	457,350	575,001	586,194	484,343
Number of locates	7,916	10,289	6,853	6,462	7,051	6,697	5,425
\$ Unit cost per locate	40.56	42.12	49.69	70.78	81.55	87.53	89.28

Oshawa PUC Networks stated that 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 forecast number of locates used to develop the 2021 OEB Approved Locate Costs.

Oshawa PUC Networks also considers the increases in the unit cost per locate to be the direct result of Bill 93.

Bill 93 Getting Ontario Connected Act, 2022 received Royal Assent on April 14, 2022. Oshawa Power's locate service provider, Promark Telecon Inc. (Promark), delivered its new pricing model and compliance improvements with its first pricing change effective April 1, 2022.

Per the Locates Services Agreement, Promark receives compensation in accordance with Schedule 8.1, where compensation represents:

All consideration...for the Service and shall cover and include including, without limitation, for all supervision, labour, material, use of equipment, overhead, profit, and all other costs and expenses incurred by or on behalf of the Locate Service Provider.¹⁰¹

In response to interrogatories, Oshawa PUC Networks stated that the large majority of proposed amount for disposition (or approximately 96%) are directly impacted as a result of Bill 93. Further, Oshawa PUC Networks stated that the locate cost recorded in GOCAVA are entirely contractor-related costs – specifically, Promark, and not Ontario One Call or Planview¹⁰² - and that none of its own administrative costs are being requested for disposition.¹⁰³

OEB staff submits that prudence of the incremental costs in GOCAVA has not been satisfied. Absent any detailed breakdown of the cost recorded in the account, OEB staff

¹⁰¹ Undertakings, Attachment J3.10_1 OPUCN – Locate Services Agreement Extension (2021-2023), effective February 1, 2021, p. 21

¹⁰² Oral Hearing Transcript, Vol. 3, p. 110

¹⁰³ IRR Exhibit 4, p. 36-37

submits that a reduction of the requested balance is warranted to account for the incremental cost increase that may not be directly related to Bill 93, given that per unit costs have more than doubled since Oshawa PUC Networks' last rebasing and the lack of evidence supporting the due diligence work undertaken for the renewed contract. The average unit cost per locate is \$85 for 2024 and 2025 compared to the unit cost of \$41 approved in Oshawa PUC Networks' 2021 rebasing application.

While the first interim pricing change occurred in the same month (April 2022) as Bill 93 was given Royal Assent, OEB staff is of the view that the pricing changes initiated by the contractor may include increases for higher inflation during the COVID-19 pandemic. OEB staff notes that the total CPI peaked in June 2022 and has gradually decreased since 2023.

In its oral testimony, Oshawa PUC Networks stated that its approved 2021 locate costs was \$321k for approximately 8k locates. OEB staff notes that actual volumes in the rate term did not exceed those baseline volumes with the exception of a spike in 2021. Oshawa PUC Networks confirmed throughout the proceeding that the balance in the GOCAVA is entirely related to its contractor, Promark. Based on the compensation framework defined by the contract with Promark, OEB staff finds that it is unlikely that the increase in contractor costs does not also contain some escalation for materials or other inflationary increases such as materials and overhead for the locates not directly related to Bill 93.

In addition to the above, OEB staff notes that Oshawa PUC Networks renewed its contract with the existing vendor, Promark, through the two interim pricing changes as well as for the final contract effective February 1, 2023 through January 31, 2026. There is no clear indication what due diligence was undertaken to ensure the prudence of the new costs passed on by the vendor, which Oshawa PUC Networks seeks to recover from the ratepayer.

OEB staff acknowledges that there is a challenge in determining what portion of the interim pricing changes would account for the inflationary costs. The compensation framework accounts for labour, materials, equipment, profit, etc. The pricing schedule contained in the same contract does not provide a breakdown at this level of detail. Nevertheless, OEB staff has concerns regarding Oshawa PUC Networks' claim that every dollar of the per-unit increase, which is the entirety of the amount requested in GOCAVA (less the escalated embedded amounts), is driven by Bill-93.

Account 1508 – sub account – Avoided Rent Deferral Account and Account 1508 – sub account – OM&A Variance Account

Oshawa PUC Networks anticipates filing an ICM application related to the new building once the costs and in-service timelines are more certain, likely in 2027. To account for the variance in the amount approved and the actual amount spent on avoided rent and OM&A costs for the new building, Oshawa PUC Networks proposes two distributor-

specific DVAs. The first proposed DVA is Account 1508 – sub account – Avoided Rent Deferral Account, which is an asymmetrical account. The second proposed DVA is Account 1508 – sub account – New Facility OM&A Cost Variance Account (OM&A Variance Account), which is a symmetrical account.¹⁰⁴

The Avoided Rent DVA will use the 2026 forecast rent cost of \$425k as its baseline, and it will be escalated by the price cap adjustment each year. Oshawa PUC Networks will start recording variances to the account once it has moved into its new building.¹⁰⁵ The entries will be done on an annual basis and pro-rated for any partial years.¹⁰⁶

The OM&A Variance Account will use Oshawa PUC Networks' current building facility cost as its baseline of \$835k.¹⁰⁷ Amounts entered can be debit or credit entries, and will be equal to variances between actual OM&A costs and OM&A costs included in distribution rates, where such variances are directly attributable to Oshawa PUC Networks' transition to the new building in 2027. The entries will be done on an annual basis.

A symmetrical account tracks the difference both above and below the approved baseline. If actual OM&A is higher than the baseline, the utility can recover the shortfall (subject to prudence); if it is lower, the savings are returned to customers. A symmetrical OM&A variance account means the utility and customers share the risks around uncertainties; whereas in an asymmetrical account, customers are protected from the risk and can only be returned monies.

In its Argument-in-Chief, Oshawa PUC Networks provided a comparison of current OM&A costs broken down by subcategory with preliminary new administrative building operation costs from its owner's representative, where OM&A costs on the new building would be approximately \$500k and \$35k for other buildings that Oshawa PUC Networks operates.¹⁰⁸

Oshawa PUC Networks provided draft accounting orders for the two DVAs.¹⁰⁹

Eligibility Criteria for Establishing a new DVA

On the OEB's test for establishing a new DVA, Oshawa PUC Networks discussed the three criteria as follows:

- 1) Causation: the amounts to be recorded in the two proposed accounts relate to the implementation of the new building which itself is not included in rate base

¹⁰⁴ Oral Hearing Transcript, Vol.3, pp. 118-119

¹⁰⁵ *Ibid.*

¹⁰⁶ IRR Exhibit 1 – Attachment 1-4, Draft Accounting Order, Avoided Rent Deferral Account

¹⁰⁷ Oral Hearing Transcript, Vol.3, pp. 118-119

¹⁰⁸ Argument-in-Chief, p. 35, Table 13 – Building OM&A Costs Broken Down by Subcategory

¹⁰⁹ IRR Exhibit 1 – Attachment 1-4

- 2) Materiality: Oshawa PUC Networks' materiality threshold is \$195,000 as shown in Exhibit 1, Table 1-46 of its application. The anticipated amounts in the new deferral and variance accounts are expected to meet the materiality threshold. Oshawa PUC Networks has plans to move to the new building in 2027, and therefore would be able to avoid approximately 2-3 years of rental payments. OM&A of the new building is anticipated to cost around \$500k compared to the current facility budget of \$835k.
- 3) Prudence: The amounts to be recorded in the proposed DVAs are based on the best available information for the new building provided through interrogatory responses.¹¹⁰

OEB staff does not take issue with the establishment of the Avoided Rent Deferral Account. The DVA is asymmetrical to the benefits of the ratepayers and it is straightforward to identify the baseline rent and savings that might be triggered once the relocation happens. OEB staff finds that the DVA meets the criteria for establishing a new DVA.

On the establishment of the OM&A Variance Account, OEB staff does not support the account on a symmetrical basis; however, OEB staff would support the creation on an asymmetrical basis. The OEB's current ICM policy is clear that these are capital funding mechanisms intended to provide supplemental funding for significant capital investments between cost-of-service applications.¹¹¹ A new symmetrical OM&A Variance Account would expand the ICM policy into matters of OM&A in a manner that is contrary to how the policy is currently framed.

In its April 2025 Staff Report on the Review and Evaluation of the ICM Policy, OEB staff note that while some stakeholders have advocated for recovery of incremental OM&A in an ICM request, OEB staff views the incremental OM&A related to an ICM project should not be included in the ICM policy because a distributor should be able to prudently manage incremental OM&A within its approved revenue requirement and any ICM rates riders. OEB staff submits that creating a symmetrical OM&A variance account shield the utility from OM&A variances related to its own proposed relocation.

OEB staff acknowledges that Oshawa PUC Networks' 2026 revenue requirement will embed the costs of the existing facility of a material amount, \$835k. Based on preliminary estimates provided in its Argument-in-Chief, the potential maximum savings that could accrue to the ratepayer is \$335k. In order to mitigate potential windfall gains associated with clearly identifiable avoided costs, the OEB could consider a narrowly-defined, asymmetrical account. OEB staff does not support a broad OM&A variance

¹¹⁰ *Ibid.*

¹¹¹ EB-2014-0219, [OEB's New Policy Options for the Funding of Capital Investments: Supplemental Report](#), p. 4

accounts or any approach that would provide a general OM&A true-up mechanism in advance of the outcome of the ICM policy review.

Issue 7: Other

7.1 Is the proposed effective date appropriate?

Oshawa PUC Networks has requested an effective date of January 1, 2026. OEB staff submits that the effective date of January 1, 2026, is appropriate.

If final rates cannot be rendered by January 9, 2026,¹¹² OEB staff supports providing Oshawa PUC Networks with interim rates until a decision can be made and foregone revenue to reconcile revenue losses resulting from the timing of the final decision.

In its Argument-in-Chief, Oshawa PUC Networks requested that total forgone revenue be collected over a 12-month period through rate riders.¹¹³ OEB staff submits that foregone revenue should be provided from the implementation date until its next expected rate order (i.e. December 31, 2026).

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

In its 2021 cost of service decision, the OEB ordered Oshawa PUC Networks to complete the following four tasks, which Oshawa PUC Networks agreed to as part of its 2021 settlement proposal.

- a) In the spirit of further continuous improvements, Oshawa PUC Networks would continue to improve its distribution system planning process over the 2021-2025 period in cost effective ways to further improve its condition-based asset replacement strategy including incorporating a more risk-based asset prioritization process, which considers the preferences and long-term needs of customers in its service territory.¹¹⁴

OEB staff submits Oshawa PUC Networks has improved its asset replacements strategy by implementing an asset risk index in its asset management plan. However, as discussed in Issue 1.1 and further discussed in Issue 7.3, OEB staff submits that Oshawa PUC Networks has not performed appropriate distribution system planning. The building should have been part of the DSP and Oshawa PUC Networks should

¹¹² Oshawa PUC Networks indicated in its Argument-in-Chief (p.31) it requests interim rates should the OEB not issue a decision by January 9, 2026, to allow Oshawa PUC Networks sufficient time to implement rates effective January 1, 2026.

¹¹³ Argument-in-Chief, p.31

¹¹⁴ EB-2020-0048 Settlement Proposal, p.12

have appropriately explained how it prioritized its investments around the building.

- b) Improving its ability to efficiently track the number of assets that it installs in a given year by major asset category so that execution of the distribution system plan could be more appropriately measured.¹¹⁵

OEB staff submits that Oshawa PUC Networks has adequately improved its ability to efficiently track the number of assets that it installs. Oshawa Power noted that it “has improved its ability to efficiently track with an update to its GIS system in 2023. This updated GIS system allows for better tracking and analysis of assets than the previous system by making installation dates mandatory for all new assets.”¹¹⁶

- c) Will qualitatively report on areas of realized cost efficiencies and distribution system planning improvements associated with its coordination with Oshawa and Durham as part of its current cost of service application.¹¹⁷

OEB staff submits that Oshawa PUC Networks has reported on areas of realized cost efficiencies and distribution planning improvements associated with coordination with Oshawa and Durham. Oshawa PUC Networks noted that it has taken advantage of several municipal road widening projects to avoid duplicative work and has worked with the region to identify non-wire solution projects.¹¹⁸

- d) Use the metrics and targets for 2021 as set out at Appendix F of the EB-2020-0048 Settlement Proposal. As these were new metrics for Oshawa PUC Networks, the targets included in Appendix F only related to 2021. Oshawa PUC Networks could update these targets after 2021 as it gained more experience. Oshawa PUC Networks agreed to file its performance on each of these metrics for 2021 to 2025 as part of its current cost of service rate application.¹¹⁹

OEB staff submits that Oshawa PUC Networks has appropriately presented its performance pertaining to its 14 targets in 2021. Following 2021, Oshawa PUC Networks appropriately aligned its targets with the OEB’s Activity and Program-based Benchmarking (APB) enhancements.¹²⁰

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

As discussed under Issue 1.1, Oshawa PUC Networks plans to file an ICM in 2027 for

¹¹⁵ *Ibid.*

¹¹⁶ 2-Staff/PP-36

¹¹⁷ EB-2020-0048 Settlement Proposal, p.12

¹¹⁸ Exhibit 1, pp.42-43

¹¹⁹ EB-2020-0048 Settlement Proposal, p.39

¹²⁰ Exhibit 1, pp.40-41

its new administrative building. The estimated cost of the building is \$61 million and is based on the cost of land purchased in 2024 (\$12.4 million), a Class B construction estimate, and soft costs.

In its Decision on the Motion for threshold question determination of Issue 7.3, the OEB noted that “the issue was not put on the issues list for the purpose of determining whether Oshawa PUC Networks should apply for an [Advanced Capital Module] (ACM) instead of an ICM during the IRM term.”¹²¹ As such, OEB staff will not opine on whether Oshawa PUC Networks should have filed an ACM as part of this application.

As to whether Oshawa PUC Networks should be allowed to seek ICM treatment for the building in a subsequent IRM application, OEB defers to the *Report of the Board: New Policy Options for the Funding of Capital Investments: The Advanced Capital Module (ACM Policy)*, which states that:¹²²

The Board will retain an incremental capital module (or “ICM”) for the IR years for projects not included in the DSP filed with the most recent cost of service application, and for projects that were included in the DSP but which did not contain sufficient information at the time of the cost of service application to address need and prudence.

While OEB staff submits that Oshawa PUC Networks should be allowed to file for ICM treatment for the new building, it reiterates that the building is a known large and “lumpy” expenditure, even if accurate cost estimates were not firm at the time the cost of service application was filed. As per the Chapter 5 Filing Requirements for Electricity Rate Distributors:¹²³

A distributor should provide context on how its overall capital expenditures over the next five years, as a whole, will achieve the distributor’s objectives. Particularly, a distributor should comment on lumpy investment years and rate impacts of capital investments in the long-term.

As such, Oshawa PUC Networks should have incorporated the building expenditure within its DSP, and OEB staff submits that the OEB should consider its omission when determining just and reasonable rates for 2026.

~All of which is respectfully submitted~

¹²¹ [Decision on Motion](#), July 15, 2025, p.4

¹²² EB-2014-0219: [Report of the Board: New Policy Options for the Funding of Capital Investments: The Advanced Capital Module](#), September 18, 2014, p.13

¹²³ [Filing Requirements for Electricity Distribution Rate Applications – 2025 Edition for 2026 Rate Applications](#), December 9, 2024, p.14