



November 28, 2025

Ritchie Murray
Acting Registrar
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
Toronto ON
M4P 1E4

Dear Mr. Murray,

**RE: EB-2025-0014 Oshawa PUC Networks Inc. 2026 Rates Proceeding
Argument Submissions of CCMBC**

Attached are the argument submissions of CCMBC in the EB-2025-0014 Oshawa PUC Networks Inc. 2026 rates proceeding.

Respectfully submitted on behalf of CCMBC.

Tom Ladanyi
TL Energy Regulatory Consultants Inc.

cc. Catherine Swift (CCMBC)
Parties to the Proceeding

**EB-2025-0014 Oshawa PUC Networks
2026 Distribution Rate Application**

**Argument Submissions of the
Coalition of Concerned Manufacturers and Businesses of Canada**

November 28, 2025

The Application and Regulatory Background

Oshawa PUC Networks Inc. (Oshawa Power) filed a cost-of-service application with the Ontario Energy Board (OEB) on April 30, 2025, seeking approval for changes to the rates that Oshawa Power charges for electricity distribution, beginning January 1, 2026.

Oshawa Power is seeking OEB approval of distribution rate increases of up to 26% for General Service rate classes.¹ Most members of the Coalition of Concerned Manufacturers and Businesses of Canada (CCMBC) are in the General Service rate classes.

Following the interrogatory process a settlement conference was stated in August, and a Partial Settlement Proposal was submitted to the OEB for approval in September. The Partial Settlement Proposal was approved by the OEB in October.² The unsettled issues proceeded to a hearing with some to a written hearing and some to an oral hearing.

“The OEB finds that the following unsettled issues will be dealt with by way of a written hearing:

- *3.2 PILs*
- *4.1 Load forecast*
- *5.1 Cost allocation*
- *5.2 Rate design; Fixed variable splits*
- *7.1 Effective date*
- *7.2 Responding to all relevant OEB directions from previous proceedings*

The remaining unsettled issues will be dealt with by way of an in-person oral hearing:

- *1.1 Capital and in-service additions*
- *1.2 Rate base and depreciation*
- *2.1 OM&A*
- *2.2 Shared service cost allocation methodology*
- *3.5 Revenue requirement determination*
- *5.6 Rate mitigation*
- *6.1 Deferral and variance accounts*

¹ Exhibit 8, Page 17, Table 8-13

² PO No.5, October 20, 2025

- *7.3 Plan to seek additional funding for a new operational and administrative building in subsequent IRM application.”*

To minimize regulatory costs and to avoid duplication CCMBC will only make submissions on some of the above issues. CCMBC will rely on the submissions of CCC, SEC and VECC on other issues.

CCMBC Submissions

1.1 Capital and in-service additions

Oshawa Power claims that its capital expenditures and in-service additions for the 2026 to 2030 period are appropriate by referring to *Table 0 – Excerpt from Appendix 2-AB*³. That table does not include any capital expenditures for the new operational and administrative building. If the information in that table is correct and that no capital expenditures were planned for the new building, then perhaps the OEB could determine if capital and in-service additions are appropriate. As the table is not correct because it does not include the capital expenditures on the new building, the OEB does not have the required information to make that decision. CCMBC submits that capital and in-service additions are therefore not appropriate.

Oshawa Power mentions “business transformation” as one of the reasons for its “grid modernization” capital expenditures. Yet these capital expenditures are no different from past capital expenditures of Oshawa Power. However, apart from IT, there is nothing particularly modern about them.⁴ Even IT expenditures are not more modernizing than IT expenditures of many other Ontario distributors.

When businesses that operate in the competitive market must make large capital investments in non-revenue generating assets such as an administrative building, they reduce capital spending in other areas in order to remain competitive and stay in business. Oshawa Power claims that it has reduced spending in some areas to mitigate the impact of its planned administrative building.⁵ CCMBC submits that these reductions are inadequate.

Governments have put in place regulators like the Ontario Energy Board to provide a substitute to competition to ensure that monopoly utilities like Oshawa Power behave as if they were operating in a competitive market. How should the OEB ensure that Oshawa Power behaves as if it was operating in a competitive market? The counsel for SEC has kindly shared a draft of his Final Argument. CCMBC supports the recommendations of SEC that the OEB establish a capital spending envelope for the five-year period which would limit 2026 capital additions to \$10.5 million.

³ AIC page 7

⁴ Tr. Vol. 2, pages 73-75

⁵ AIC, page 10

2.1 OM&A

Oshawa Power is seeking approval of a \$22,271,990 OM&A budget for the 2026 Test Year, which is an increase of 60.6% increase over the 2021 OEB approved amount.⁶

It claims that *“one of the key challenges facing management is high turnover rates (on average about 15%) and difficulty in attracting and retaining staff, especially since Ontario Power Generation relocated to Oshawa.”*⁷ However Oshawa Power witnesses could not substantiate that claim during the hearing.⁸

CCMBC submits that OPG has been operating in the Oshawa area for many years and has had two other administrative buildings there. It is unlikely that another OPG administrative building would have any significant impact on the turnover rate at Oshawa Power.

On an OM&A cost per customers basis Oshawa Power’s cost is forecast to increase from \$298 to \$345,⁹ an increase of about 16% over 2 years. This increase is far above the rate of inflation.

Oshawa Power claims that it needs to hire additional staff. In its last rebasing in the 2021 proceeding the OEB approved compensation costs based on 91 FTEs. However, Oshawa Power never had 91 FTEs since 2021.¹⁰ Even with less than 91 FTEs, Oshawa Power was able to spare staff to help Lakefront Utilities.¹¹

CCMBC submits that one of the main reasons for the increase was due to the increase in management (including executive) employees and their compensation.¹² The other large reason is the increase in shared services costs which increased by \$1.8 million between 2021 and 2026.

Oshawa Power claims that its return on equity declined from 9.50% in 2023 to 4.70% in 2024 because increase in staff overtime and burnout, presumably as justification for staff additions and compensation. CCMBC submits that this is backwards reasoning. The decline in the return on equity is due to higher compensation costs, particularly compensation for executives, not the reason to increase compensation costs. If Oshawa Power was not as generous with its management and executive compensation it would not need as high an increase in rates.

⁶ AIC, page 13

⁷ AIC, page 14

⁸ Tr. Vol.1, Pages 171-173

⁹ AIC Page 15, Table 2 – 2024 Actual and Forecast 2025-2026 OM&A Per Customer

¹⁰ Tr. Vol. 2, page 202

¹¹ Tr. Vol.1, page 69

¹² Exhibit 4, page 73, Table 4-20: Employee costs (Appendices 2-K)

CCMBC submits that Oshawa Power has not demonstrated that it needs all the money from ratepayers for its 2026 OM&A budget. SEC has proposed a reduction of \$4.8 million which seems reasonable and CCMBC supports it.

2.2 Shared service cost allocation methodology

Oshawa Power provides services to unregulated affiliates and obtains services from unregulated affiliates. Both have increased. In 2024 Oshawa Power outsourced its call centre to an affiliate.¹³ CCMBC submits that outsourcing utility work to unregulated affiliates is one method that a utility can use to increase shareholder earnings. Oshawa Power's staff are providing consulting services to Lakefront Utilities through an affiliate, 2825407 Ontario Inc¹⁴. Unregulated affiliates are not subject to the same stringent rules as regulated utilities. For example, affiliates are not required to follow MFIRS accounting standards. They also do not have to adhere to OEB's Affiliate Code when providing services to unaffiliated entities. 2825407 Ontario Inc. can charge a markup for the services it provides to Lakefront Utilities by using Oshawa Power's staff and pass it to its shareholder.

7.3 Plan to seek additional funding for a new operational and administrative building in subsequent IRM application

In a subsequent application Oshawa Power is expected to seek ICM funding for a new operational and administrative building. The new building's final cost is estimated to be \$61.0 million, which includes the actual cost of land acquisition, the Class B estimate for construction of the facility, and estimated soft costs.¹⁵ This cost was not included in the Distribution System Plan. CCMBC submits that it should have been.

Oshawa Power initially resisted disclosing information about the building, but it eventually disclosed its estimated cost and location since it already purchased the land for it. The ICM rate rider to fund the building is likely to result in a large rate increase if and when it is approved by the OEB.

CCMBC has several concerns about the building. The decision to purchase the land for the building was made on March 27, 2024.¹⁶ This was long before the costs of the building or the land were known. This makes it a "cost is no object" decision. Oshawa Power's management wants this building, no matter what it costs. There appears to have been no consideration of the affordability of spending \$61 million on a new

¹³ Tr. Vol.1, page 75

¹⁴ Exhibit 4, pages 102-105 ; Tr.Vol.1, page 69

¹⁵ AIC, page 18

¹⁶ J1.11, J1.7.1

building for a distributor of the size of Oshawa Power. There is evidence that rate impact of a \$61 million expenditure was not considered.¹⁷

The \$61 million cost is a rough estimate. Oshawa Power resisted disclosing it, claiming that it was too uncertain. A more accurate estimate will be available at some future date. It is possible that the more accurate estimate will indicate that the cost will be much higher. Oshawa Power has not considered that possibility or what it would do if it were higher. It seems that Oshawa Power is presuming that the OEB will approve the inclusion in rate base of the building and the recovery of its revenue requirement by a future ICM rate rider no matter what the cost. CCMBC submits that the OEB in its decision should inform Oshawa Power that this approval is uncertain.

Since Oshawa Power has not applied for ICM funding for the building in this application, the only decision that the OEB can make in this case regards the \$11 million expenditure for the land. CCMBC submits that the cost of the land be placed in a deferral account to be dealt with when Oshawa Power applies for ICM funding for the building.

Conclusion

Oshawa Power is seeking OEB approval for a large 2026 rate increase which is likely to be followed next year by an equally large rate increase to fund the cost of a new administrative building. These increases are far higher than the rate of inflation and if approved would be difficult to manage by manufacturers and businesses that are customers of Oshawa Power. CCMBC submits that these rate increases are unjustified.

At several places in its evidence, Oshawa Power has mentioned “business transformation”. However, it was not clear why its business needed to be transformed or how. Before “business transformation” Oshawa Power was a well-run medium size distributor.

Through this proceeding it became clear what “business transformation” was actually about. It seems that Oshawa Power’s shareholder, the City of Oshawa, was not satisfied with the dividends it was receiving and wanted higher dividends. The existing management must have explained the difficulties in generating higher dividends to the Oshawa City Council. It was then let go and new management was brought in to generate higher dividends.

The new management produced the “business transformation plan” that would generate higher dividends. What was this plan? The plan uses the well-known profit-making tools in the utility toolbox:

- grow rate base faster,
- make money through affiliate transactions,

¹⁷ Tr. Vol.1, page 188.

- obtain approval for additional staff but don't hire them, and
- delay in-service additions so that they are later than the approved forecast.

The new office building is part of the “grow rate base faster”. The cost of the building does not seem to be a consideration. The more it costs, the more rate base will grow. The lease option was rejected because it does not grow rate base.

The “make money through affiliate transactions” is the outsourcing of the call centre and the consulting work for Lakefront Utilities. The “obtain approval for additional staff but don't hire them” tool has been used by Oshawa Power since 2021 and will continue to be used, likely on a greater scale. All these tools are designed to make more money for the shareholder by extracting more money from ratepayers.

Throughout the proceeding Oshawa Power tried to hide the real purpose of its “business transformation”. Its testimony was deliberately confusing.¹⁸ When that did not work it resorted to a pre-emptive strike against the OEB in its Argument-in-Chief with a clumsy attempt to limit OEB's authority¹⁹. CCMBC believes that the OEB should take a dim view of Oshawa Power's actions.

To minimize regulatory costs and to avoid duplication CCMBC only made submissions on some of the issues in this case. CCMBC supports the recommendations of SEC that the OEB establish a capital spending envelope for the five-year period which would limit 2026 capital additions to \$10.5 million. SEC has proposed an OM&A reduction of \$4.8 million which seems reasonable and CCMBC supports it. CCMBC supports the submissions of CCC, and VECC on other issues.

¹⁸ Tr. Vol 2, pages 71-85

¹⁹ AIC, pages 1-3