

ONTARIO ENERGY BOARD

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

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

OSHAWA PUC NETWORKS INC.

REPLY ARGUMENT

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Board File No. EB-2025-0014

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OSHAWA PUC NETWORKS INC.

REPLY ARGUMENT

I. OVERVIEW

1. On November 18, 2025, Oshawa PUC Networks Inc. (“**Oshawa Power**”) filed its Argument in Chief (“**AIC**”) in respect of its January 1, 2026 cost of service application filed under Section 78 of the *Ontario Energy Board Act, 1998* (the “**Application**”).
2. On November 28, 2025, the School Energy Coalition (“**SEC**”), Consumers Council of Canada (“**CCC**”), Pollution Probe (“**PP**”), OEB Staff, Coalition of Concerned Manufacturers and Businesses Canada (“**CCMBC**”), Distributed Resource Coalition (“**DRC**”), Association of Major Power Consumers (“**AMPCO**”), and the Vulnerable Energy Consumer Coalition (“**VECC**”) filed submissions in response to the AIC (collectively, AMPCO, CCC, CCMBC, DRC, OEB Staff, SEC, PP and VECC are referred to as the “**Parties**”).
3. Enclosed are Oshawa Power’s reply submissions. Oshawa Power’s silence on any aspect of the submissions should not be interpreted as agreement with those positions.
4. Each of the Parties argued that the Application does not demonstrate adequate prioritization of affordability for its customers.¹ This assertion disregards the record and mischaracterizes Oshawa Power’s extensive evidence on this topic throughout the oral hearing.²
5. The evidence is that Oshawa Power has objectively low distribution rates in both the Residential and GS<50 customer classes, whether when comparing against other Cohort II or similar sized peer groups, as summarized in the table below. While SEC focuses on the GS>50 rate comparison, all Parties fail to acknowledge that Oshawa Power recovers 79% of its revenue requirement from the objectively low Residential and GS<50 customer classes alone.

Rates Benchmarking Evidence Summary							
	Residential		GS<50		GS>50		
	2015	2025	2015	2025	2015	2025	
Oshawa Power	\$ 262	\$ 357	\$ 600	\$ 755	\$ 6,030	\$ 8,416	A
Similar Sized Peer Group Average (1-SEC-24, Tables 1-28, 1-30, 1-32)	\$ 317	\$ 432	\$ 700	\$ 926	\$ 5,553	\$ 8,370	B
Oshawa Power relative to size peer group	-17.2%	-17.3%	-14.2%	-18.5%	8.6%	0.6%	C = A / B - 1
Cohort II Peer Group Average (1-SEC-24, Tables 1-29, 1-31, 1-33)	\$ 316	\$ 424	\$ 644	\$ 818	\$ 5,495	\$ 7,639	D
Oshawa Power relative to Cohort II peer group	-16.9%	-15.7%	-6.8%	-7.7%	9.7%	10.2%	E = A / D - 1

6. Because of these historically low rates in the Residential and GS<50 classes, Oshawa Power is grappling with a significant funding gap relative to its peer utilities. However, it

¹ OEB Staff at pg. 3; CCC at pgs. 2-4; AMPCO at pgs 4-5; SEC at section 2.

² Exhibit 1, pp. 10-11, 113-114, Attachment 1-2 Strategic Plan, p. 2, 6; Exhibit 2, Attachment 2-1, Appendix A: Non-Wires Business Case p. 4, Exhibit 4 p. 111. T1P37L5-11; T1P122L8-10; T1P123L4-6&L10-16; T2P52L20-24; T3P14L12-14; T3P18L22-P19L3.

is still expected to provide similar qualities of service and to meet the same regulatory and service level objectives.

7. Oshawa Power’s Application also included detailed benchmarking demonstrating that its historical OM&A per customer (2021-2023) is 20-30% below average regardless of whether compared to its geographic, size or Cohort II peer groups.³ The following table summarizes this benchmarking evidence, as updated in the interrogatory responses.

OM&A Per Customer Benchmarking Evidence Summary				
	2021	2022	2023	
Oshawa Power (Ex. 1, Table 1-41)	\$ 218	\$ 233	\$ 250	A
Geographic Peer Group Average (Ex. 1, Table 1-41)	\$ 273	\$ 296	\$ 318	B
Oshawa Power relative to geographic peer group	-20.1%	-21.3%	-21.4%	C = A / B - 1
Similar Sized Peer Group Average (Ex. 1, Table 1-42)	\$ 294	\$ 316	\$ 327	D
Oshawa Power relative to size peer group	-25.9%	-26.3%	-23.5%	E = A / D - 1
Cohort II Peer Group Average (Ex. 1, Table 1-43)	\$ 328	\$ 354	\$ 360	F
Oshawa Power relative to Cohort II peer group	-33.5%	-34.2%	-30.6%	G = A / F - 1
	2024	2025	2026	
Oshawa Power (1-X-5)	\$ 299	\$ 312	\$ 345	H

8. As demonstrated by this benchmarking evidence, Oshawa Power’s OM&A programs have been chronically underfunded for years. It has been doing more with less for far too long, and while ratepayers have benefited, the straw has finally broken the camel’s back.
9. In response, Oshawa Power has gradually increased spending over time to address the problems more fully articulated in the evidence. None of the Parties acknowledge that Oshawa Power’s actual achieved ROE fell more than 300 basis points less than deemed in 2024 (4.68%)⁴ and, absent any anomalous adjustments, Oshawa Power is projecting to be on track for a similar outcome for 2025. This demonstrates the necessity of the underlying cost increases: the board and management of Oshawa Power approved these historical year budgets, and in so doing knowingly accepted a significantly lower than deemed ROE because of how important the changes were to the overall health and risk profile of the business.
10. SEC and VECC assert that it is not the OEB’s role to ensure that utilities make enough money.⁵ This is incorrect at law,⁶ and is not consistent with the OEB’s own policy on the fair return standard.⁷

³ Exhibit 1, s. 1.7.4.

⁴ Exhibit 1 IRR, 1-VECC-21.

⁵ SEC Submission at paras 1.2.51 to 1.2.55; VECC Submission at paras 3-6.

⁶ Northwestern Utilities Ltd. v. Edmonton (City), [1929] S.C.R. 186.

⁷ EB-2005-0421, April 12, 2006, pp. 32-33.

11. In this context, several Parties raise concerns with the pacing of Oshawa Power's capital plan, most relying on the spectre of a forthcoming consolidated operational facility ICM to justify exorbitant and unrealistic cuts to Oshawa Power's proposed capital plan. Setting aside the exceptional one-time expense of the new facility, none of the Parties acknowledge that Oshawa Power's 2026-2030 capital budget increase of 16% over the historical period is less than the rate of inflation (2021-2025 cumulative inflation was 17.6%). Oshawa Power is already doing more with less with its capital budget. The Parties alternatively discount, ignore, or slander the very real \$44.71M⁸ in projects that were already deferred by Oshawa Power specifically to accommodate the consolidated operational facility. Rather, as discussed further under Issues 1.1 and 1.2 below, the Parties have proposed a series of cuts to capital that would, if approved, put at risk the reliability, safety, and capacity of the distribution system in the City of Oshawa.

12. Several Parties also raise concerns with Oshawa Power's proposed OM&A plan. However, as is explained under Issues 2.1 and 2.2 below, none of the Parties seek to grapple with the bigger picture painted by the evidence that, as a result of chronic underfunding due primarily to the excessively low distribution rates in the GS<50 and Residential rate classes, Oshawa Power faces numerous existential operational challenges and risks, including:
 - a) incredibly high average turnover rate of 15% between 2021-2024,⁹ which could not be sustained and had to be addressed.
 - b) a February 2023 compensation benchmarking study conducted by Korn Ferry¹⁰ which concluded that Oshawa Power's total cash, and incentive, compensation was lagging at the higher KF Grade levels in comparison to Ontario Market P50.
 - c) a Resource Optimization Review completed by an independent third-party expert (Lise Galli) in November 2024 that concluded that: "*The results of the Organizational Structure Review convey that the structure is too lean for the size and scope of the business, which could result in the inability to meet targets and successfully executive (sic) its Strategic Plan.*"¹¹
 - d) a company Risk Register,¹² which highlighted under-resourced and overloaded staff as the highest priority risk the organization faces.
 - e) a Business Transformation report,¹³ prepared in May 2024 by an external consultant, highlighted numerous issues within the organization that needed to change, including:

⁸ Argument-in-Chief at para 128.

⁹ 4-AMPCO-139.

¹⁰ IRRs, Attachment 4-5.

¹¹ Exhibit 4, Attachment 4-1 at page 57.

¹² OPUCN Risk Register_20251010 filed October 10, 2025.

¹³ Business Transformation report prepared by Robert Wong and filed September 26, 2025.

manual and paper-based processes, which can be major sources of errors, omissions, and productivity losses, that can be improved upon; lack of capacity and capabilities in certain areas of the business; and existing business processes that were not standardized, end-to-end, integrated and streamlined effectively further reduce capacity and agility.

13. In this context, Oshawa Power has adopted a prudent and professional approach to managing and mitigating risk, as outlined in its Strategic Plan¹⁴ and its five year Business Plan.¹⁵ The Application has been guided by the trade-offs and decisions made in those documents.
14. Oshawa Power has acknowledged that the proposed rate increase is sizeable.¹⁶ However, Oshawa Power submits that customers will ultimately benefit from the increase in rates through the continuation of high quality and reliable distribution service by addressing the following key business issues:
 - a) Addressing a lean workforce that is required to put in many overtime hours, resulting in high staff turnover, through an organizational resource optimization review;¹⁷
 - b) Executing a workforce plan that adequately trains and retains younger workers to address imminent retirements of several senior employees;¹⁸
 - c) A new senior management team that is transforming the business through a coordinated program of strategic renewal and operational modernization to address emerging issues such as increasing electrification and more severe weather events;¹⁹
 - d) Evolving Oshawa Power to implement new technology through innovative projects to meet growth (i.e. non-wires alternatives);²⁰
 - e) Process digitization to automate paper processes that were inefficient and error-prone;²¹
 - f) Leveraging automation to gain additional organizational capacity without hiring more employees;²²

¹⁴ Exhibit 1, Attachment 1-2.

¹⁵ Exhibit 1, Attachment 1-3.

¹⁶ T1P38L17-24.

¹⁷ T1P35L16 to T1P37L11; T1P39L8-27.

¹⁸ T3P154L10-28.

¹⁹ T1P37L3-4.

²⁰ T1P37L19-24.

²¹ T1P40L7-8.

²² T1P39L23-27; T1P42L20-21.

- g) Implementing technology upgrades for out of service software and/or hardware, including the need to address cyber-security controls in line with the OEB framework;²³ and
 - h) Prioritizing capital expenditures to only include mandatory, critical and vital equipment projects.²⁴
15. Despite the cost increases, Ms. Bennett confirmed that remaining in Cohort II of PEG benchmarking was intentional as the development of a new strategic and business plan included “*a commitment to controlling costs for reasonable rates.*”²⁵ Oshawa Power developed its budget for the Application with a view to remaining in Cohort II of the OEB’s benchmarking for distribution utilities, even with both the requested rate increases and the new consolidated operational facility included.²⁶
16. As seen in Undertaking J1.2, Oshawa Power successfully remains in Cohort II throughout the forecast period after accounting for the impact of this rate Application and the impact of the new facility. In short, Oshawa Power’s costs included in this Application, and after accounting for the new facility, remain substantially below predicted costs in the PEG model. Oshawa Power is and will remain a highly cost-effective utility.
17. Several interveners attempt to argue that benchmarking results in PEG’s study do not mean affordable electricity rates. This assertion ignores both the rates benchmarking shown above and the fact that the OEB states “...*benchmarking will continue to be used to inform rate setting [...] The Board has determined that PEG’s econometric model will be used for benchmarking distributor cost performance...*” The PEG study is a comparison between expected and actual costs for an electricity distribution utility. The percentage difference between actual and predicted cost is a measure of distribution utility cost performance. Under a cost-of-service framework, customers ultimately bear the cost of utility operations. Accordingly, lower costs necessarily produce lower rates for customers over time.
18. The reality is that at this time, Oshawa Power finds itself needing to spend more to address issues created by historically lower than average rates in the Residential and GS<50 classes, historically lower than average OM&A per customer spending, and ongoing capital and system needs as well as various barriers that are common to many other LDCs. Despite these increase Oshawa Power will continue to qualify it as a Cohort II distributor, as predicted by PEG model. This is not the case for any of the surrounding LDCs with whom Oshawa Power competes for staff, namely Hydro One, Toronto Hydro, and Elexicon.

²³ Undertaking J3.4.

²⁴ T1P44L25-27.

²⁵ T1P37L7-8.

²⁶ T1P123L10-16; T1P89L7; T1P124L26-27.

II. CAPITAL SPENDING AND RATE BASE

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

19. Oshawa Power outlined the justification for its proposed capital plan, summarized the numerous improvements made to its Distribution System Planning process, identified the key drivers of its Distribution System Plan (DSP), and identified key risks that Oshawa Power has already assumed in its proposal at paragraphs 28-51 of its AIC.
20. In this context, each of OEB Staff,²⁷ AMPCO,²⁸ CCC,²⁹ CCMBC,³⁰ PP,³¹ SEC,³² and VECC³³ proposed reductions to Oshawa Power's proposed \$17.02M 2026 test year capital additions. The value of the reduction ranged between \$3.85M (OEB Staff) to \$7M (CCC).
21. In addition, both DRC³⁴ and PP³⁵ proposed reporting requirements for the proposed Non-Wires Solutions (NWS) projects.
22. While Oshawa Power is in general agreement with PP and DRC on most of their proposed reporting requirements for its non-wires solutions (NWS), as discussed in more detail below, Oshawa Power will not be in a position to proceed with its proposed NWS if the OEB were to reduce the test year capital expenditures by the quantum proposed by the Parties.
23. With the exception of the foregoing, Oshawa Power disagrees with the Parties on 2026 capital envelope and the associated test year in-service additions.
24. Oshawa Power is very concerned that the Parties' arguments reflect oversimplified assumptions that lack consideration of risks, needs, current realities, or customer impact. This can be seen in the numbers. Oshawa Power's historical average actual capital expenditures (2021-2025, excluding 2024 which, as discussed below, was anomalous) was \$15.243M. The Parties are proposing that 2026 capital expenditures should be between \$10.2M and \$13.17M. With the sole exception of the 2024 anomaly, Oshawa Power has never spent this little on its system in the entire historical period.

²⁷ OEB Staff Submission, 1.1 at page 4.

²⁸ AMPCO Submission at page 5.

²⁹ CCC Submission at p. 13.

³⁰ CCMBC Submission at p. 3.

³¹ PP Submission at pg.13.

³² SEC Submission at para. 3.5.1.

³³ VECC Submission at paras 18-21.

³⁴ DRC Submission at paras 35-37.

³⁵ PP Submission at p. 15.

25. In this context, Oshawa Power has identified four concerns with the Parties' approach:
26. First, as discussed below, while most Parties argue that Oshawa Power has not paced its capital program appropriately in consideration of its anticipated new facility, none of the Parties have presented a reasonable alternative approach. Oshawa Power has already made \$44.71M in capital deferrals to accommodate the new facility.³⁶ Further deferrals increase risk beyond what Oshawa Power would recommend.
27. Second, it is a misconception that proper pacing simply means spending at or below arbitrary averages (be it historical or forecast). While averages can be a useful indicator, they are not the determinant of prudent pacing in the future. At a minimum, historical averages fail to account for any inflationary cost pressures. If Oshawa Power were to benchmark to historical spending without accounting for inflation, it would result in Oshawa Power accomplishing less work year-over-year. This approach also fails to "monitor and adjust", which is what Oshawa Power has done based on its updated Asset Condition Assessment and its improved risk-based prioritization methodology.
28. Third, and as discussed further below, the Parties have adopted a short-term perspective focused on simplified, near-term impacts on reliability and rates, while effectively dismissing the longer term consequences of such deferrals (worsening reliability, decreased system service, more risk to public safety and higher costs/rates). The Parties appear to ignore the need for a well-paced, long-term investment strategy that addresses safety, reliability, environmental, and other risks over the short, medium and long-term. In Oshawa Power's submission, the Parties approach introduces an unacceptable level of risk to the safety, reliability, and long-term sustainability of the distribution system. Ultimately, customers in the City of Oshawa will suffer with reduced quality of service and higher future cost pressures.
29. Fourth, the Parties submissions also contain numerical and logical errors,³⁷ as discussed further below, including the use of inconsistent bases and simplified manipulations of contribution ratios that are not anchored in specific projects or forecasts.
30. Proper pacing is about timing investments to deliver the best value for customers. This is exactly what Oshawa Power's improved risk-based distribution system planning approach is designed to achieve.³⁸ Oshawa Power submits that, for these reasons together with the more specific reasons discussed below, the proposed 2026 capital budget should be accepted as filed with no further reductions beyond those already made by management.

³⁶ Argument-in-Chief at para. 128.

³⁷ For example, VECC Submission paras 30-33: Use gross historical values to justify cuts to net amounts, miscalculating by \$100K when applying 14% to system access contributions, proposed cuts but applied further cuts on pre-cut numbers (double counting), zeroing out negatives, etc.

³⁸ Exhibit 2, Attachment 2-1, Distribution System Plan, Section 5.3.3 Asset Lifecycle Optimization Policies and Practices.

31. Oshawa Power addresses the Parties more specific arguments related to the following in-service additions below:
1. Treatment of the new consolidated operational facility in this Application
 2. 2026 Capital Additions Cannot be Based on 2024 Actual Capital Additions
 3. Prudence of the Proposed Test-Year System Access Additions
 4. Prudence of the Proposed Test-Year System Renewal Additions
 - ACA-Based Proactive Programs
 - Meter Replacement Programs
 - Municipal Switchgear Replacement Programs
 - Reactive Capital
 5. Prudence of the Proposed Test-Year System Service Additions
 6. Prudence of the Proposed Test-Year General Plant Additions
 - IT Projects and Programs
 - Fleet

A.1 Treatment of the new consolidated operational facility in this Application

32. Each of the Parties argue, or imply, that the OEB should consider a DSP that includes the new consolidated operational facility. This is not contested by Oshawa Power, which promptly complied with the OEB’s Decision on Motion by producing the details about the facility costs requested by the OEB Commissioners as part of its interrogatory responses.
33. Several of the Parties, including OEB Staff, imply or suggest explicitly that Oshawa Power should be punished for failing to include the facility cost in its original filing. SEC goes so far as to suggest the Application should be rejected.
34. Oshawa Power does not agree. Such an approach to regulation would result in neither just nor reasonable rates.
35. Oshawa Power never attempted to hide its investment in the new facility. Rather, the DSP states explicitly that:
- “Oshawa Power is anticipating filing an ICM in 2027 for the purpose of receiving cost recovery for the new Operational and Administrative building.”³⁹*
36. Instead, Oshawa Power was simply applying a conservative interpretation to the Report of the Board: New Policy Options for the Funding of Capital Investments: The Advanced Capital Module (ACM Policy) which states that ICM is only available under very limited circumstances:

³⁹ Exhibit 2, Attachment 2-1, Distributions System Plan at p. 14.

“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.”

37. Out of an abundance of caution, Oshawa Power elected to not include the new facility in the DSP filed with this cost-of-service Application for fear of disqualifying the project for future ICM funding. Oshawa Power clearly indicated in its DSP that this is what it had done.
38. As noted above, Oshawa Power promptly rectified its posture on inclusion of the facility in its evidence after the Commissioners issued the helpful Decision on Motion clarifying the scope of Issue 7.3.
39. Finally, each of the Parties argued that the OEB should discount or ignore Oshawa Power’s efforts to defer \$44.71M in capital spending over the forecast period to accommodate the new facility.⁴⁰ Specifically:
 - a) SECs argued that the deferrals highlighted by Oshawa Power for the new facility are “straw men”.⁴¹
 - b) CCC argued that the deferrals “are not meaningful” nor commensurate with the cost of the new facility.⁴² AMPCO supported CCC’s position.⁴³
 - c) CCMBC submitted that reductions to mitigate impacts of the planned administrative facility are inadequate.
 - d) OEB Staff submitted that the deferrals highlighted were low risk scenarios with high costs.⁴⁴
40. Oshawa Power disagrees.
41. Oshawa Power does not accept the efforts taken by the Parties to characterize the capital deferrals as “straw men” or “not meaningful”. Those characterizations are matters of opinion, not fact. They are simply intended to discount the efforts Oshawa Power has already made to accommodate the facility within the capital budget.

⁴⁰ Summarized in Argument-in-Chief at para. 128.

⁴¹ SEC Submission at paras 3.3.5-3.3.10.

⁴² CCC Submission at p.5.

⁴³ AMPCO Submission at p.7: “Oshawa Power has only proposed modest reductions in capital beyond 2027. As pointed out in CCC’s submissions, Oshawa Power’s claimed deferrals in capital spending lack substance.”

⁴⁴ OEB Staff Submission at p. 5: “OEB staff notes that many of the projects that form the \$44.6 million in omissions include low risk scenarios with high costs”

42. Oshawa Power deliberately focused its DSP on addressing mandatory, critical, and vital needs, as a result of a planning process that began with a set of needs identified in third-party expert studies, coordinated with external stakeholders, and in compliance with regulatory obligations.
43. Oshawa Power did not invest time or resources in developing additional discretionary projects that might be beneficial and ultimately justifiable because it sought to constrain the plan to the highest priorities. The fact that further deferrals than those already identified – totally \$44.7M⁴⁵ – have not been made to this narrow set of essential investments is not evidence that Oshawa Power has failed to scale back; it is evidence that the remaining investments are those that cannot responsibly be deferred without undue risk.
44. Oshawa Power addresses the various arguments related to each of the specific deferrals are below.

A.1.1 Deferral 1: Municipal substation - \$15.5M

45. CCC submitted that the new municipal station was “not even needed based on Oshawa Power’s statement that it is not anticipated to be required within the 2026–2030 period.”⁴⁶ SEC further elaborated with “In fact, the functionality of the station has been replaced by three new feeders, so that it does not need to be constructed by 2030. It was not deferred. It would not have been constructed in the DSP forecast period in any case.”⁴⁷
46. Oshawa Power disagrees.
47. The ability to defer the station beyond 2030 is **not** because the need has disappeared. It is because Oshawa Power has deliberately chosen a lower-cost, interim solution that pushes existing infrastructure harder, within acceptable risk limits, in order to mitigate cost and rate impacts. This is a real deferral and a real constraint in Oshawa Power’s system, resulting from the selection of a DSP capital expenditure envelope that took into consideration the new facility. It is exactly the kind of hard trade-off customers should expect their utility to make when faced with competing priorities and that is what Oshawa Power has done.
48. CCC and SEC are inconsistent with their own logic. On one hand, they rely on the MS9 feeder solution to argue that the new station is not truly needed.⁴⁸ On the other hand, they

⁴⁵ Exhibit 2 IRR, Attachment 2-11, \$44.7 = \$15.5M for the Columbus station + \$29.21M of omissions from recommended ask.

⁴⁶ CCC Submission at p. 5.

⁴⁷ SEC Submission at para. 3.3.6.

⁴⁸ SEC Submission at para. 3.3.6.

also argue that the three new MS9 feeders themselves should be deferred out of the test year.⁴⁹

49. Taken together, their position is that Oshawa Power should neither build the station nor implement the interim solution that makes deferring the station tolerable. That is not a prudent risk-management strategy. It is simply pushing all risk back on to future customers, new development, and ultimately current customers who will bear the costs and delays associated with the forecasted capacity shortfalls. This does nothing to support the economic growth of the Columbus community.
50. It is also important to recognize that the proposed station is not a stand-alone asset serving only the Columbus community. The evidence shows that the three new feeders from MS9 are intended to support both Columbus and “inside” growth areas such as Kedron and existing neighbourhoods.⁵⁰ That same integrated planning means the future station would also serve Columbus and inside growth, strengthening the overall network with additional capacity, redundancy, and flexibility. Deferring the station is therefore not simply deferring infrastructure to accommodate the Columbus planning area, it is deferring a project that would enhance reliability, resilience and provide capacity relief for existing customers as well.
51. Deferrals need to be considered on the basis of risk. If the risks are significant, then the investments are still needed, which is what the inclusions in Oshawa Power’s Application are based on. If the risks are tolerable, then they can be deferred **with contingencies in place**, as was done for the new station.

A.1.2 Deferral 2: Third Part Relocation Projects - \$3.7M

52. CCC argued that Oshawa Power’s \$3.7M deferral related to City and Region relocation work is not meaningful because the projects are expected between 2029 and 2033 are uncertain, and may fall outside the 2026–2030 rate term. CCC characterizes it as disingenuous to treat these as meaningful deferrals when “many of them will not go forward in the current rate term.” SEC suggested that, if the projects do proceed, there is no real risk because they would be put into rate base, and if large enough could form the basis of an ICM application.
53. Oshawa Power disagrees.
54. Third-party relocation projects that have been identified and confirmed as potential work within the DSP planning period are genuine risks. There is no evidence that these projects are less likely to proceed. Therefore, Oshawa Power’s decision to defer them in its budget creates risk should the projects proceed as planned.

⁴⁹ CCC Submission at p.17; AMPCO Submission at p. 9.

⁵⁰ Exhibit 2 , Attachment 2-1 Distribution System Plan, Appendix B, Material Justification Sheets at p. 71, MS9.

55. The suggestion that the availability of an ICM somehow eliminates this risk is also misplaced. ICM filings are subject to a materiality threshold which erodes at a utility's earnings. In addition, Oshawa Power has never previously sought ICM funding for third-party relocation projects. It is unclear why SEC thinks Oshawa Power would begin doing so now.
56. Additionally, in the Test Year alone, which is the main focus of a Price Cap IR application and forms part of the revenue requirement that is up for approval under this Application, Oshawa Power has gone further than the identified \$3.7M deferral by also excluding an additional \$1.3M in net in-service additions related to third-party relocations, despite strong indications from third parties that this work will be required by the end of 2026.⁵¹ This a clear assumption of risk on behalf of customers, not evidence that Oshawa Power has failed to scale back its capital plan.

A.1.3 Deferral 3: Meter Replacement Program - \$5.5M

57. SEC suggested that the deferred \$5.5M in meter replacements is a 'straw man' and that the "claimed 'reduction' in the capital plan is an assumption that less than 100% of the meters need to be replaced on reverification".⁵² OEB staff made a similar argument, stating that it is "unreasonable to assume that all batches would fail reverification to begin with without supporting data").⁵³
58. Oshawa Power disagrees.
59. The \$5.5M proposed in the 2026-2030 capital budget accomplishes the bare minimum of meter replacements, and is in Oshawa Power's view the maximum amount of risk a utility should absorb while pacing the deployment of the next generation of meters. Failed meters that are not replaced in time can have significant downstream billing, customer, and operational impacts.
60. The additional \$5.5M in meter replacements that was removed from the DSP represents 14,000 meter unit replacements excluded from the DSP. As a consequence, Oshawa Power proposes to replace only 14,000 of the 54,000 meters (26%) that are facing reverification during the 2026-2030 cost of service period.⁵⁴ This is not 100% of the meters facing reverification, as SEC has claimed. Oshawa Power has already reduced its spending in order to reduce rate impacts resulting from the 2026-2030 DSP. Therefore, the claim that

⁵¹ Argument in Chief para 48A); Exhibit 2 IRR, Attachment 2-8 as well as Appendix 2AA for what is included in test year.

⁵² SEC Submission at para. 3.3.9.

⁵³ OEB Staff Submission at p. 5.

⁵⁴ Exhibit 2 IRR, 2-CCC-64b.

Oshawa Power is replacing meters with useful life remaining⁵⁵ is incorrect, as is the claim that the \$5.5M is not a genuine deferral.

A.1.4 Deferral 4: Asset Replacement Deferrals, predominantly Fair condition, high risk assets - \$20 M

61. CCC submitted that Oshawa Power’s proactive replacement plan already includes assets in fair (or better) condition and that Oshawa Power is “going far beyond what is needed to maintain reliability.” On that basis, CCC argues that the \$20M in reductions cannot be treated as meaningful deferrals linked to the new facility. SEC similarly questioned the approach of targeting assets in fair condition but high risk, stating this is “the first time we have seen an LDC take that approach,” and noted that some fair-condition assets remain in the capital plan. SEC then characterized Oshawa Power as a utility with excellent asset condition and reliability that “would replace more of its fair condition assets if it could.”
62. Oshawa Power disagrees.
63. Oshawa Power has not claimed that all fair-condition, high-risk assets have been deferred, nor does the transcript cited by SEC contain any statement by Oshawa Power that its assets are in “excellent” condition. The identified \$20M in deferrals are *predominantly* fair-condition, high-risk assets that ranked lower in priority than the assets that remain in the DSP. They do not overlap with the assets that are included within this DSP.⁵⁶ The assets that remain in the DSP are aligned with the recommendations of METSCO, a well-established industry expert in asset management, and are rooted in evolving industry best practices, and all asset categories planned for renewal in the Test Year reflect lower replacement counts than those recommended in the ACA.⁵⁷
64. Oshawa Power has already scaled back from expert-identified needs. It is not “going far beyond what is needed”. The record shows the opposite – a constrained, risk-based plan that deliberately falls short of expert recommendations in order to mitigate rate impacts, while still maintaining an acceptable level of safety, reliability, and system performance.
65. The same applies to SEC’s suggestion that this is the first time an LDC has taken such an approach. A critical misunderstanding underlies these critiques. Terms like “Fair,” “Poor,” and “Very Poor” are not generic descriptors; they have specific, technical meanings within a given ACA framework. What is classified as “Fair” in Oshawa Power’s ACA,

⁵⁵ CCC Submission at p. 6.

⁵⁶ Exhibit 2, IRR, Attachment 2-11: “Based on the Asset Condition Assessment Recommendations in conjunction with internal expertise, high priority items were included in the recommended ask. The items excluded predominantly consists of assets in a Fair condition but were identified as High Risk, yet ranked lower in priority compared to the items included in the ask. – Approx. Total Cost of \$20M”.

⁵⁷ Exhibit 2, Attachment 2-1, Distribution System Plan, Tables E-4 to E-6: All asset categories planned for renewal in the Test Year reflect lower replacement counts than those recommended in Tables E-4 to E-6 of the ACA (and supporting Options Analysis report).

particularly for the assets at issue in this deferral, is explicitly defined in Appendix C of the DSP.⁵⁸

66. Deferring assets in this state is most definitely a real and material risk, particularly where they are high impact. Oshawa Power has chosen to assume that risk, to mitigate the rate impacts, including related to the new facility.
67. It is also not correct to suggest that targeting fair-condition, high-risk assets is unprecedented. Asset condition assessments are snapshots in time, and it is standard industry practice to plan interventions starting in the “Fair” state precisely because assets will continue to deteriorate and may enter poor or very poor condition within the planning horizon.
68. Waiting until assets cross an arbitrary threshold into “Poor” or “Very Poor” before acting, particularly where impact is high, is inconsistent with sound risk management and with the OEB’s expectations for proactive, condition-based planning. This is also not without cost impact as it is expected that delaying until performance deteriorates to a critical state would warrant higher costs.
69. The OEB’s own decisions support this approach.
70. In a recent decision on Alectra Utilities Corporation’s ICM application for cable refurbishment, the OEB rejected SEC’s suggestion that projects to replace cable in “fair” condition should be deferred. Instead the OEB accepted Alectra’s rationale that assets in fair condition but showing signs of deterioration can nonetheless warrant proactive replacement and was “not persuaded” by SEC’s deferral argument. That reasoning is directly analogous to Oshawa Power’s situation:

“The OEB is not persuaded by SEC’s submission that ICM projects 151913 (\$2.1M) and 152375 (\$1.4M) totaling \$3.5M intended to replace the cable that is in fair condition can be deferred and therefore funding should be denied. SEC cites Alectra Utilities’ 2022 Asset Condition Assessment (ACA) in response to an AMPCO interrogatory that defines a “fair” condition as an asset that “is functional but showing signs of deterioration”. The OEB accepts the rationale provided by Alectra Utilities in its reply submission that refutes SEC’s submission.”⁵⁹

71. Finally, Oshawa Power’s incorporation of risk-based asset prioritization in the 2026-2030 DSP is a direct and explicit response to the OEB’s direction in its Decision and Order on Oshawa Power’s 2021 rate application.⁶⁰ Oshawa Power has delivered on this requirement. The proactive replacement plan in this Application is a scaled-back, risk-based implementation of expert recommendations. The \$20M in deferred fair-condition, high-

⁵⁸ Fair condition is defined as “widespread significant deterioration or serious deterioration of specific components.”

⁵⁹ Decision and Rate Order EB–2023-0004, p. 19.

⁶⁰ Decision and Rate Order, EB-2020-0048, p. 4.

risk assets represent actual, material risks that Oshawa Power has consciously assumed to mitigate rate impacts in the context of the new facility.

A.2 2026 Capital Additions Cannot be Based on 2024 Actual Capital Additions

72. Oshawa Power disagrees with CCC and AMPCO’s characterization of 2024 capital expenditure in the context of the new facility – specifically, using the land purchase for that facility in 2024 as the baseline to justify a reduction to the 2026 test-year capital budget.
73. In so doing, these Parties have cherry picked the lowest actual year in the historical period. In so doing, they have anchored to a number that, if accepted by the OEB commissioners, will severely underfund much needed capital and undermine Oshawa Power’s reliability and system performance if implemented into the future period.
74. CCC presented Oshawa Power’s statements about 2024 in-service amounts of \$8.8M as though they are solely in the context of the new facility. That is not what the evidence says. Oshawa Power stated that lower 2024 in-service amounts were primarily, but not solely, due to reallocation of budget toward land acquisition, but identifies a number of other key drivers.⁶¹
75. First, Oshawa Power explained in the oral hearing that additional expenditures in 2024 did not go into service in 2024 for reasons not related to the new facility,⁶² particularly:
 - For municipal switchgear replacement projects included in system renewal. This was not related to the new facility.
 - System Access investments for deferred subdivision energizations, which similarly are not reflected in the 2024 in-service amount.
 - Beyond those large items, other expenditures such as third-party relocations, CIS, and miscellaneous projects, that also do not appear in the 2024 in-service total.
76. Taken together, capital expenditures amounted to approximately \$12.35M in 2024 – which amounted to 88% of 2021 OEB-approved annual capital expenditure amounts.⁶³ These

⁶¹ Exhibit 2, Attachment 2-1 Distribution System Plan at p. 10: “In 2024, Oshawa Power reported lower in-service amounts in three of the four investment categories - System Access, System Renewal, and General Plant. This was primarily due to strategic reallocation of budget toward the acquisition of land for Oshawa Power’s new Operational and Administrative Building. Deferral of subdivision energizations to 2025 due to delays in developer constructed subdivisions was a significant contributor to lower system access expenditures.”

⁶² T2P94L20-27.

⁶³ Oshawa Power’s OEB scorecard reports DSP implementation progress as a percentage of actual expenditures relative to plan as 88.2%.

expenditures were necessary and unavoidable, even in a year that included land acquisition for the new facility.

77. Second, expansion-related in-service additions were at a record low in 2024. For Oshawa Power, subdivision expansions are predominantly Alternative Bid Constructed. Expenditures are incurred when assets go into service and transfer payments are made to developers.
78. For these reasons, Oshawa Power submits that 2024 was an anomalous year, and that no conclusions can be drawn about the appropriateness of proposed 2026 capital additions from 2024 in-service amounts.
79. Oshawa Power addresses arguments related to specific test year additions below by DSP investment category.

A.3 Prudence of the Proposed Test-Year: System Access Additions

80. CCC submitted that net additions under System Access in the Test Year are higher than historical averages, and claimed there is significant uncertainty in the timing and scope of System Access projects. CCC further noted that both third-party relocations and expansions are highly variable year-over-year and concluded, based on this uncertainty, that not all planned System Access spending will be necessary. However, CCC does not propose a specific reduction to the System Access budget.
81. Oshawa Power submits that CCC has overstated the level of uncertainty, though some uncertainty does exist. This is neither new nor controversial and was disclosed from the onset. The OEB recognizes that projects driven by external parties are partly outside the distributor's control.⁶⁴
82. Oshawa Power has already accounted for this level of uncertainty in its test year forecast. Specifically, despite clear indications from third parties that certain relocation projects will be required by the end of 2026, Oshawa Power has not included approximately \$1.3M in net in-service additions related to these projects in the Test Year rate base.⁶⁵ In so doing, Oshawa Power has accepted \$1.3M in risk if these projects do actually go forward.
83. The Chapter 5 filing requirements place such emphasis on third-party coordination and input as core elements of prudent planning.⁶⁶ Oshawa Power has provided this evidence in detail. The DSP includes a dedicated third-party coordination section⁶⁷ as well as

⁶⁴ Chapter 2 Filing Requirements, 2.1.7 Performance Measurement.

⁶⁵ This can be seen by comparing Attachment 2-8 of the Exhibit 2 IRRs with the actual Test Year inclusions set out in Appendix 2-AA and reiterated in Oshawa Power's Argument-in-Chief.

⁶⁶ Chapter 5 Filing Requirements, 5.2.2 Coordinated Planning with Third Parties.

⁶⁷ Exhibit 2, Attachment 2-1, Distribution System Plan, Section 5.2.2 Coordinated Planning with Third Parties.

individual justification sheets for all System Access programs,⁶⁸ setting out specific projects, drivers, and timing. This is not a generic uplift. It is a program built from the ground up using best available information from municipal and regional authorities, developers, and other stakeholders.

84. Oshawa Power has already proposed a constrained System Access forecast below what third-party coordination alone would justify.
85. Additionally, CCC's argument ignored the current policy and regulatory environment. The provincial government's focus on housing, and the OEB's December 23, 2024 DSC amendments extending the revenue horizon from 25 to 40 years – shifting more cost from developers to distributors – are strong signals that System Access needs will increase and that distributors will bear a greater share of those costs. Simply comparing the test year forecast to historical spending and calling the difference “uncertainty” disregards these changes.
86. Therefore, Oshawa Power submits that the proposed 2026 System Access budget is not only prudent, but conservative. It already reflects a high degree of coordination, evidence, and risk assumption, and sits at the edge of Oshawa Power's risk tolerance while still balancing other critical needs in the distribution system.

A.3 Prudence of the Proposed Test-Year System Renewal Additions – ACA Based Proactive Programs

87. CCC submitted that because Oshawa Power's reliability has improved and remains strong, and because only a small percentage of assets are in poor or very poor condition, System Renewal spending can be reduced. CCC and AMPCO also note that programs for poles, underground cables, pole-mount and pad-mount transformers, and distribution switchgear include assets in fair or better condition.
88. Oshawa Power disagrees with these arguments, as they misrepresent expert recommendations on prudent asset management, oversimplify real world complexities, and disregard key drivers other than reliability.
89. Oshawa Power has implemented a Strategic Asset Management Plan (SAMP) in response to the OEB's directive in the 2021 Decision and Order⁶⁹ to move towards a risk-based asset prioritization.
90. In this context, Oshawa Power is proposing a test year system renewal spending of \$8.045M, a reduction from the historical average actual program spending (2021-2025, excluding 2024) was \$8.266M. In Oshawa Power's view, it cannot sustain further reductions to its system renewal spend without taking on an unacceptable level of risk.

⁶⁸ Exhibit 2, Attachment 2-1, Distribution System Plan, Appendix B Material Justification Sheets.

⁶⁹ EB-2020-0048.

Specifically, if funding for renewal is further reduced and Oshawa Power is no longer able to continue targeting assets that require attention today, then reliability should be expected to deteriorate over time. The absence of immediate negative reliability outcomes in the short term is not evidence that renewal is unnecessary. Over time, customers in the City of Oshawa will witness a deteriorating reliability.

91. Allowing that condition to be misread as a license to further cut renewal jeopardizes customers, who will ultimately bear the consequences through increased outage risk, heightened safety exposure, environmental impacts and higher long-term costs when deferrals can no longer be sustained. Oshawa Power submits that:
 - All asset categories planned for renewal in the Test Year reflect lower replacement counts than those recommended in the ACA,⁷⁰ with \$20M of recommended replacements having already been deferred.
 - Ignoring safety as a key driver of system renewal fundamentally misrepresents the purpose and outcomes expected of these programs.
 - Renewal work in prior years targeted assets that needed attention then. Renewal today targets assets that need attention now. With a large asset base, shifting focus across different assets over time is both normal and necessary.
92. CCC acknowledged Oshawa Power’s risk-based asset prioritization, which was an explicit OEB direction in the 2021 Decision and Order,⁷¹ but then disregarded it by asserting, without evidence, that “it is clear the company can reduce its system renewal program.”
93. Oshawa Power submits that this is not a valid basis for reducing system renewal net in-service additions that already reflect a scaled back proactive replacement program.⁷² Specifically, proactive programs such as quick sleeve replacements, Firon switch replacements, porcelain switch and insulator replacements, overloaded transformer replacements, distribution switchgear replacements, and distribution system lock replacements have all already been deferred. Further reductions would involve budget cuts on basic and essential programs such as pole replacement, overhead rebuilds, and meter

⁷⁰ Exhibit 2, Attachment 2-1, Distribution System Plan Appendix C, Asset Conditions Assessment and Options Analysis , Tables E4 to E6. Also noted in the Argument-in-Chief at paragraph 37.

⁷¹ EB-2020-0048.

⁷²Exhibit 2, Attachment 2-1, Distribution System Plan: Appendix C, Asset Condition Assessment and Options Analysis , incorporating the OEB’s explicit direction on risk based prioritization; Exhibit 2, Attachment 2-1, Distribution System Plan, Justifying Capital Expenditures and Exhibit 2, Attachment 2-1, Distribution System Plan, Material Justification Sheets, that achieve key DSP objectives; Exhibit 2, Attachment 2-1, Distribution System Plan Asset Management Framework including its renewed Strategic Asset Management Plan (Exhibit 2, Attachment 2-1, Distribution System Plan, Appendix H).

replacements. Oshawa Power submits that any further reductions would expose the system and customers to risks beyond tolerable thresholds.

A.3.1 Meter Replacement Program

94. OEB Staff proposed reducing annual meter replacements to 2021 values thereby reducing the 2026 test year additions by \$300,000, citing a lack of data underlying the decision to increase meter replacements to the level requested.⁷³ AMPCO proposed deferring meter replacements by 1 year, thereby reducing test year spend by \$1.1M.⁷⁴
95. Oshawa Power disagrees.
96. While it is correct that “the number of meter replacements due to all failure modes has seen a downward trend in the historical period”,⁷⁵ it is not correct to conclude that this trend will continue into the future period.
97. Because the Ontario government mandated the widespread rollout of smart meters by 2010, Oshawa Power’s has a very large percentage of its meter population that are now approaching seal expiry. Specifically, Oshawa Power has 54,000 meters that are facing reverification during the 2026-2030 cost of service period. Since meters were not uniformly installed over time, as shown in the Table below, it can be expected that meter failures will also not be uniform over time.

Table 1 – Number of Meters Reaching Seal Expiry (2026-2030)⁷⁶

Year	Reaching seal expiry
2026	4,342
2027	2,036
2028	41,953
2029	4,253
2030	1,491

98. The correct conclusion is not that the failures will continue to decline over time. Rather, Oshawa Power expects that there will be a larger number of failures as this large group of meters reaches a critical age. This is particularly acute in 2028. In addition, it would not be reasonable to assume that meters would fail less often as they age more.

⁷³ OEB Staff Submission at p. 7.

⁷⁴ AMPCO Submission at p. 9.

⁷⁵ OEB Staff Submission at p. 6.

⁷⁶ Exhibit 2 IRR, Table 2-16.

99. In this context, it is generally much more costly to reactively replace meters than as part of a planned meter replacement program. To avoid a recurrence of a population wide meter replacement all at once, a more appropriate response is to begin measured replacement now to spread out the investment in the next generation of meters as much as possible. This would mitigate the issue of having many seal expiries in a short period. This is what Oshawa Power is proposing to do at a reasonable rate.
100. It is worth noting that the risk is not only of reverification failure, but of functional failure altogether. The average age of all Oshawa Power's meters today is 12 years, with a median age of 15 years.⁷⁷ However, the average age of failure for a meter is approximately 13 years, and there are almost 38,000 meters above 13 years old today.⁷⁸ By the end of this cost of service period, the majority of the remaining meters will be well over the 13-year failure average and well over their 5–15 year useful life.⁷⁹
101. In this context, the 2026-2030 DSP proposes replacing 14,000 of those 38,000 meters in the 2026-2030 period.⁸⁰ This means Oshawa Power is not proactively replacing the remaining 24,000 meters, a significant deferral, and acceptance of risk in order to mitigate rate impacts.
102. Parties are suggesting that meters will continue to fail at the same annual rate, or more slowly, in 2026-2030 than when they were five to nine years younger in 2021. This is an unreasonable assumption. And its implication creates undue risk of meter failures, negatively impacting customer service.

A.3.2 Municipal Switchgear Replacement Program

103. AMPCO submitted that the municipal switchgear replacement program can be deferred because there is no forecast spending in 2028, 2029, or 2030.⁸¹
104. OEB Staff submitted that the 2026 Test Year capital budget should be reduced by \$3.0M, arguing that there is insufficient evidence to support the proposed timing of the municipal switchgear investments given increased costs in 2025 and over the forecast period. OEB Staff further suggested shifting the in-service date for MS7 from 2025 to 2026 and MS5 from 2026 to a future year, or by deferring \$3.0M in 2026, equivalent to the MS5 in-service amount.⁸²
105. Oshawa Power disagrees.

⁷⁷ Exhibit 2 IRR, 2-CCC-64a.

⁷⁸ Undertaking J2.7.

⁷⁹ Exhibit 2, Table 2-20.

⁸⁰ Minus any younger meters that fail and need to be replaced.

⁸¹ AMPCO Submission at p. 8.

⁸² OEB Staff Submission at pgs. 9-10.

106. MS2 was completed in 2023 and as of the filing of these reply submissions MS7 is now complete and in-service.
107. The replacement of each of MS2, MS7, MS5 and MS11 were recommended in the 2018 ACA.⁸³ Based on those expert recommendations, the MS5 municipal switchgear replacement was originally planned and included in Oshawa Power's 2021 DSP.
108. While it is true that the Metsco 2023 ACA demonstrate that these assets are in fair condition, for the reasons that follow Oshawa Power cannot pivot its program objectives as quickly as proposed by the Parties.
109. Specifically, advanced planning to secure timely procurement and installation, mitigate cost escalation, and realize efficiencies through bundled work is prudent utility management. In early 2023, based on the 2018 ACA, Oshawa Power planned and awarded contracts for the replacement **of all four switchgears**, pacing the replacements over four years. Due to capacity constraints, MS5 has not yet been completed, and **must be addressed in 2026**. Both MS5 and MS11 in 2027 have already been contracted for, and early work has already been completed.
110. As a consequence, deferral of the MS5 project, as proposed by OEB Staff would result in numerous material adverse consequences, including:
 - introduce contractual consequences (breach of contract), including adverse cost increases, including loss of the significant time and effort already invested in these projects;
 - prolonging known environmental, reliability and safety risks - the MS5 project includes replacement of egress cables, including sections of lead cable known to have negative environmental impacts;⁸⁴ and
 - delay the MS11 project, misaligning the timing of other renewal projects and programs that have been sequenced around this large investment.
111. While Oshawa Power has replaced its System Renewal budget to reflect the results of the 2023 ACA, it was unable to simply breach and terminate an already awarded contract for municipal switchgear replacements. Rather, the 2026 System Renewal budget has already been reduced to what Oshawa Power considers a bare minimum, as set out in its Argument-in-Chief.

A.3.3 Reactive Capital Budget

⁸³ Exhibit 2 IRR, Attachment 2-1 at Table 5-28.

⁸⁴ Exhibit 2, Attachment 2-1 Distribution System Plan, Appendix B, Material Justification Sheets at p. 58, Municipal Substation Switchgear Replacement Program.

112. CCC submitted that the reactive capital budget is higher than necessary given the declining trend, and while they acknowledged the need for reactive capital, they argue that a gross budget “well below \$2M” would be more accurate.⁸⁵ AMPCO submitted that Test year reactive capital amounts can be reduced by \$0.41M to align with 2024 and 2025 actuals.⁸⁶
113. OEB Staff argue that the reactive capital budget should be reduced by \$0.2M to more closely align with the levels experienced in 2024-2025.⁸⁷ OEB Staff cite the deployment of distribution automation, as well as FLISR technologies to alleviate the need for reactive work.
114. Oshawa Power disagrees.
115. Oshawa Power has assumed a balanced risk-based approach to setting the 2026 reactive budget and but highlights the following points supporting its proposed reactive budget.
116. First, in recent years, Oshawa Power has benefited from relatively good weather conditions and 2024 was an anomaly.⁸⁸ Setting rates based on an assumption that this favourable weather pattern will continue entirely ignores the increased weather volatility as a result of climate change, a focus the OEB highlighted in the VASH report.⁸⁹ The OEB is making weather volatility a mandatory part of system planning for COS applications filed in 2026 for 2027 rates. Reducing Oshawa Power’s 2026 reactive budgets further would push risk beyond what is already assumed, and beyond an acceptable tolerance level.
117. Second, the arbitrarily low 2025 reactive forecast included in this Application has already been exceeded.⁹⁰ This reinforces that there is risk in reducing the Test Year budget below the proposed net amounts of \$1.8M.
118. Third, when the updated 2025 actuals are taken into account, the 2026 Test Year budget is approximately 17% below historical averages (excluding 2024), as shown below. This demonstrates that Oshawa Power has being conservative in its reactive spending forecast for the test year. Further cuts are neither justified nor prudent.

⁸⁵ CCC Submission at p. 16.

⁸⁶ AMPCO Submission at p. 8. Based on the version of 2-AA filed on April 29, 2025. Subsequent versions of 2-AA reflect updated 2025 amounts.

⁸⁷ OEB Staff Submissions at pgs. 8-9.

⁸⁸ Exhibit 2 IRR, 2-Staff-62.

⁸⁹ Decision EB-2024-0199, Vulnerability Assessment and System Hardening (VASH) Report issued Oct. 7 2025.

⁹⁰ As shown in Undertaking J2.4 (Revised Appendix 2-AA with forecasts updated based on September 2025 actuals)

Table 2 – Reactive Spending in 2021-2025 versus Test Year⁹¹

	2021	2022	2023	2024	2025	Average (2021-2025, excluding 2024)	Test Year (2026)	% reduced
Reactive Spending As Filed (Net \$ '000)	2686	1876	2562	1559	1272	2099	1826	13%
Updated Reactive Spending (App 2AA - Sept 2025 update) (Net \$ '000)	2686	1876	2562	1559	1717	2210	1826	17%

119. Fourth, it is unclear to Oshawa Power how exactly the introduction of either distribution automation or FLISR would in any way alleviate its reactive budget pressures. OEB Staff appear to misunderstand how these technologies work. Distribution automation and FLISR do not restore a downed powerline after a storm. Rather, they serve to reduce the impact of outages for a portion of the customer base, by allowing rapid re-routing of power where possible to customers that are not directly affected by the fault condition. However, the fault still remains on the system, and a group of customers (albeit a smaller group than without FLISR) is still without power. In addition, the public safety hazard created by the fault condition also still exists. The fault condition must still be corrected, and as a consequence reactive spending is still necessary to restore power to the remaining customers.
120. As Parties themselves have argued in the context of the facility, budgets cannot be set in silos.⁹² Oshawa Power agrees. The risk assumed in the reactive budget must be viewed together with other risks already taken on in this plan, such as the \$1.3M in third-party relocations excluded from the Test Year rate base, above.
121. Oshawa Power therefore submits that the proposed reactive capital budget is prudent. It reflects historical trends and is calibrated to an overall risk tolerance that balances reliability, safety, and rate impacts while providing high value to customers.

A.4 Prudence of the Proposed Test-Year System Service Additions

122. AMPCO referred to the 3 New Feeders MS9 project under System Service and submitted that it is unclear about the timing of the associated road-widening work.

⁹¹ OPUCN_J2.4 Appendix 2-AA YTD to Sept 20205_20251105, line 38 (reactive) – line 50 (contributions).

⁹² CCC Submission at p. 4.

123. AMPCO stated that, “based on its discussions with the City of Oshawa,” the road project has been delayed and suggests that Oshawa Power would have to defer the 3 New Feeders MS9 project beyond 2026 if timing does not align.⁹³
124. Oshawa Power objects to AMPCO’s reliance on unsubstantiated hearsay. AMPCO has not produced any evidence of any discussions with a City of Oshawa official. Oshawa Power has had absolutely no opportunity to test this evidence. AMPCO does not even identify who was spoken to.
125. Further, Oshawa Power’s understanding, based on recent discussions with the City of Oshawa, is that hydro relocation is required in 2026. This understanding is consistent with approved public budget documents from the City. Unfortunately, because of how AMPCO elected to disregard the rules of evidence, those documents cannot be introduced at this stage without constituting new evidence. Put simply, Oshawa Power is unaware of any credible evidence of delays in the proposed road widening project.
126. In addition, and without limiting the generality of the foregoing, as set out in the Application⁹⁴ and clarified at the oral hearing,⁹⁵ alignment with the road project is driven by operational efficiency and cost-effectiveness, not by technical necessity. If capacity needs materialize such that constraints become unmanageable for connecting new customers, Oshawa Power will have to proceed with the feeders even if the road work is delayed, recognizing that this would likely be at a higher cost due to the loss of coordination efficiencies.
127. Based on the best available information, Oshawa Power submits that the 3 New Feeders MS9 project must proceed in 2026. This project is required to support the Columbus community because the construction of a new station has been deferred. This project will also support demand growth from the Kedron community and other existing neighbourhoods.⁹⁶

A.5 Prudence of the Proposed Test-Year General Plant Additions – IT Projects and Programs

128. OEB Staff suggested that the website redesign, intranet upgrade, and customer communication redesign projects with a combined estimate of \$200k in 2026 be deferred, and that there is insufficient justification for these projects given the large increase in total capital expenditure.

⁹³ AMPCO Submission at p. 9.

⁹⁴ Exhibit 2, Attachment 2-1 Distribution System Plan at p. 80.

⁹⁵ T2P46-48.

⁹⁶ Exhibit 2, Attachment 2-1 Distribution System Plan, Appendix B at p. 71, Material Justification Sheets.

129. AMPCO has similarly suggested that 2026 projects such as Customer Communication Redesign (\$100,000), Intranet Upgrade (\$50,000), Records Management (\$100,000) and Website Redesign (\$50,000) are not urgent and could reasonably be deferred beyond 2026.
130. CCC suggested that “the website redesign, customer communication re-design and intranet upgrade project...can also be deferred or eliminated.
131. CCC⁹⁷ also suggested that “within the 2026 test year capital budget are a number of ‘opportunistic investments’ that can be deferred. These include the OMS replacement and GIS replacement.
132. SEC cited several projects that they claim are too expensive and have no justification.
133. Oshawa Power disagrees.
134. First, because these projects are individually immaterial, as affirmed by OEB Staff,⁹⁸ there has indeed been no business case presented for each, nor a comparison of spending on similar projects by other LDCs. This is entirely consistent with the OEB’s Chapter 5 Filing Requirements, which focuses efforts on material capital expenditures as well as Procedural Order No. 1 which instructs Parties to focus on material expenditures. Ample opportunity was provided to Parties to request any additional justification for these projects if they had any concerns and intended to object. It is noteworthy that they chose not to do so. And now Oshawa Power is unable to submit new evidence at this time which would illustrate the clear business case supporting each of these non-material expenditures.
135. Despite this, Oshawa Power will instead point to evidence that was presented and attempt to communicate the urgency of these smaller, yet significant projects.
136. Oshawa Power highlighted the importance of the Records Management project as needed to ensure document retention policies are being followed⁹⁹ which is critical from both a legal compliance (minimum retention periods are often prescribed by law) and cyber-security (do not retain records longer than required) context. Document classification and retention is a critical part of maintaining appropriate Cyber-Security posture, allowing a utility to: (a) identify risk related to records and information (such as PII exposure risks); (b) ensure that proper procedures are followed when handling records and information of different sensitivities, including adding automated safeguards to govern transmission of sensitive information; and (c) ensure that creation, storage and destruction of records and information are handled according to policy thereby reducing risk to the organization and its customers.

⁹⁷ CCC Submission at p.17.

⁹⁸ OEB Staff Submission at p.12.

⁹⁹Exhibit 2 IRR, 2-Staff-76.

137. As noted in several places in the evidence¹⁰⁰ and by customers directly,¹⁰¹ Oshawa Power's call centre has been unable to keep up with the volume of incoming calls. This is a significant organizational issue identified by Oshawa Power, and must be addressed.
138. The Customer Communications Enhancement is part of the IT Business Transformation Strategy¹⁰² to redesign the automated attendant to include AI and other automation elements in order to reduce call volumes and improve the customer experience. Oshawa Power has shown how it has increased contact centre staffing in order to alleviate the call pressure.¹⁰³ However the realization that call volumes have historically been incorrectly recorded by an error in the previous out-of-support phone system¹⁰⁴ means that operating costs will increase if no other solution is deployed. AI attendants¹⁰⁵ will add more self-serve functionality and improve the outage notifications process without further increasing OM&A spending. Without the customer communications enhancement, Oshawa Power anticipates that operating costs associated with the call centre will need to be increased to provide customers with adequate service and to meet Oshawa Power's score on its customer satisfaction metric report to the OEB.
139. The Website Redesign similarly endeavors to update the website to centre it around self-serve capabilities using AI and replacing antiquated 'dumb' form-based service requests to more automated methods to now interface with the new CIS, OMS and coming ERP systems. The redesign is driven by similar drivers to the OEB's own website improvements with upgrades to its Regulatory Document Search (RDS) with the introduction of iSearchTM.
140. The Intranet Upgrade is meant to improve the experience, effectiveness and capacity of internal staff. The current intranet does not effectively communicate with Oshawa Power staff nor allow engagement, a point that had been raised by staff consistently in internal engagement surveys. The Intranet Upgrade will also allow Oshawa Power to tie into the Records Management Project to streamline documentation and internal form-based communication, thereby improving internal HR, change management, benefits and other processes. This is an exercise in improving efficiency and transparency with the goal of increasing internal capacity, reducing manual and repetitive tasks and allowing existing staff to be repurposed for higher-value work.
141. Finally, the CRM project is intended to solve for several additional accountabilities being required of Oshawa Power, resulting from external policy changes, such as:

¹⁰⁰ Exhibit 4, p.45; Exhibit 1, p.73; Exhibit 2 IRR, 2-Staff-38; T1P34.

¹⁰¹ Exhibit 1 at p. 7.

¹⁰² Exhibit 1, Attachment 1-4 at p. 10.

¹⁰³ Exhibit 4 IRR, 4-CCC/VECC-130.

¹⁰⁴ T1P34; Summary of Opening Remark filed October 25, 2025 at p. 7.

¹⁰⁵ A pilot is currently being performed with a vendor.

- New tracking requirements for the Industrial Conservation Initiative, which may now include settlements associated with corporate power purchase agreements;¹⁰⁶
- New tracking requirements for the RTSR rate for EV Charging stations, which will include load factor justifications;¹⁰⁷
- eDSM¹⁰⁸ data not captured in the IESO's online CRMs, which are purpose-built for results reporting. The eDSM program prohibits the use of funds for duplicative activities, and so there is no external funding available for this work, outside of rates.

142. While the CRM spend is not material, it is required to meet the aforementioned legal requirements, and it reflects Oshawa Power's efforts to maximize internal resources and not have to hire more staff to manage the upcoming programs, including PP and DRC's request for enhanced tracking of distributed energy resources that will require regular and ongoing two-way communications with the asset holders to explore competitive and transparent options for deployment to reduce grid costs – an entirely new business function for Oshawa Power for which no additional staff have been requested.

143. Finally, Oshawa Power submits that CCC's reference to 'opportunistic investments' is likely a misunderstanding of undertaking J3.4, which they reference, which lists projects not in the 2026 capital budget but in the previous 2011 DSP. Those projects were referred to as 'opportunistic' because they resulted in significant savings, not because they were unnecessary.¹⁰⁹

A.5.1 Prudence of the Proposed Test-Year General Plant Additions – Fleet

144. CCC argued the pole trailer in 2026 is unnecessary, noting that spring replacements have averaged only \$4,000 annually.

145. AMPCO submitted that Oshawa Power should defer some 2026 spending on fleet to align more closely with historical levels, agreeing with CCC that deferring the pole trailer could reduce capital expenditures by \$0.15M.

146. OEB Staff submitted that the panel van replacement can be deferred beyond 2026, noting that although it has exceeded its 10-year service life, its engine hours are 9,467 and have not yet reached the 10,000-hour threshold.

¹⁰⁶ <https://ero.ontario.ca/notice/019-8666>

¹⁰⁷ <https://www.rds.oeb.ca/CMWebDrawer/Record/893897/File/document>

¹⁰⁸ <https://www.ieso.ca/Sector-Participants/Engagement-Initiatives/Engagements/Electricity-Demand-Side-Management-Framework>

¹⁰⁹ T3P55.

147. Oshawa Power disagrees.
148. The pole trailer and panel van have already been deferred to 2028,¹¹⁰ at which point it is expected that the panel van will have exceeded the engine-hour threshold. Although the pole trailer now has no impact on the 2026 Test Year, it is important to address the recommendation to continue replacing springs indefinitely as unreasonable. The issue is not the cost of springs. It is that the trailer can no longer safely handle the weight of the equipment it carries. Relying on low historical repair costs to justify continued use effectively suggests repeatedly replacing parts while ignoring the safety risk of operating an over-capacity asset that could fail during transport.¹¹¹
149. As part of the pre-settlement clarification questions, which were attached as Appendix F to the Partial Settlement Proposal, Oshawa Power clarified that it will be replacing a large vehicle – a radial boom derrick (RBD) – in 2026.¹¹² This vehicle alone costs approximately \$600,000 and has been previously ordered and scheduled for delivery in 2026. This was the reason for the deferral of the pole trailer and panel van.
150. Despite the known \$600,000 cost for the RBD, Oshawa Power has not proposed an update to its test year budget - and will instead only include \$500,000 in 2026 test year in-service additions, consistent with the amount originally proposed for fleet.
151. This means that Oshawa Power is already short funded by \$100,000 for fleet from its 2026 capital additions. In this context, additional assumed deferrals, should be rejected outright.

A.6 Distributed Energy Resources (DERs) and Non-Wires Solutions (NWS)

152. OEB Staff supported Oshawa Power’s NWS projects, totalling \$715K over the 2026-2030 period, recognizing their potential to provide flexibility in addressing load growth and deferring future capital investments. OEB Staff recommended that certain NWS projects costs should not be capitalized and noted that the overall investment is not expected to materially impact rates. Oshawa Power agrees that these costs should be classified in accordance with IFRS, Oshawa Power’s capitalization policy, and the OEB NWS Guidelines. Oshawa Power agrees to OEB Staff’s recommendation for updates to be provided as part of its next Cost of Service Application on the process and outcomes of its four proposed NWS projects as well as the NRCan-funded DSO project.
153. Pollution Probe recommended that “Oshawa Power enhance its modeling and tracking of local DERs over the rate term to provide the ability to understand and leverage these potential resources within its service territory”, noting that doing so will be important with

¹¹⁰ Pre-Settlement Clarification, SC-CCC-5.

¹¹¹ Further details on the pole trailer are provided in Undertaking J2.10A.

¹¹² Pre-Settlement Clarification, SC-CCC-5.

respect to implementing the NWS Guidelines, any future DSO work, and informing accurate load forecasting.

154. DRC made several requests, including:

- That any OEB approvals of the Oshawa Power Application “include the condition that Oshawa Power investigate and consider multi-unit residential charging, BYOC street charging, and bi-directional pilots among its priority NWS projects during the rate term”
- That the OEB make it a condition of approval of the Application that “Oshawa Power must report on the following information in its next Cost of Service Application:

An NWS report, which has been subjected to input, review and approval by relevant stakeholders, providing any relevant information and data resulting from the identification, development, and delivery of all NWS projects considered and approved or rejected during the rate term, including the proposed projects identified in paragraph 33, so that stakeholders, including other utilities, and the Board can benefit from the lessons learned and conduct their own analysis using the data”.

- That Oshawa Power publicly disclose NWS project information and results on Oshawa Power’s website, subject to confidentiality claims, for which Oshawa Power may apply to the OEB.
- That Oshawa Power include the following NWS performance metrics in Oshawa Power's next cost of service Application, as applicable:
 - (i) customer cost savings impacts;
 - (ii) improvements to energy affordability;
 - (iii) reliability impacts;
 - (iv) accessibility impacts;
 - (v) GHG reduction impacts (scope 1, 2 and 3), using the GHG Protocol where applicable;
 - (vi) cybersecurity impact”

155. Subject to having sufficient funding, Oshawa Power agrees in part to the recommendations of PP and DRC.

156. First, subject to having sufficient funding, Oshawa Power agrees with PP to compile a more comprehensive DER database and/or asset map within the rate term. Oshawa Power agrees

that this will be important for the effective operationalization of the aforementioned policy initiatives.

157. In the NWS Business Case, Oshawa Power mentions mapping EVs to high priority areas within the grid and within areas of customer need, as related to energy affordability.
158. Similarly, per the DSO project discussed in Exhibit 1, Section 1.8.3 on Public Policy Responsiveness, Oshawa Power is reviewing system maps and potential customers/assets, such as long-term care centres, within specific portions of the grid to model a demand response offering. Therefore, subject to having sufficient funding, Oshawa Power will enhance its modelling and tracking of local DERs in the rate term.
159. Second, Oshawa Power agrees to investigate and consider the pilots outlined by DRC. Oshawa Power has stated in its NWS Business Case that it will consider and prioritize various NWSs, on an ongoing basis, that provide the best value for customers. Therefore, projects will be evaluated using the standardized BCA process as a means of addressing system needs.
160. Oshawa Power will review and attempt to maximize funding opportunities to implement such pilots, in alignment with its stated strategy in the NWS Business Case. To this end, Oshawa Power is currently considering applying for ChargeON funding to action multi-unit residential charging without significant investment from the rate base.
161. Oshawa Power notes that the NWS report proposed by DRC is consistent with the OEB's requirements, especially with respect to providing a summary of NWSs considered.
162. Additionally, much of the report would comprise analysis already done to determine the viability of any NWS initiative; therefore, it should not constitute undue additional efforts.
163. Oshawa Power is committed to engaging with stakeholders to support industry growth and progress. However, Oshawa Power disagrees with the requirement for review and approval by relevant stakeholders. Such an additional requirement would pose an outsized risk to Oshawa Power should a stakeholder disagree with the organization's findings or plans.
164. Furthermore, approvals for NWSs are embedded within the CoS process or as part of a stand-alone NWS application, to which relevant stakeholders are a party, and therefore any additional approvals would be duplicative in nature. Therefore, Oshawa Power agrees to provide the report, engage with stakeholders and record their feedback, but not to seek their approvals on the report as a condition of filing.
165. Third, subject to having sufficient funding, Oshawa Power anticipates creating an NWS section on its website to support the implementation of the guideline by helping potential stakeholders access information about the opportunity. Providing information publicly about NWS results would support stakeholders in understanding what acceptable projects entail and may spur on additional market participation.

166. Therefore, Oshawa Power will agree to, subject to having sufficient funding, dedicate a portion of the web page/section to NWS results, subject to confidentiality.
167. Finally, subject to having sufficient funding, Oshawa Power agrees to include DRC's proposed metrics in its NWS reporting. Oshawa Power's NWS Business Case includes the strategic scale-up of pilot NWS projects. The metrics recommended by DRC are important factors in determining the effectiveness and viability for scale-up of Oshawa Power's NWS initiatives.

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

168. CCC submitted that the opening rate base should be reduced by \$0.9M. AMPCO supported CCC's position on the timing of 2025 in-service additions. OEB Staff proposed a \$1.3M reduction to the 2026 opening rate base. OEB staff also proposed reducing the annual depreciation expense for Oshawa Power's 2025 asset retirement obligation ARO to reflect that the demolition work at 100 Simcoe St. S. will happen in 2028. SEC supported CCC and AMPCO's submissions on opening rate base. VECC suggested CCC's proposed reductions are conservative. CCMBC expressed general support for the submissions of CCC, SEC, and VECC.
169. After reviewing these arguments, Oshawa Power is in agreement with OEB staff that the Asset Retirement Obligation (ARO) should be reduced to \$39,195, as described in more detail below.
170. With the exception of the foregoing, Oshawa Power disagrees with the Parties on its 2026 opening rate base.

B.1 Oshawa Power's 2026 Opening Rate Base is Appropriate and Justified

171. Parties provided various arguments related to 2026 opening rate base. As Commissioner Moran acknowledged during the oral hearing, the OEB approves a capital envelope, not each individual DSP project and recognized that reprioritization is a part of this process.¹¹³ LDCs have detailed insight into their systems and needs, and prudence requires them to adjust plans as better information, timing, and project interactions become clear, in order to maximize value for customers.
172. Accordingly, Oshawa Power addresses arguments related to the following in-service additions below:
1. 2022 Overhead Automated Switching Expansion
 2. 2023 MS2 Switchgear
 3. 2025 In-Service Additions
 4. 2025 Pole Replacement Levels

¹¹³ T1P7L21-27.

5. 2025 General Plant IT Additions
6. Changes 2-AA Variances Explained

B.1.1 The 2022 Increase in Overhead Automated Switching Expansion Was Necessary and Maximized Customer Value

173. CCC submits that \$0.115M of this project should be permanently disallowed on the basis of cost overruns and lack of change orders available for the project.
174. Oshawa Power disagrees.
175. The overrun was mainly due to the installation of 44 kV smart switches instead of the originally planned 13.8 kV switches to better align with concurrent distribution automation upgrades. There were also costs associated with configuring and integrating the centralized FLISR platform and establishing communication between the field and the control system.¹¹⁴ Engineering designs¹¹⁵ along with improving reliability trends demonstrate the planning, analysis, and effort that went into this project, and the long-term system benefits they deliver. These investments were made to strengthen the FLISR system and to improve long-term reliability for customers, contributing to Oshawa Power's historically excellent reliability results.¹¹⁶
176. Oshawa Power managed the cost increase on this project while still remaining below the total planned 2022 in-service amounts.¹¹⁷ Even CCC, in the context of the facility, accepted that budgets should not be set in silos.¹¹⁸ Reprioritizing within the envelope to extract maximum system benefit is not a flaw in the process. It is a critical feature of responsible system planning.
177. Oshawa Power agrees with CCC on the importance of robust change-order management. As a lean organization, Oshawa Power has historically faced constraints in dedicating resources to process development. As Mr. Yackoub stated during the oral hearing, a formal change-management process has now been implemented¹¹⁹ but is still maturing and requires dedicated time and attention, beyond the bare minimum that has been possible to date. This is an area for continuous improvement, not a basis for a permanent disallowance of prudent, reliability-enhancing investments.

B.1.2 The 2023 MS2 Switchgear Replacement Scope Changes Were Prudent and Improved Long-Term Asset Longevity

¹¹⁴ Exhibit 2 IRR, 2-CCC/VECC-47d).

¹¹⁵ Exhibit 2 IRR, Attachment 2-6,

¹¹⁶ Exhibit 2, Table 2, OEB Scorecard.

¹¹⁷ Appendix 2-AB net expenditure actual vs planned line item.

¹¹⁸ CCC Submission at p. 4.

¹¹⁹ T2P37L7-16.

178. CCC submitted that \$0.41M of the MS2 switchgear replacement project should be permanently disallowed on the basis that its scope is **the same** as the 2026 MS5 switchgear replacement, with the 2026 cost simply brought back to 2023 using a 4% inflation factor. VECC suggested a further disallowance based on inadequate explanations of variances, for a total disallowance of \$0.48M.
179. Oshawa Power disagrees.
180. Oshawa Power has never claimed that MS2 and MS5 have the same scope. The evidence states that they are reasonably comparable in scope.¹²⁰
181. As CCC acknowledged, Oshawa Power provided the detailed invoice line items that identified the cost increases.¹²¹ This contradicts VECC’s characterization of “unexplained variances” or an inadequate “change order explanation.”
182. Oshawa Power explained the four cost increases associated with this project from the initial budget amount of \$1.8M from the 2021 settlement proposal.¹²² First, the initial budgeted amount was an estimate that was revised by \$325,000 following more detailed project scope planning before an RFP was issued. Second, the final bid was more expensive than anticipated by an additional \$105,750. Third, there were change orders amounting to \$427,303 resulting from scope increases including a battery and charger, hardware for SCADA, new LV control wire / conduit, additional copper cables, duct banks, riser poles, and foundation removal.¹²³ Finally, the pole calculations had to be remodelled in order to accommodate upgraded egress cables to prepare for future demand growth, as well as replace riser poles as per industry best practice.
183. VECC suggested that it would have been reasonable to reduce the scope of this critical project to stay within the original budget.
184. Oshawa Power disagrees.
185. For a project at the core of the distribution system such as a municipal switchgear that supplies homes, schools, hospitals, and large industrial customers, it is entirely reasonable to expect technical changes as designs are finalized, equipment is procured, and projects are executed. This is especially true for projects like switchgear replacements with significant overhead and underground components, such as egress cables, where certain conditions can only be fully understood during construction. Should the scope have been reduced, costs to conduct this incremental work at a later date would have been an order of

¹²⁰ Exhibit 2 IRR, 2-CCC/AMPCO/Staff-61

¹²¹ CCC Submission at p. 10

¹²² Exhibit 2 IRR, 2-CCC/VECC-47b.

¹²³ Exhibit 2 IRR, Attachment 2-3.

magnitude more costly due to the duplication of efforts to remobilize, disconnect the station, and conduct the civil portion of this component of the project.

186. The proposed permanent disallowances for MS2 should be rejected. Oshawa Power was prudent in its management of the project and should not be penalized for a sound procurement strategy, necessary technical refinement, and continuous improvement in how it manages critical infrastructure.

B.1.3 The 2025 In-Service Additions Identified Will Be In-Service by the End of 2025

187. CCC submitted that the OEB should reduce the 2026 opening rate base by \$0.87M (5% of the 2025 forecast), on the basis that assets forecast to be in-service in 2025 will not actually be placed in service that year.
188. Oshawa Power disagrees.
189. CCC misunderstood Oshawa Power's methodology for bringing assets into service and adding them to rate base. Their analysis assumes that, for programs such as the pole replacement program, reactive replacement program, porcelain switch and insulator replacement program, and revenue metering program, each individual asset is added to rate base as it is installed.
190. This is incorrect. For programs targeting individual asset replacements periodically throughout the year, Oshawa Power adds the entire program accomplishments to rate base at year-end, rather than on an asset-by-asset basis during the year. Expenditures are incurred and work is completed throughout the year, and customers benefit from those assets before the year-end date they are added to rate base.

B.1.4 2025 Pole Replacement Levels Are Necessary and Should Be Maintained

191. OEB Staff submitted that the 2025 pole replacement budget should be reduced by \$100k so that in-service additions align with the 2021–2024 average annual spend of approximately \$400k, on the basis that 2025 targets more poles than other years. OEB Staff also submitted that Oshawa Power should reprioritize some 2025 pole replacements to reduce 2026 rate impacts, pointing to the number of poles in poor/very poor condition and to improved reliability trends.
192. Oshawa Power disagrees.
193. First, the 2025 budget was increased to address poles that required attention in 2024 but were not actioned due to reduced spending in that year. Those deferred poles were carried into the 2025 plan. If they are not targeted in 2025, the underlying need does not disappear. In fact, these end-of-life poles have already been replaced and expenditures have been incurred.

194. Second, using improved reliability trends as the basis for deferring pole replacements misunderstands the primary risk driver which is safety. Pole failures rarely appear first as reliability events. Poles can suffer structural failure while still being held upright by highly tensioned conductors, meaning there may be no immediate outage even as a pole is leaning or compromised in residential areas or near schools. In those situations, the dominant concern is public safety, not momentary reliability statistics. It is not prudent to treat such assets as suitable for a reactive replacement approach.
195. It is also important to reiterate that focusing only on “condition” (poor/very poor) ignores half of the risk equation, which was an explicit improvement directed by OEB for inclusion in Oshawa Power’s planning process.¹²⁴ Risk is a function of both condition and impact. OEB Staff’s myopic focus on condition alone misrepresents the recommendations by METSCO, the industry expert that prepared Oshawa Power’s ACA.
196. In addition, the ACA represents a snapshot of asset condition at a specific point in time. Assets not yet classified as poor or very poor can deteriorate into those categories within the planning horizon, especially those in “Fair” condition. Under Oshawa Power’s ACA framework, “Fair” assets are those with “widespread significant deterioration or serious deterioration of specific components.¹²⁵” Ignoring these assets, and the high-impact consequences of their failure, underestimates the real safety and system risks faced by customers.

B.1.5 Changes to 2025 In-Service Amounts - Customer Information System (CIS) Software and Enhancement In-Service Amounts

197. AMPCO questioned why the update to Appendix 2-AA filed with interrogatories reflected a decrease CIS software and enhancements.
198. SEC noted that they have not heard sufficient explanation of the apparent overrun of the CIS project from \$1.4M to \$2.3M. VECC requested an explanation of why the CIS cost increased, suggesting that it might have major implications for rate base as well as the calculation of appropriate tax in rates given the tax shield CRA provides for computer-related investments.
199. The update of Appendix 2-AA was filed on July 30, 2025 reflecting June 30 actuals and forecast amounts to December 2025. This showed an increase, not a decrease,¹²⁶ to the CIS project from the original forecast in-service amount of \$1.4M to \$1.5M. At the time, Oshawa Power noted that changes to total in-service amounts for 2025 and 2026 were

¹²⁴ EB-2020-0048 Oshawa PUC Networks Inc. Decision and Rate Order, p. 4.

¹²⁵ Exhibit 2, Attachment 2-1, Distribution System Plan, Appendix C, Asset Condition Assessment and Options Analysis Report, Table 3-1, p. 28.

¹²⁶ A formula error in the June 2025 version of 2-AA was highlighted at the start of the oral hearing. Oshawa Power explained that the version of 2-AA filed with interrogatories didn’t sum updated 2025 in-service amounts. The September 2025 version of 2-AA includes this correction.

immaterial,¹²⁷ and no updates to in-service amounts or associated updates to depreciation amounts were proposed.

200. There were two main factors leading to the cost increase.
201. First, the CIS was originally scheduled to go ‘live’ in August, however in July, during the mock-go-live testing, significant data quality issues were discovered in some of the end-to-end testing and parallel operation of the CIS system. In early August, it became apparent that these data issues were so numerous that they required Oshawa Power to move the go-live date from August to October and invest significant resources for data cleanup and testing, which resulted in the increase in budget reflected in the update to 2-AA on November 4, 2025.
202. While the original budget for this project set aside funds for data clean-up, the magnitude of the issues could not have been foreseen at the start of the project, or in July 2025 when the interrogatories were filed and testing of the new system began. Although the magnitude of the increase in cost related to data clean-up was much larger than expected, this type of discovery and clean-up work is not unusual when dealing with upgrading antiquated IT systems to deliver improved accuracy and service to customers. This was an overall beneficial clean-up effort as many issues with customer data and billing were corrected that were previously unknown. In this way, Oshawa Power was able to mitigate future data and billing issues.
203. Second, Oshawa Power identified opportunities for automation that benefit both Oshawa Power and its customers through business operations efficiencies. Interfaces between the CIS and financial institutions and collection agencies were developed to enable pre-authorized payments, electronic payments, NSF¹²⁸ and write-offs to be automatically pulled and loaded into the CIS, previously a manual process – saving time while also improving efficiency and accuracy. Digital cheque processing was also added to eliminate manual bank runs.
204. Oshawa Power does not expect that because of the increase in spending on the CIS project there would be any tax-related benefits, given Oshawa Power has no PILs amounts.
205. To sum up, while Oshawa Power submits that the capital expenditure of \$2.3M was prudent, it is not requesting any change to its proposed opening rate base and depreciation amounts from the original Application. This means that the in-service amount of this project, and associated depreciation, reflects the original budget of \$1.4M.

B.1.6 Changes to 2025 In-Service Amounts - Other

¹²⁷ Exhibit 2 IRR, 2-Staff/CCC/CCMBC/AMPCO-35a.

¹²⁸ Insufficient funds.

206. OEB Staff submitted that 2026 opening rate base should be reduced by \$1.2M on the basis that cost overruns have shifted toward General Plant, which they characterize as non “distribution system” investments, and away from System Renewal, System Service, and System Access. They further state that because the increase in General Plant is unexplained, the full \$1.2M should be removed from 2026 opening rate base.
207. CCC noted that the Smart Grid program in-service additions reported to end of June 2025 were higher than those in the September 2025 update. AMPCO shares CCC’s concerns with 2-AA accuracy and highlights additional areas for explanation, specifically IT General and Office IT & Equipment Upgrades.
208. Oshawa Power has addressed each of the specific items below.
209. The DSP included 2025 general plant expenditures above the initial budget that reflected mandatory SCADA licensing costs and investment in automation technology and labour. The CIS project was changed from simply transitioning existing software from hosted to on-premise, as initially planned, to a system with enhanced benefits including facilitating greater automation, improving business processes, and integration with other systems.¹²⁹ This increase is not unexplained, contrary to the assertion by OEB Staff.
210. First, the suggestion that there has been a simple “shift away from the distribution system” is a mischaracterization. Oshawa Power notes that there were material increases to System Access, customer driven utility obligations as well, where the September 2025 updated forecast is higher than the June 2025 forecast.
211. Reductions in System Renewal and System Service are not solely the result of deliberate deferrals to stay within budget. They also reflect efficiencies realized through improved design optimization in targeted infrastructure replacement while still achieving the same or better outcomes.¹³⁰
212. Reallocating available funds within the approved capital envelope, so that the total budget is respected while the objectives of the annual plan are still met, does not justify reducing rate base for expenditures that have already been prudently incurred because a greater share of that spend falls under General Plant.
213. Second, Oshawa Power notes that updates to 2-AA throughout the proceeding reflect the recategorization of costs based on program scope. This recategorization was intentional and the result of prudent decision making. Specifically:

Smart Grid: The July 2025 update of 2-AA included \$ 129,157 in 2024 projects that were incremental to the 2025 bridge year forecast of \$240,000 for this program. In the November 2025 update, one of those two 2024 projects, Transformer Monitoring & Telemetry

¹²⁹ Exhibit 2, Attachment 2-1, Distribution System Plan, Section 5.4.1.1 Capital Expenditure Performance.

¹³⁰ Overhead rebuild program line item in Sept 2025 updated Appendix 2-AA vs June 2025 Appendix 2-AA.

(\$98,538) was recategorized to the Municipal Substation Transformer Monitoring and Telemetry program.¹³¹ The other 2024 expense (\$30,619) was for a 44KV overhead line that remains in the Smart Grid program, bringing the total forecast 2025 in-service amount to approximately \$270,620.

IT General and Office IT & Equipment Upgrades: The November 2025 update to 2-AA reflected increases across both categories. These increases related to new costs to remediate issues identified in cybersecurity audit penetration tests, increased laptop replacements resulting from Microsoft ending its support of Windows 10,¹³² and several projects completed in 2024 that went into service in 2025, including a UPS upgrade. These increases were partially offset by Oshawa Power not moving forward with the Mobile Workforce Management Software program.

214. Third, Oshawa Power has also stated that it has not revised its original 2025 in-service additions forecast of \$17.4M from the April 2025 version of 2-AA to reflect the updated projected in-service amount of \$17.76M.
215. This is a \$0.36M reduction in opening rate base relative to the updated forecast – is in addition to the \$100,000 reduction in opening rate base associated with fleet identified above.
216. In addition, Oshawa Power is not requesting higher depreciation amounts associated with increased spending on computer software, which has a lower useful life and higher annual depreciation. Instead, the requested depreciation amount reflects the original version of 2-AA filed in April 2025.

B.2 Asset Retirement Obligation (ARO)

217. OEB staff recommended reducing the proposed annual depreciation expense of \$65,325 to \$39,195¹³³ for the Asset Retirement Obligation related the demolition work at 100 Simcoe St. S planned for 2028.

¹³¹ In the April and July versions for 2-AA, the forecast for the Municipal Substation Transformer Monitoring and Telemetry program was \$237K, which included carryover from 2024 and expected 2025 telemetry work. In November 2025, the total forecast in-service for in 2025 was reduced to \$98,537.55 reflecting the 2024 Transformer Monitoring & Telemetry project only, because the telemetry budget for 2025 (of approximately \$140K) was not incurred. This was because it was considered more prudent to continue oil sampling via an enhanced dashboard instead of installing a constant monitoring device as Oshawa Power's stations are all in close vicinity and not in rural areas. This efficiency allowed Oshawa Power to not utilize its 2025 budget and reallocate it to other prudent investments.

¹³² More laptops than anticipated were not compatible with the Windows upgrade.

¹³³ OEB Staff Submission at p. 15. Calculated as \$65,325 x 3/5 year rate term.

218. While OEB staff noted that this obligation should have been disclosed in the 2021 cost of service Application, they also acknowledged that Oshawa Power is not requesting retroactive recovery for the 2022-2025 years, nor any accretion expenses.
219. Oshawa Power agrees with the proposed depreciation expense reduction.

III. OM&A

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

220. Oshawa Power’s 2026 OM&A budget reflects a reasonable level of operational risk that management believes best meets customer demands and maintains expected service levels while allowing the utility to earn a fair return to ensure financial viability.
221. OEB staff, PP, CCMBC, AMPCO, VECC, SEC and CCC took issue with the magnitude of the increase and proposed reductions ranging from \$2.25M to \$5M:
1. OEB staff argued that 2026 OM&A should be reduced by \$2.25M to \$20.02M
 2. PP argued approving 2026 OM&A in the range of \$18M and \$18.8M would recognise the costs pressures Oshawa Power has faced by providing an increase of approximately 30-35% from 2021 OEB-approved amounts
 3. SEC and CCMBC argued OM&A should be reduced by at least \$4.8M
 4. VECC argued for a reduction in OM&A of \$5M
 5. AMPCO proposed a reduction in OM&A of \$3.5M
 6. CCC submitted that the OM&A budget should be reduced by \$4.2M
222. After reviewing these submissions, Oshawa Power is in agreement with CCC that a \$30,000 decrease to 2026 OM&A to reflect postage & printing costs resulting from higher e-billing rates as a result of the 2025 Canada Post strike, which had not been contemplated in the original evidence, is appropriate. With the sole exception of the foregoing, Oshawa Power disagrees with the Parties with regards to its proposed OM&A spending.
223. It is noteworthy that none of the Parties acknowledge that while Oshawa Power has gradually increased its OM&A expense over time, its actual achieved ROE fell more than 300 basis points less than deemed in 2024 (4.68%)¹³⁴ and, absent any anomalous adjustments, Oshawa Power is projecting to be on track for a similar outcome for 2025.
224. This demonstrates the necessity of the underlying cost increases. As explained by Oshawa Power during the oral hearing “over 90% of the increase in OM&A relates to areas with the highest risks or those deemed essential for future proofing.” This is why the board and management of Oshawa Power approved these budgets, and in so doing knowingly

¹³⁴ Exhibit 1 IRR, 1-VECC-21.

accepted a significantly lower than deemed ROE because of how important the changes were to the overall health and risk profile of the business.

225. In this context, Oshawa Power reviewed all submissions and addresses them below in the following categories:
1. Business Plan and Strategic Plan
 2. Formulaic Approach
 3. Shift from O&M to G&A
 4. Compensation
 5. Resource Optimization Review by Ms. Lise Galli
 6. Appropriate Staffing Levels
 7. Proposed New Roles
 8. 2026 Vacancy Rate
 9. Bad Debt
 10. Other OM&A-Related Reductions

A.1 Oshawa Power's Business Plan and Strategic Plan are Appropriate for an Organization the Size of Oshawa Power

226. Various Parties suggested that Oshawa Power's planning evidence was insufficient, inappropriate, and confusing. They suggested that Oshawa Power is just seeking to increase compensation costs and shareholder profits.
227. Oshawa Power disagrees.
228. Oshawa Power put forward clear and comprehensive Strategic and Business Plans, in accordance with the OEB's filing guidelines. Oshawa Power demonstrated the need for this round of strategic planning, and in so doing Oshawa Power undertook careful planning for its business plan that underpins investment for capital and OM&A. The strategy and business plan are focused on delivering benefits to customers.
229. The OEB's Chapter 2 filing guidelines require distributors to provide their Business Plan, and their Strategic Plan if available, that summarizes their organization's key planning assumptions, material factors that affect operations, and major goals for the test year and remaining five-year term. There is no equivalent requirement to file a Business Transformation Plan.
230. Oshawa Power filed both its Strategic Plan and its Business Plan in Exhibit 1 of its Application. The Strategic Plan outlined context for its strategy, vision, mission and goals, and strategic objectives in alignment with the OEB's RRFE performance outcomes.¹³⁵ The

¹³⁵ Exhibit 1, Attachment 1-2.

Strategic Plan explains that Oshawa Power is at a strategic inflection point requiring investment in people and infrastructure while balancing financial and human resources.¹³⁶

231. The Business Plan outlined goals and success measures for each of its strategic objectives over the next five years, including related to: (i) Customer Service & Engagement;¹³⁷ (ii) Operational Excellence;¹³⁸ (iii) Human Resources;¹³⁹ (iv) Regulatory;¹⁴⁰ (v) Information Technology;¹⁴¹ and (vi) Finance.¹⁴² The Business Plan which underpins the capital and OM&A investments proposed in this Application.
232. None of the Parties identified deficiencies in the Business Plan, such as objectives or goals that were unnecessary or inappropriate.
233. OEB staff suggested that Oshawa Power's planning documents were deficient because no documents were filed that provide cost-benefit analyses of alternatives for organization change. AMPCO suggested that business transformation initiatives should have been curtailed in a more meaningful way to strategically allow for the facility investment.
234. Oshawa Power disagrees for three reasons.
235. First, the OEB's filing requirements for Business Plans do not require that business plans include a cost-benefit analysis on the plan as a whole. Indeed, the OEB's own Business Plan¹⁴³ does not contain a cost-benefit analysis of type contemplated by OEB Staff. Rather, and much like the OEB's, Oshawa Power's Business Plan is a strategic, rather than operational, document that includes a financial performance objective to control costs for reasonable rates based on remaining in Cohort II in the OEB's total cost performance benchmarking through 2030. Maintaining its Cohort II status requires Oshawa Power to ensure cost efficiency in how it executes its Business Plan.
236. Second, Oshawa Power carefully considered the challenges and risks facing the organization and sought to reduce the costs to complete the necessary work, including

¹³⁶ Exhibit 1, Attachment 1-2 at p. 5.

¹³⁷ Enhancing Customer Engagement & Customer Success; Investments to Meet Customer Needs, Exhibit 1, Attachment 1-3, pp. 8-9.

¹³⁸ Strategically Manage Assets, Exhibit 1, Attachment 1-3, p. 10.

¹³⁹ Transforming Company Culture, Exhibit 1, Attachment 1-3, p. 11.

¹⁴⁰ Planning & Modernization to Keep Pace with the Sector; Controlling Costs for Reasonable Rates, Exhibit 1, Attachment 1-3, p. 12 & p. 14.

¹⁴¹ Keeping Up with Technology Transformation & Data, Exhibit 1, Attachment 1-3, p. 13.

¹⁴² Controlling Costs for Reasonable Rates; Optimizing Financial Capacity for Performance & Growth, Exhibit 1, Attachment 1-3, pp. 14-15.

¹⁴³ <https://www.oeb.ca/sites/default/files/OEB-2025-2028-business-plan-EN.pdf>

identifying efficiencies such as outsourcing and strategic contracting, asset management and maintenance, and staffing optimization.¹⁴⁴

237. Third, Oshawa Power put its distribution system plan and OM&A costs to its customers, including an estimate for the facility costs, in its September 2024 customer engagement survey.¹⁴⁵ Oshawa Power's customer engagement survey provided an order of magnitude assessment of the bill impact of the new facility and then provided a summary of bill impacts.¹⁴⁶ In response to the survey, 78% of respondents they believe Oshawa Power is a financial responsible business of customers, and 88% of respondents said Oshawa Power was appropriately planning for the future.¹⁴⁷ Oshawa Power submits that it conducted sufficient due diligence to ensure its Business Plan, and resulting costs to customers are appropriate.
238. Oshawa Power's Business Plan, and the resulting OM&A and capital proposals in this Application, are focused on delivering value to customers. For example:
239. Customer Service & Engagement: executing customer service enhancements, including investing in staff and the call centre,¹⁴⁸ to support customers in-person and on the phone – in alignment with the findings of customer engagement¹⁴⁹
240. Operational Excellence: implement the strategic asset management plan and 2026-2030 DSP¹⁵⁰ to maintain a high level of safety and reliability and meet demand from new and existing customers
241. Human Resources: strengthen Oshawa Power's workforce to drive operational effectiveness and better meet customer needs by having staff with the right skills and reducing turnover,¹⁵¹ outsourcing functions to enhance efficiency and service quality
242. Regulatory: ensure Oshawa Power continues to be in compliance with OEB rules and codes, ensure customers have access to programs to help them with their bills,¹⁵² and monitor and act on results from the OEB's cost benchmarks¹⁵³

¹⁴⁴ Exhibit 4 IRR, 4-Staff-114.

¹⁴⁵ Exhibit 1, Attachment 1-10 Customer Engagement for the 2026-2030 DSP, p. 18.

¹⁴⁶ Exhibit 1, Attachment 1-10 Customer Engagement for the 2026-2030 DSP, pp. 20-21.

¹⁴⁷ Exhibit 1 at p. 64.

¹⁴⁸ Exhibit 4 at p. 40.

¹⁴⁹ Exhibit 1 at p. 58-66.

¹⁵⁰ Exhibit 2, Attachment 2-1, Appendix H.

¹⁵¹ Exhibit 4 at p. 65, section 4.4.3, Workforce Planning.

¹⁵² Exhibit 2, Attachment 2-1 Distributions System Plan, Appendix A: Non-Wires Business Case; Exhibit 4 at p. 111, Low-income Energy Assistance Program.

¹⁵³ Exhibit 1 at p. 72, section 1.7 Performance Measurement, OEB Scorecard results, targets, total cost benchmarking, APB.

243. Information Technology: execute major IT projects identified in the IT Business Transformation strategy¹⁵⁴ to optimize business processes, automate where possible, and continue improving cybersecurity¹⁵⁵
244. Finance: reducing the growth of bad debt,¹⁵⁶ evolve financing approach to improve cost certainty in rates and implement strategic sourcing through enhanced procurement¹⁵⁷
245. Oshawa Power submits that its Strategy and Business Plan, and as a result, this Application, delivers benefits for its customers.
246. Finally, implementation of Oshawa Power's IT Business Transformation Strategy was one of the goals identified in the Business Plan.¹⁵⁸ The IT Business Transformation Strategy is a strategic, planned effort to modernize obsolete systems and processes and to introduce automation through exhaustive business process analysis and optimization using three major software projects.¹⁵⁹
247. Parties did not comment on the IT Business Transformation Strategy document specifically, nor provide any criticisms of the plan itself. However, SEC noted that because Oshawa Power was referred to as a large organization in the ERP business case, the IT Business Strategy is doomed to result in overspending because it was designed as if Oshawa Power was Alectra or Hydro One.¹⁶⁰ SEC also suggested that Oshawa Power has largely caught up with its IT spend.¹⁶¹
248. SEC's statements are incorrect.
249. The ERP business case specifically states: "As common with most, if not all, medium to large organizations today, Oshawa Power...". There is no reason to assume from this sentence that Oshawa Power has developed an inappropriate IT Business Transformation Strategy for its size.
250. Oshawa Power has also not caught up with IT spend, as evidenced by Oshawa Power proposing an IT Business Transformation Strategy for the 2026-2030 period in the first place. The necessity of continued investment, despite the progress made by the

¹⁵⁴ Exhibit 1, Attachment 1-4.

¹⁵⁵ Exhibit 2, Attachment 2-1, Distribution System Plan: Cybersecurity Upgrades, p. 129; Exhibit 4 at p. 56 Information Technology department, p. 87 Cyber Security Analyst role.

¹⁵⁶ Exhibit 4 at p. 45, 4.3.4 Customer Service Programs, Challenges with Outstanding Customer Debt.

¹⁵⁷ Exhibit 4 at p. 86, section 4.4.4 Addition and Elimination of FTEs from 2021 to 2026, Supply Chain Analyst role; Exhibit 4, Attachment 4-4 Oshawa Power's Purchasing Policy.

¹⁵⁸ Exhibit 1, Attachment 1-3 Business Plan at p. 13.

¹⁵⁹ Exhibit 4, Attachment 1-4; TIP39-42.

¹⁶⁰ SEC Submission at para. 3.4.12.

¹⁶¹ SEC Submission at para. 3.4.13.

organization so far, was highlighted in the oral hearing by Mr. Yackoub.¹⁶² There is nothing speculative, novel, or unusually innovative in the IT Business Transformation Strategy – with most of the capital spend established for routine operation and maintaining a secure environment, addressing the highest risk issues. The IT expenditures are designed to improve operational efficiency with simple, common-sense projects that are both needed and standard across utilities, as highlighted by CCMBC: “Even IT expenditures are not more modernizing than IT expenditures of many other Ontario distributors.”¹⁶³ Therefore, Oshawa Power submits that the IT Business Transformation Strategy provides customers with value by undertaking IT projects that add capacity to an overly lean technology group that was struggling just to update out-of-date software.¹⁶⁴

A.2 A Formulaic Approach to Setting OM&A Should be Rejected Outright

251. Oshawa Power acknowledged in Argument in Chief that the OEB has at times used a formulaic approach in its prior decisions to assess the reasonableness of an applicant’s proposed OM&A budget.
252. However, Oshawa Power highlighted that a formulaic approach is **not appropriate** in this case for a number of factual reasons including the COVID pandemic, higher than normal staff turnover, an expert report justifying an increase to the workforce complement, necessary salary adjustments and material cost increases resulting from COVID-19. Oshawa Power proposed a number of factual adjustments with the formulaic approach and provided rationale for each.¹⁶⁵
253. Despite these concerns, SEC, AMPCO, VECC and CCC each calculated a different reduction to the 2026 OM&A amount using a different formulaic approach. The variations in amounts were as a result of each intervenor rejecting some or all the factual adjustments proposed by Oshawa Power.
254. Oshawa Power disagrees with the intervenor’s proposed formulaic or envelope reductions to the 2026 OM&A for the various factual reasons. The adjustments proposed by Oshawa Power represent the factual challenges the utility faces, and the actions the utility is taking to remediate these issues. Each adjustment is supported with evidence and clear explanations of the mathematical implication.¹⁶⁶
255. But there are more fundamental reasons to reject a formulaic approach in this case.
256. While a formulaic approach to OM&A may have been appropriate in an era of declining load and limited growth, where the core prerogative of rate regulation was driving

¹⁶² T1P39-42.

¹⁶³ CCMBC Submission at p. 2.

¹⁶⁴ T1P42

¹⁶⁵ Argument in Chief at pp. 21-22.

¹⁶⁶ Argument in Chief at p. 21.

efficiencies and doing more with less, it does not follow that the formulaic approach remains appropriate in the modern era characterized by new imperatives such as the energy transition, economic growth, and new housing growth.

257. Rather, this legacy formulaic approach to setting OM&A contradicts the fundamental premise of cost-of-service regulation, where a utility's actual plans and costs are thoroughly examined and tested in an extensive regulatory process. In this context, while it does not agree with OEB Staff's conclusions, Oshawa Power appreciates OEB Staff's more focused, program by program, approach to assessing and opining on Oshawa Power's plans.
258. Finally, it is unclear how a formulaic approach to OM&A is consistent with the OEB's newest statutory objective to regulate the electricity sector in a manner that supports economic growth consistent with the policies of the Government of Ontario. There is nothing in the formula used by any of the Parties that gives any weight to economic growth.
259. It is also unclear how the formulaic approach to OM&A is consistent with the broader public policy objective of promoting electrification and using electricity to reduce overall emissions in Ontario. Again there is nothing in the formula used by any of the Parties that gives any weight to the need to promote electrification and using electricity to reduce overall emissions in Ontario.
260. In this context, adopting a formulaic approach in the context of the dual imperatives of economic growth and electrification would serve to severely underfund Oshawa Power, greatly increasing risk and limit its ability to effectively support economic growth and electrification.
261. For these reasons, Oshawa Power submits that the Commissioners should instead consider the prudence and rationale of the proposed 2026 OM&A budget rather than adopting an overly simplified, outdated and problematic formulaic approach to establishing OM&A.
262. In this context, VECC proposed a novel envelope approach to an OM&A adjustment that was never previously presented to Oshawa Power, has not been tested in cross-examination or put to Oshawa Power's witnesses regarding the reasonableness of its underlying assumptions.¹⁶⁷ For this reason alone the analysis should be rejected by the OEB.
263. However, should the OEB consider the OM&A adjustment proposed by VECC, there are three key assumptions that should result in a rejection of the proposed OM&A adjustment by VECC:
 - (i) applying the formula to COVID years as a starting point is not representative of steady state utility operations;

¹⁶⁷ VECC Submission at paras. 46-47.

(ii) starting with COVID years fails to recognize substantial subsequent labour and materials cost increases; and

(iii) the formula does not include any adjustments relating to the cost to run the business and costs that are outside of management control.¹⁶⁸

264. The OEB commissioned a study by London Economics International LLC dated December 15, 2020 to study the impact of COVID-19 on the Ontario utility sector.¹⁶⁹ LEI explained that:

*“Utilities have seen their expenses and expenditures impacted in various ways as a result of the COVID-19 pandemic. Upside pressure was generally seen across utilities through higher COVID-related operating expenses and at distribution utilities through bad debt expenses, while some utilities saw **temporary downward pressure** through deferrals of operating and capital projects and work re-prioritization, for example.”*

265. It is simply unclear to Oshawa Power what possible rationale there could be to support a formulaic starting point that is so clearly biased, with known temporary downward OM&A pressures.

266. Oshawa Power rejects this approach outright. Oshawa Power is concerned that VECC is willing to place reliability, safety, customer satisfaction, service quality, and jobs at risk in pursuit of short-term OM&A reductions.¹⁷⁰ This is not reflective of good utility practice.

267. For the reasons throughout the Application, interrogatory responses, undertakings, and argument, Oshawa Power submits that the very significant reduction to the OM&A budget proposed in VECC’s envelope adjustment is not prudent, nor is it in the best interests of ratepayers.

A.3 The shift from O&M to G&A Argument from SEC Should Also be Rejected

268. SEC submitted that Oshawa Power prioritized General & Administrative (G&A) spending over Operations & Maintenance (O&M), contributing to significant increases in management and administrative roles.¹⁷¹ SEC based their argument on net new benchmarking information allegedly comparing the proportion of G&A spending to total OM&A for other midsize LDCs.

269. Oshawa Power strongly objects to SEC’s introduction of net new evidence in the submission phase of this proceeding. Counsel for SEC knows better. All they had to do

¹⁶⁸ T1P47L15-19.

¹⁶⁹ https://www.oeb.ca/sites/default/files/LEI_COVID-19_impact_study_20201216.pdf

¹⁷⁰ VECC Submission at paras. 48-50.

¹⁷¹ SEC Submission at para. 4.4.5.

was put these numbers to Oshawa Power's fact witnesses at any time during the written discovery process or the lengthy three (3) day oral hearing.¹⁷² SEC chose not to do so, and as a consequence this portion of SEC's submissions should be rejected and disregarded entirely.

270. In the alternative, Oshawa Power submits that the G&A ratio metric and the "excess GA" reduction calculated using the new untested evidence does not provide any indication of the appropriateness of the LDC's OM&A spending and should be rejected by the commissioners for the three reasons that follow.
271. First, Oshawa Power has not had the opportunity to review and cannot confirm whether the G&A ratios shown for comparator LDCs are accurate, or if such a comparison is even meaningful given that each LDC has its own challenges, allocates its costs differently between categories differently, and operates differently.
272. For example, is the salary of an engineering manager that oversees O&M activity properly allocated in G&A (they are a manager) or O&M (the core of their work is overseeing O&M)? Different utilities will likely record this salary differently, even if the employee is doing the exact same job. And this type of decision happens numerous times as a utility populates its O&M and G&A categories of expenses. Oshawa Power is concerned that SEC's table is more illustrative of the inconsistency in the underlying data presentation assumptions made by various utilities. Unfortunately, it has been given absolutely no chance to produce evidence of these concerns. On this basis alone, Oshawa Power submits the ratios presented by SEC are meaningless.
273. Second, Oshawa Power notes that the G&A ratio in 2021 OEB-approved OM&A was high in 2021 compared to the comparators selected, so the "shift" from 2021 to 2026 that SEC highlights is small. The G&A ratio based on actuals in 2021 was even higher than 2021 OEB approved, based on a shift made to G&A and O&M that year due to Oshawa Power's inability to attract and retain staff that year, instead was 74.3%.¹⁷³ Interestingly, 2021 is the same year that SEC had highlighted that Oshawa Power "produced very good results".¹⁷⁴
274. Third, the LDCs selected in SEC's analysis are the same mid-size comparators that Oshawa Power showed when benchmarking OM&A spending per customer, where Oshawa Power had the lowest spending per customer in 2021 to 2023. Even the 2026 OM&A spend per customer is only 3%¹⁷⁵ higher than the average 2023 OM&A spend of these comparators – ignoring any increases those distributors will experience from 2023 to 2026.

¹⁷² SEC did exactly this in 1-SEC-24 to elicit a comparison of GS>50kW rates. And Oshawa Power responded with the correct facts, including comparisons for residential, GS<50kW and GS>50kW customer classes to provide a more complete factual record for the Commissioners.

¹⁷³ Exhibit 4 IRR, 4-SEC-159; Appendix 2-JC, \$9.88 million in G&A of \$13.3 million of OM&A.

¹⁷⁴ SEC Submission at para. 4.5.2.

¹⁷⁵ Exhibit 1, Table 1-42 & 1-44.

275. In summary, SEC's proposed G&A ratio metric and the “excess GA” reduction calculated using the new, entirely untested, benchmarks do not provide any meaningful indication of the appropriateness of Oshawa Power’s OM&A spending and should be disregarded entirely. Instead, Oshawa Power’s proposed 2026 OM&A spending, including its G&A spend, should be evaluated on the evidence provided in the Application as a means to address the specific risks and challenges facing Oshawa Power as an LDC, not against an arbitrary benchmark.

A.4 Oshawa Power’s Compensation Strategy has been designed to curtail incredibly high turnover, is supported by independent benchmarking. It is appropriate to target P50 compensation level to curtail turnover and increase retention.

276. As noted in the Argument in Chief, Oshawa Power has worked to align its compensation levels for all roles to industry averages to better attract and retain staff. A third-party review of the organization’s management compensation system was completed in 2023 by the Korn Ferry group.

277. In this context, OEB staff argued that executive salaries should be reduced by a minimum of \$350,000 because they have increased 70% from 2021 to 2026, and because average proposed executive salaries “appear to be above” Korn Ferry’s proposed compensation structure. OEB staff further argues that Oshawa Power should reduce its 2026 incentive levels for executives and non-union employees to 2025 levels, estimated to reduce 2026 OM&A by approximately \$200,000.

278. Oshawa Power disagrees, addresses each of these claims below.

A.4.1 Destinations of Departing Employees Are Not Tracked but is Known Through LinkedIn and Other Means

279. OEB staff noted that Oshawa Power did not provide data illustrating how many employees have left for other utilities or other reasons, and that Oshawa Power continues to increase incentive and base pay structures and number of FTEs.

280. Oshawa Power disagrees with OEB staff that it has not provided information on why former employees left.

281. While under cross examination, Ms. Bennett understandably explained during the hearing that she was unsure of the level of detail recorded in individual exit interviews.¹⁷⁶ However, following the hearing, Oshawa Power confirmed that the content of an exit survey is strictly confidential, and departing employees do not always share the name of their next employer during these meetings. As a consequence, Oshawa Power does not keep data related to former employees’ next employment.

¹⁷⁶ T3P65L14-18 (public redacted version).

282. However, Oshawa Power is aware (through LinkedIn and other publicly available information) of several former employees moving outside of the LDC sector, to other LDCs in the GTA, and to Ontario Power Generation - each of which are consistent with the use of the Korn Ferry comparators.

A.4.2 The Korn Ferry Study is the Most Appropriate and Applicable Benchmark for Oshawa Power Compensation

283. Parties referenced the 2023 MEARIE survey as the “correct” benchmark to use for 2026 salaries and incentives. CCC submitted that the 2023 MEARIE survey is a valid source as Oshawa Power “is competing for talent in Ontario’s electricity sector, and the Ontario LDCs are clearly the most relevant comparators to the [utility]. If the other LDCs can attract and retain staff with the compensation structure set out in the 2023 MEARIE Management Survey, then Oshawa Power ought to be able to also”. SEC concluded that Oshawa Power’s management team looked at the MEARIE numbers and decided that they wanted higher compensation than that, so preferred to use the Korn Ferry study.

284. Oshawa Power disagrees.

285. While Oshawa Power acknowledges that the 2023 MEARIE survey provides a good indication of compensation levels at Ontario LDCs who are members of MEARIE, compensation levels vary based on geographic locations and the competitiveness of roles and employers.

286. As Ms. Bennett highlighted in the oral hearing,¹⁷⁷ many MEARIE members are located in rural areas across the Province while the larger utilities in the GTA were excluded. As a consequence, the exact LDCs that Oshawa Power most frequently loses its employees to are not represented in the MEARIE survey. For the most part, the distributors that do participate in the MEARIE survey are not the organizations with whom Oshawa Power competes for staff.

287. The Korn Ferry study, on the other hand, was developed to review the non-union compensation system, including reviewing job descriptions and adjustments of maximum salary rates for the purpose of internal equity and alignment with external benchmarks.¹⁷⁸ This included classifying roles against external benchmarks, and proposing a new compensation structure of salary and incentives based on P50 levels from the external benchmarks to align its compensation with industry averages. Oshawa Power ultimately adopted the proposed compensation structure.

288. The external benchmarks represent a larger dataset of comparator companies across Ontario, and by virtue of this larger dataset of Ontario employers, it includes more realistic

¹⁷⁷ T3P30L28-P31L12 (public redacted version).

¹⁷⁸ Exhibit 4 at p. 89.

comparator organizations that Oshawa Power's staff could work for including many GTA employers.

289. On this basis, Oshawa Power submits that Korn Ferry's external compensation benchmarks, not MEARIE's, better reflect the competitive labour market in the GTA for the non-union roles that Oshawa Power requires to run its organization, including in relation to both base pay and incentive levels.

A.4.3 Oshawa Power's Proposed Base Pay Levels are Appropriate

290. Oshawa Power is of the view that reducing Executive compensation by the level proposed by OEB staff will not allow Oshawa Power to compensate this group at a fair market rate, and risks perpetuating rather than solving for the high turn-over rate that Oshawa Power has been struggling with over the past few years.
291. Highlighting an increase in executive compensation from 2021 to 2026 fails to reflect the clear evidence that Oshawa Power's average executive salaries were demonstrably lower-than-market compensation for overworked executives. The consequence was incredibly high turn-over – at a level that makes it next to impossible to run a company. This is exactly why the Korn Ferry study was undertaken – to align compensation, for executive and other non-union staff, with reasonable external benchmarks to address the turnover and ability to retain staff over the last several years.¹⁷⁹
292. Since the study was undertaken in 2023, Oshawa Power has expanded its executive team and re-built its leadership team with experienced and well-qualified individuals to lead the organization.
293. OEB staff's reference to an average executive salary based on grade 21 is also incorrect. Oshawa Power considers grades 20 to 23 as part of the executive team. With this information, the table below compares the average executive salaries for 2023-2024 actuals, 2025 Bridge and 2026 Test Year to Korn Ferry benchmarks, taking into account inflationary increases since 2023.
294. Oshawa Power confirms that the aggregation and averaging completed to prepare the table below ensures that no confidential information is being disclosed in these submissions.

¹⁷⁹ Exhibit 4 IRR, 4-AMPCO-139.

Table 3 – Comparison of Oshawa Power Executive Salary vs. Korn Ferry¹⁸⁰

Oshawa Power average Salary per FTE

Salary	2023	2024	2025	2026
Executive	161,101	178,594	209,490	215,925

[A]

Korn Ferry - P50 (Ontario)

Salary	2023	2024	2025	2026
Executive	198,871	206,627	213,859	221,131
<i>Deviation (Oshawa vs. KF)</i>	<i>0.8</i>	<i>0.9</i>	<i>1.0</i>	<i>1.0</i>

[B]

[C] = [A] / [B]

295.

296. As shown above, executive team compensation has moved to the P50 range from 2023 to 2025. Oshawa Power’s executive compensation is aligned with the industry averages and it is critical to maintain this level of compensation to minimize staffing risks for the executive team.

297. The utility also notes that five executives allocate time towards affiliates at fully allocated cost, and therefore the utility is not bearing all labour costs associated with these individuals.¹⁸¹

A.4.4 The Proposed Incentive Pay is Appropriate Based on Industry Benchmarking

298. CCC argues, with AMPCO and VECC supporting, that incentive pay for executive, management and non-union employees in 2026 is excessive when compared to incentive levels shown in the 2023 MEARIE Management Survey. CCC provided an analysis based on the averages of the whole utility and submits that Oshawa Power was paying above market median salaries and total cash compensation, based on compensation levels for less senior non-union positions at the time the Korn Ferry Study was completed.

299. Oshawa Power disagrees that it should reduce the 2026 incentives to align with the average incentive level shown in the 2023 MEARIE Management survey.

300. Similar to base pay, Oshawa Power’s incentives align with those shown in Korn Ferry’s proposed compensation structure for roles in grades 20 to 23.

¹⁸⁰ Exhibit 4 Interrogatory Responses, Attachment 4-5, “Executive” represents average salary in Korn Ferry study – Ontario for KF Grades 20 to 23. Current grades at Oshawa Power: CEO (Gr. 23), CFO (Gr. 22) and remaining executives (Gr. 21). Also refer to Interrogatory Attachment 4-5 Korn Ferry Compensation Market Analysis Page 7. Inflation of 3.9%, 3.5% and 3.4% to determine Korn Ferry 2024 to 2026 benchmarks respectively.

¹⁸¹ As per Oshawa Power’s cost allocation model, filed October 10, 2025: the 2026 OM&A test year include the CEO spending 45% of time on affiliates, the CFO – 47%, with the other three executives – 20-55%.

301. As OEB staff note, non-union employees reflect grades 14 to 17 which have different incentive levels and cause the average incentive level for this group to be above 10% in 2026.
302. If Oshawa Power were to reduce its 2026 incentive levels to reflect either the 2023 MEARIE Management Survey, or 2025 incentive levels as proposed by OEB staff, it would once again find itself well below P50 averages in 2026 and going forward.
303. This is not sustainable. Well qualified candidates in the market expect a compensation package commensurate with equivalent and proximate employers, especially in leadership and senior roles. Oshawa Power aims to continue attracting qualified individuals to serve the organization and its customers.

A.5 Resource Optimization Review by Ms. Lise Galli

A.5.1 Recommendations from Ms. Galli's Report

304. SEC asserts it is an undisputed “fact” that the resource optimization study had an “outsized influence” over the increases in FTEs implemented and proposed by Oshawa Power.¹⁸²
305. This assertion relies on a selective reading of the evidence and mischaracterizes the record as a whole. It is incorrect.
306. As highlighted in the Argument-in-Chief, Oshawa Power did not adopt all of Ms. Galli's recommendations for new staff. Instead, each recommendation was reviewed by Management who decided what new roles they moved forward with – either immediately or in the 2026 test year.¹⁸³ For example, Ms. Galli recommended hiring 14 PLT apprentices from 2025 to 2030. In its management response to this recommendation, this level of hiring was not feasible for Oshawa Power. Also, the organization has had the opportunity to hire fully qualified PLTs, and therefore proposed a more modest PLT apprentice program. Similarly for Professional & Management staff, 10 roles were recommended. However, Oshawa Power decided not to move forward with two roles – a learning and development/change management specialist, and a senior IT analyst – based on evaluating staffing needs. These recommendations are being retained for future consideration.

A.5.2 Expert Credentials of Ms. Galli

307. In keeping with an advocacy style that has been designed throughout to provoke rather than inform the OEB commissioners, SEC makes perhaps the most shocking allegation that Ms. Galli has been untruthful to the OEB.¹⁸⁴

¹⁸² SEC Submission at para. 4.2.1.

¹⁸³ Exhibit 4 at pp. 71-73.

¹⁸⁴ SEC Submission at p. 37.

308. Rather, it was SEC that lay in the weeds and sprung a compendium with new exhibits at 11:15am on October 29th, which was subsequently marked as an exhibit at around 4pm on the same date - certainly with less than 24 hours notice in contravention of Rule 14.01 of the OEB *Rules of Practice and Procedure*. As a consequence, Ms. Galli had no meaningful opportunity to review the materials included in SEC's compendium, or refresh her memory of a very old OEB decision.
309. Despite advising on October 23, 2025 that it intended to challenge Ms. Galli's expertise, SEC withheld the key exhibit it intended to be used in cross-examination until mid way through the oral hearing, and with less than 24 hours prior. This type of practice should be condemned by the OEB as inappropriate and irresponsible. When the transcript is properly represented, clearly Ms. Galli did not have enough time to prepare, and this line of questioning must be struck from the record:¹⁸⁵
- L. GALLI: Mr. Shepherd, I have not reviewed this information in several years, so I would have to review the information to confirm that.
310. Oshawa Power fails to see how SEC made the incredulous logical jump from its line of questioning that Ms. Galli was being deceptive. For example, SEC did not ask the key question of what "success" meant to Ms. Galli, or to Horizon Utilities, in this context.
311. Instead, SEC has simply assumed what success meant in this context. It may well be that the OEB's envelope approval, which did not attack or disallow any specific component of Horizon's workforce plan, would be viewed as a success by the author of that plan. But we will never know, as SEC never posed this critical question to the witness.
312. VECC and SEC also challenged the expertise of Ms. Galli. SEC asserts there are two ways an individual can qualify as an expert witness: (i) academic credentials; or (ii) real world experience. Respectfully, SEC misstates the legal framework established by the OEB for the acceptance of opinion evidence.
313. The same OEB panel that is hearing Oshawa Power's Application considered the issue of witness expertise in Decision and Order EB-2024-0331. The OEB accepted opinion evidence from both independent expert witnesses and "fact witnesses" who gave evidence on matters within their specialized expertise (but were not proffered as expert witnesses). It was the knowledge and experience of those witnesses that assisted the OEB in understanding the issues to be decided in that proceeding.¹⁸⁶
314. After a 30-year career exclusively in human resources,¹⁸⁷ Ms. Galli clearly has the knowledge and experience to assist the OEB in the areas of organizational structure and workforce planning. When asserting that Ms. Galli has insufficient experience with

¹⁸⁵ Particularly T3P150L3 to T3P152L15 (Public Redacted Version).

¹⁸⁶ Decision and Order EB-2024-0331, March 6, 2025, pg. 10.

¹⁸⁷ Exhibit 4, Attachment 4-1, Appendix A;T3P135L22.

workforce planning in the electricity distribution sector,¹⁸⁸ SEC and VECC clearly ignored and did not challenge Ms. Galli on how:

315. workforce planning and organizational structure reviews follow a consistent set of evidence-based steps regardless of industry;¹⁸⁹
316. experience in workforce planning and organizational structure in other industries adds to the depth of Ms. Galli's analysis and is directly relevant to the electricity distribution sector;¹⁹⁰
317. select projects in healthcare, industrial, and the electricity distribution sectors discussed during her qualification as an expert witness were directly relevant to the analysis she performed for Oshawa Power;¹⁹¹
318. Ms. Galli was chosen by Conestoga College to teach the Human Resource Management program;¹⁹²
319. Ms. Galli was chosen by Mohawk College as the chair of human resources programming;¹⁹³ and
320. it was reconfirmed under oath that Ms. Galli would provide opinion evidence that is fair, objective, and non-partisan and would only be in relation to matters within her areas of expertise.¹⁹⁴
321. SEC and VECC wrongly attempt to minimize and discredit Ms. Galli's substantial and well-established professional accomplishments.
322. For example, SEC sought to denigrate Ms. Galli's attendance at the University of Phoenix as not one "to work with leaders in that field" of workforce planning.¹⁹⁵
323. Oshawa Power submits that questions about Ms. Galli's expertise should be rejected by the OEB. As the OEB panel held in Decision and Order EB-2024-0331, the OEB should similarly find little value in determining to what extent the evidence of Ms. Galli turns necessarily on a question of expertise given the knowledge and experience demonstrated by Ms. Galli.

¹⁸⁸ VECC Submission at para 42.

¹⁸⁹ T3P136L11-22 (Public Redacted Version).

¹⁹⁰ T3P136L23-28 (Public Redacted Version).

¹⁹¹ T3P137L11 to T3P140L20 (Public Redacted Version).

¹⁹² T3P141L4-15 (Public Redacted Version).

¹⁹³ T3P141L16-23 (Public Redacted Version).

¹⁹⁴ T3P142L2-15.

¹⁹⁵ SEC Submission at para. 4.2.5.

A.5.3 Weight of Ms. Galli's Expert Report

324. SEC submits that Ms. Galli's expert report should be rejected by the OEB as it is not based on personal knowledge nor on expert opinion.¹⁹⁶ SEC mischaracterizes the expert report as a "wish list" Ms. Galli compiled from utilities executives and converted into an expert report.¹⁹⁷

325. Again, these provocative comments by SEC should be not accepted by the OEB. Indeed, SEC's submissions are misleading and directly contrary to what Ms. Galli stated at the hearing.¹⁹⁸

L. GALLI: Attachment 4-8 outlines the scope document that was provided by Marjorie Richards & Associates. Included in that was the high-level methodology utilized, and that included sitting with each of the executives to understand their functional areas and some of their challenges.

This was not an exchange of, hey, tell me what you need. I took the strategic planning document. I developed a questionnaire. I sat with those executives. And I asked them several questions trying to understand some of their challenges, bottlenecks, what they anticipate they might need in the future.

So it was a very -- you know, it was a very different conversation focused on challenges, opportunities, what some of the requirements might be, some of those headaches, and – [Emphasis added]

326. The reasons provided by SEC are not sufficient to support the conclusion that Ms. Galli's report should be rejected for the following three reasons.

327. First, SEC (and VECC) had the opportunity to request the survey completed by Ms. Galli either during the written discovery process or as an undertaking, but chose not to do so.

328. Second, SEC (and VECC) did not appear to consider, or potentially even understand, the methodology used by human resource professionals to perform organizational reviews and workforce planning.¹⁹⁹ Ms. Galli did not admit that the study was not an apples-to-apples comparison, as misleadingly alleged by SEC.²⁰⁰ Rather it was only acknowledged by Ms. Galli that the customer-to-FTE ratio used in the expert report does not correct for

¹⁹⁶ SEC Submission at paras 4.2.16 & 4.2.20.

¹⁹⁷ SEC Submission at para 4.2.18.

¹⁹⁸ T3P156L21 to T3P157L9.

¹⁹⁹ T3P143L4 to T3P147L22; T3P156L21 to T3P157L9.

²⁰⁰ SEC Submission at para 4.2.17.

outsourced activities. This ratio was not the sole indicator used by Ms. Galli but directionally aligned with the findings of her expert report.²⁰¹

329. Third, SEC appears to expect Ms. Galli to be able to walk into Oshawa Power, look at the organization chart, and identify gaps and redundancies without any input from management. SEC appears to fundamentally misunderstand the manner in which human resources professionals conduct organizational reviews and workforce planning. Ms. Galli provided an example of how an interview was conducted with the former Chief Financial Officer. Nothing improper was discussed at this meeting.²⁰²
330. VECC similarly submits that the OEB should give the expert report no weight on the basis the expert report is hearsay based on work performed by Electricity Human Resources Canada (EHRC)²⁰³
331. Oshawa Power submits that VECC's arguments on HR strategy are certainly less well informed, and less valuable than ERCH, a reputable industry association,²⁰⁴ and Ms. Galli, a recognized expert in her field.
332. When correctly characterizing the expert report findings, Ms. Galli stated that the intended purpose of the report was to "match supply to demand".²⁰⁵level than they should be, and in part, a lot of work is being deferred. Capacity is needed at the "doer level" to achieve the objectives set by Oshawa Power.²⁰⁶

A.6 Oshawa Power has Proposed Appropriate Staffing Levels to Best Manage Material Operational Risks

333. OEB staff submitted that Oshawa Power's OM&A budget should be reduced by \$1.2M to support 10 fewer FTEs than proposed in Oshawa Power's Application, based on a lack of cost-benefit analyses supporting Oshawa Power's Strategy and Business Plan and the Resource Optimization's customers per FTE metric not reflecting outsourcing at Oshawa Power or the comparator distributors
334. CCC submitted that Oshawa Power's OM&A budget envelope should be held to 87 FTEs, reflecting 2025 actuals, and that the 16% increase in the manager to staff ratio from 3.2 to 3.8 is not appropriate. SEC agreed with CCC's analysis of personnel numbers, and suggested that Oshawa Power provided insufficient evidence to support the staffing levels

²⁰¹ T3P158L24 to T3P159L20.

²⁰² T3P168L4 to T3P169L4.

²⁰³ VECC Submission at para 42.

²⁰⁴ <https://ehrc.ca/about/#who-we-are>

²⁰⁵ T3P144L8-10.

²⁰⁶ T3P147L11-22.

for each department, highlighting that the Regulatory team of five people would only be comparable to larger utilities, and the IT department of 7.3 FTEs also seemed large.

335. Oshawa Power responds to these arguments below.

A.6.1 Under-Resourced / Overloaded Staff is the Top Organization Risk

336. As highlighted in Oshawa Power's Risk Register²⁰⁷ Under-Resource / Overloaded Staff is the top risk for the organization, leading to an inability to perform critical or auxiliary business functions, or achieve strategic goals due to lack of worker capacity. This can be due to lack of retention, labour disruption, shortage, high turnover, etc.

337. This risk was identified in response to the high turnover rates in 2021 to 2024,²⁰⁸ during which time Oshawa Power struggled to attract and retain talent. While the gaps in skills and capacity were managed through the use of overtime and outsourcing,²⁰⁹ this led to employee burnout, which was cited by staff during exit interviews.²¹⁰

338. This turnover led to the loss of organizational knowledge, including related to the last cost of service application filed by the company.²¹¹ One remarkable consequence of this high level of turnover is that this Application was prepared by an Oshawa Power staff team with no experience from the previous rebasing application, and all six witnesses were first time witnesses before the OEB.²¹²

339. To reduce risk related to staffing turnover, Oshawa Power identified a need to transform the company's culture, including improving the employee experience and strengthening the workforce capacity by outsourcing functions, strengthening talent acquisition and conducting a Resource Optimization Review to support determination of appropriate staffing levels.²¹³

A.6.2 Oshawa Power's Proposed Organizational Structure is Appropriate

340. SEC makes an unsubstantiated claim that the Regulatory team and IT teams are "too large" for an LDC of Oshawa Power's size, but cites no evidence to support this assertion.

341. As discussed in the hearing, Oshawa Power's five member Regulatory & Commercial Affairs team includes a Senior Contract Advisor, a Manager of Sustainability & Strategic Partnerships, as well as three staff focused on regulatory applications and accounting,

²⁰⁷ OPUCN Risk Register, filed October 10, 2025.

²⁰⁸ Exhibit 4 IRR, 4-AMPCO-139

²⁰⁹ Exhibit 4 at p. 64.

²¹⁰ Exhibit 4 at p. 64.

²¹¹ T1P38L6-9.

²¹² Transcript Vol. 1 at page 38, lines 7-9.

²¹³ Exhibit 1 at p. 11, Business Plan.

including annual and monthly reporting, IESO settlements and various other analysis.²¹⁴ Following and participating in the many ongoing regulatory and policy consultations is an additional area that the team does if they have time.

342. Oshawa Power’s IT department includes a project management office with two project managers in addition to more traditional IT roles including a Manager of IT, IT Specialists, and Integration and Automation Architect and Senior Network Engineer. As discussed in Oshawa Power’s Application, two more full time roles are planned for 2026 – a cyber security and business analyst.
343. How do the structures, functions, and outsourcing strategies of these two departments at Oshawa Power compare to other LDCs?
344. A detailed, function-by-function comparison of in-sourcing vs. outsourcing for other LDCs was outside the scope of the Resource Optimization review or development of the internal HR strategy, and would have not been a good use of resources – instead, the purpose of the Application itself is to provide details on what the organization requires to serve its customers, including for in-house labour.
345. A strong foundation and well-planned organizational structure are keys to running a functional business. This is what Oshawa Power provided in its Application, explaining what roles were needed to continue to meet customer needs and meet regulatory requirements, supported by Ms. Galli’s Resource Optimization Review.
346. Submissions on new roles are addressed in the next section.

A.7 Oshawa Power’s Proposed New Roles are Appropriate

347. OEB staff and CCC criticized the new roles, with CCC claiming some new roles are “nice to have” and not “need to have” because the functions are currently covered by existing staff.
348. Oshawa Power disagrees.
349. These new roles are required to manage risks identified in its risk register including staffing risks, cyber security, and other pressures that the utility faces.
350. For example, current staff are not sufficient to properly manage organizational risks, such as increasing demand for protection and control of devices required due to smart grid technology expansion, or increasing demand resulting from a rapidly evolving policy environment, highlighted by the OEB’s more than 30 active policy initiatives and

²¹⁴ T3P75-76.

consultations, with new work anticipated flowing from the Ministry of Energy and Electrification's December 19, 2024 letter of Direction.²¹⁵

351. Accordingly, Oshawa Power has put forth evidence on the record of this proceeding explaining the need for each role and inherent risk in the current lean staffing arrangement.
352. The new roles are mitigation of (i) service quality deteriorating if employees are overworked as the utility has learned in the past from exit interviews, (ii) succession planning and (iii) managing new risks and requirements from the industry such as cyber security and procurement.
353. Oshawa Power addresses each of OEB staff's and CCC's concerns about specific roles below.

A.7.1 Power Line Technicians and Power Maintenance Electricians

354. OEB staff submitted that rationale for four FTEs (one fully-qualified PLT, one PLT apprentice, and two PME apprentices) was insufficient, and that the 20% increase in the distribution system plan capital budget, including General Plant work, is not clearly linked to work performed by these incremental staff.
355. Oshawa Power disagrees.
356. Oshawa Power's distribution system plan includes a modest increase in its capital work²¹⁶ which will require the additional qualified PLT to support the current PLT team.
357. Except for the one fully-qualified PLT role, the roles identified by OEB staff are lower-cost apprentice roles that are established both to support the current trades and technical workforce, as well as to ensure a sufficient pipeline of qualified PLTs and PMEs in the future, both for Oshawa Power and the Ontario energy sector as a whole.
358. This is because it is incredibly difficult to attract and retain fully-qualified PLTs. Rather, Oshawa Power has taken a longer-term approach to training up PLTs gradually over time, consistent with the recommendations in the Resource Optimization Review, with rationale based on analysis of Oshawa Power's trades and technical workforce.

A.7.2 Distribution and IT Students

359. OEB staff submitted that rationale for the distribution and IT students was insufficient, and that they should be omitted. Oshawa Power does not agree. These student roles are very low-cost and provide short-term support to the distribution and IT teams while supporting partnerships with higher education institutions to address electricity sector skill gaps, in

²¹⁵ Exhibit 4 IRR, 4-CCMBC-111.

²¹⁶ Exhibit 4 IRR, 4- Staff/SEC/CCMBC-148.

alignment with the strategic objective of transforming company culture in the Business Plan.

A.7.3 Director Meter-to-Cash

360. OEB Staff suggested that “it is not clear from Oshawa Power’s evidence what the level of correlation is between its investments in collection activities and its bad debt expense” and suggests lowering OM&A by one FTE.
361. Oshawa Power disagrees.
362. Oshawa Power established this role to improve customer service while also addressing the growth of bad debt. While the improvements to customer service outlined in the interrogatories²¹⁷ have been implemented, the Director of Meter-to-Cash is needed to maintain focus on reducing bad debt growth. Oshawa Power submits that the efforts demonstrated by the Director, Meter-to-Cash should not be undermined, especially since this is an “on-the-ground” role with direct interactions with customers and the efforts clearly yielded results.

A.7.4 GIS Analyst

363. CCC suggested the GIS Analyst position is a “nice to have” and not a “need to have”.
364. Oshawa Power disagrees.
365. This role was recommended by in the Resource Optimization Review and is necessary because the function of maintaining and managing GIS data is currently managed by the Manager of Meter and Operational data with support from engineering interns.
366. Unfortunately, the status quo is simply not sustainable. The Manager of Meter and Operational data leads the Meter Reading program and completes GIS analysis on the side. The engineering interns are responsible for alleviating demand on the Technical Services team so they can focus on system planning, design, and construction, and will be relied upon more significantly given the increase in System Access spending in 2026.
367. Rather, a dedicated GIS resource is needed to focus on maintaining and managing GIS data, including creating reports, and analysis to support the growing need for data-driven decision-making.²¹⁸

A.7.5 Administrative & General Roles

368. VECC, SEC and CCC and highlighted increases in Administrative & General roles in 2026 compared to Operations & Maintenance roles. OEB staff submitted, based on the increase

²¹⁷ Exhibit 4 IRR, 4-Staff-150c.

²¹⁸ Exhibit 3 at p. 14.

in the number of administrative and general staff added since 2021, that Oshawa Power's OM&A budget should be reduced by four FTEs, equivalent to the number of administrative and general FTEs added since 2024.

369. Oshawa Power disagrees.
370. Administrative & General leadership and support functions are critical to Oshawa Power's success and form the backbone for day-to-day operations. Under investing in this important element of the business will undermine Oshawa Power's to meet its performance targets and objectives.
371. In this context, CCC identified concerns with specific administrative roles. Oshawa Power address each of the roles highlighted by CCC below.

A.7.6 Project Manager (2024)

372. CCC suggested the Project Manager hired in 2024 is a "nice to have" and not a "need to have".
373. Oshawa Power disagrees.
374. This role was hired in late 2024 as the second in-house project manager to support the new Project Manager Office to maintain up-to-date visibility into milestones and freeing up other staff to perform their day-to-day tasks. This work is mostly capitalized as part of projects. The second project manager is already engaged supporting large projects.²¹⁹

A.7.7 Manager of Governance (2026)

375. CCC stated that the Manager of Governance role is a "nice to have" and not a "need to have" given the size of Oshawa Power, because the IT office already handles this work, and because the organization already has seven executives who should be managing this function between them. AMPCO stated that it generally agreed with CCC's analysis.
376. As Ms. Tang explained during the oral hearing, the Manager of Governance will be a centralized resource to support cohesive risk-management for the organization.²²⁰ This new resource will strengthen and formalize Oshawa Power's approach to risk management, including support of the development of future business plans, which has been a major focus in this proceeding.
377. Oshawa Power agrees that responsibility of sound corporate governance is the responsibility of all employees and those with oversight responsibilities.

²¹⁹ Exhibit 4 IRR, 4-CCC/Staff-146u.

²²⁰ T3P36L5-12 (Redacted Public); T3P80L14-19 (Redacted Public)

378. However, simply pushing the responsibilities to the executives without a dedicated resource to track, monitor and address risks, and navigate emerging risks, is not a responsible way to manage governance and risk. Oshawa Power understands the importance of risk ownership and is committed to protecting its assets and service performance.

A.7.8 Senior Financial Advisor (2026) and Supply Chain Analyst (2026)

379. CCC suggested that these two positions are “nice to have” and not a “need to have”.

380. Oshawa Power disagrees.

381. The new Senior Financial Advisor role was recommended in the Resource Optimization Review, and will add capacity to the existing Finance team in analytical capabilities, financial planning and analysis, cost management and continuous improvement, to support the strategic objective of optimizing financial capacity for performance and growth in Oshawa Power’s Business Plan. The role will also support the ERP implementation as a functional expert.²²¹

382. The Supply Chain Management Analyst was also recommended in the RoR, and will leverage the new ERP system to incorporate process improvements and modernization of supply chain management. Strategic sourcing is specifically identified in the Business Plan, with success measured through the implementation of enhanced and optimizing procurement processes, including bulk buying.²²²

A.7.9 Cyber Security Analyst (2026), Business Analyst (2026), IT student (2026)

383. CCC suggested that the Business Analyst role is “nice to have” and not a “need to have”, because the IT team currently handles the work for this role – namely, providing needed in-house ownership of business applications and line-of-business systems. CCC noted it also had concerns with the Cyber Security Analyst role.

384. Oshawa Power disagrees. Oshawa Power is increasing its investment in the people, tools and processes necessary for effective cybersecurity controls required as automation and digitization increases, in alignment with its strategic objective of keeping up with technology transformation & data. The Business Analyst role is required to bring expertise internally to support major business systems and integration between them. Oshawa Power does not currently have this expertise. The Cyber Security Analyst role to implement new controls and monitoring required as part of the Ontario Cyber Security Framework released

²²¹ Exhibit 4, IRR 4-CCC/Staff-146c.

²²² Exhibit 1, Attachment 1-3, Oshawa Power 2026-2030 Business Plan, p.15.

in 2023. This role will also recommend changes and updates to manage vulnerabilities and recommend changes or updates to Oshawa Power's cyber security posture.²²³

A.8 The Decision not to Forecast a 2026 Vacancy Rate is Appropriate

385. OEB staff, VECC, AMPCO and CCC submitted that Oshawa Power's zero vacancy rate in the 2026 Test Year was not appropriate. CCC and AMPCO recommended a 9.25% reduction in compensation based on Oshawa Power's historical vacancy rate. OEB staff recommended a 4% reduction of Oshawa Power's compensation budget, aligning with underspending in 2021, resulting in a reduction of approximately \$500,000 in the 2026 OM&A budget.
386. Oshawa Power disagrees with any reduction related to vacancy rates, for the following reasons.
387. As explained by Ms. Bennett during the oral hearing, if the proposed new roles for 2026 are not filled, the utility will incur replacement costs by hiring subcontractors or paying overtime, as the identified work is necessary.²²⁴ To date, in order to execute key functional activities with insufficient staffing resources, Oshawa Power has been using overtime from existing staff and outsourcing to subcontractors to address vacancies.²²⁵
388. In addition to the cost of subcontractors, as cited by Ms. Bennett at the oral hearing, research has found that costs associated with replacing an employee can reach as high as 50-60% of an employee's annual salary.²²⁶ This is in addition to other hidden costs associated with filling vacancies, such as training and learning curves.
389. In response to OEB staff's recommendation to reduce compensation costs in accordance with 2021 underspend, Oshawa Power notes that it has highlighted that 2021 was not a suitable comparison year given significant challenges related to the COVID-19 pandemic. It is not representative of a normal vacancy rate. Oshawa Power is concerned the reduction amount proposed by OEB staff for the COVID related vacancies do not address the realistic costs of hiring in today's challenging labour market.

A.9 Bad Debt Expense and Oshawa Power's Increased Collections Efforts

390. OEB staff noted that it is unclear how the decision to outsource collections work in 2023 instead of bringing this work in-house constitutes a benefit to customers. This is especially true beginning in 2024 when collection efforts significantly increased. OEB staff also noted that Oshawa Power did not explain the relationship between collection activities and the bad debt expense. VECC claimed that Oshawa Power is "paying its affiliate more to do its

²²³ Exhibit 4, section 4.2 OM&A Summary and Cost Drivers, p.16

²²⁴ Transcript Vol. 3 at page 34 lines 2-13.

²²⁵ Exhibit 4, IRR 4-SEC-180.

²²⁶ Exhibit 4, RoR at p.33

collection work” and is “actually getting worse results”. Based on their comparison of collections costs in 2022 with collection costs in 2026.

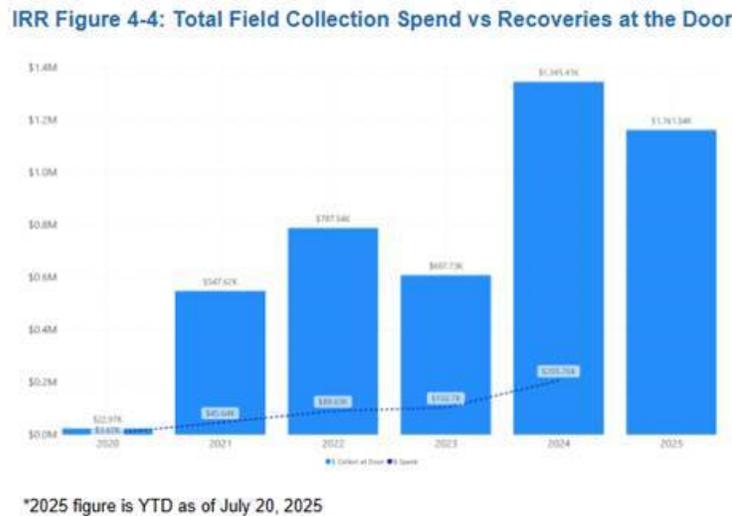
391. Oshawa Power disagrees, responding to each of these claims below.
392. Oshawa Power notes that its spending on collections is yielding \$6.54 per dollar spent based on the available data.²²⁷ As such, Oshawa Power does not see any basis for the statement by OEB staff that there is a lack of support for the level of collection activities.
393. SEC argued that there was “no evidence was provided as to why Oshawa Power, unlike most other LDCs, cannot get this problem under control”. SEC has produced no evidence to support its assertion that other LDCs do, in-fact, have the problem under control. As a consequence, Oshawa Power will focus the results this utility has experienced.
394. Oshawa Power’s collections activities were largely stopped in 2021 due to the COVID-19 pandemic and only slowly ramped up again in 2022 and 2023.²²⁸ The impact of halting and deferring collection efforts was a difficult decision, intended to alleviate the economic impacts of the pandemic, but not without its consequences. Oshawa Power stopped its collections effort with the genuine intention to help alleviate economic pressures experienced by its customers during COVID times. As the utility slowly resumed its collection efforts, it is also facing a significant increase in customer debts and eventually, bad debt write offs.
395. Oshawa Power has clearly shown that the accounts receivable over 30 days (AR>30) figure is a representative figure of the expected credit loss (ECL) calculation, which has historically been reasonably accurate in predicting the annual write-off amount²²⁹ and was used to predict bad debt in 2026 based on 2025 figures.
396. Furthermore, Oshawa Power reported that the increase in collection spend in 2024 and 2025 has resulted in significant increases in collection amounts at the door as shown below.

²²⁷ Exhibit 4 IRR, 4-Staff-150a.

²²⁸ Exhibit 4 at p.36.

²²⁹ T3P58L11-20; Undertaking J3.8.

Figure 1 – Total Field Collection Spend vs. Recoveries at the Door²³⁰

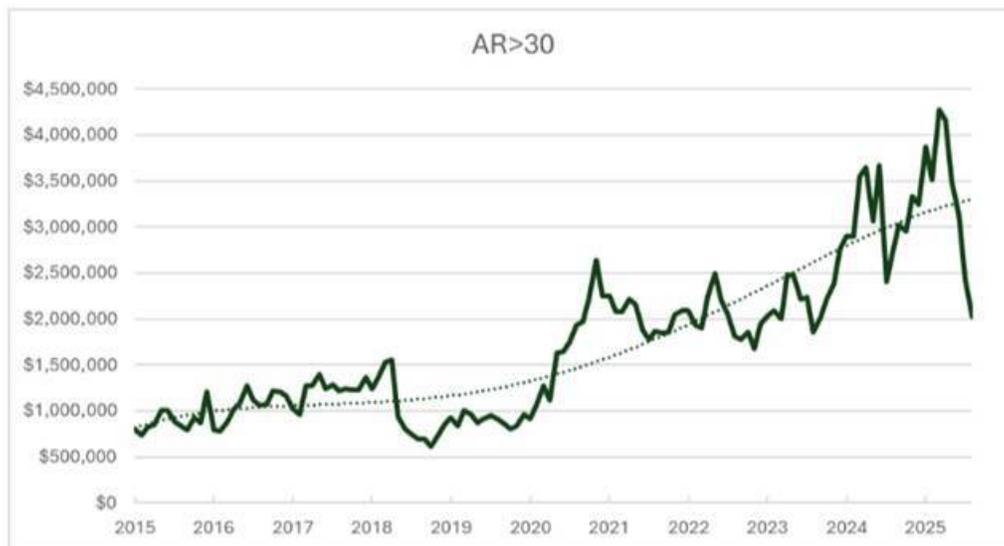


397. Funds being collected at the door represents customers for whom Oshawa Power had already progressed through the various steps of disconnection and collected funds at the door at the threshold of disconnection, following the 48-hour disconnect notice. This does not include spending related to collections from customers that were disconnected and subsequently paid their outstanding amounts.
398. As shown in IRR figure 4-4, the average dollar amount collected at the door in 2021 through 2023 was approximately \$673k/year. In 2024 and 2025, Oshawa Power collected nearly twice that amount, per year.
399. Oshawa Power submits that much of the extra six to seven hundred thousand dollars collected in 2024 and 2025 compared to 2023 would have ended up as bad debt expense if not for the extra collections effort undertaken. This historical trend points to a logical expectation that the greater collection efforts, the higher the likelihood of debts being collected and hence, AR and bad debt levels might decline.
400. Should Oshawa Power not commit additional resources and efforts in collections, the expected past due amounts (AR>30) would increase thereby eventually driving the bad debt levels upwards, especially given the number of customers who wait until the day of disconnection to pay.
401. Oshawa Power submits that this 'flattening' of the bad debt level, as discussed during the oral hearing and shown to be beginning in the AR>30 chart below is indeed a direct result of the increasing collections spend.

²³⁰ Exhibit 4 IRR, 4-Staff-150, Figure 4-4.

402. Without this additional commitment, it would reasonable to expect bad debts could increase presumably by up-to another \$600,000 to \$700,000 – equivalent to the incremental recovery amounts in 2024 and 2025, following an exponential curve.

Figure 2 – Accounts Receivable from January 2025 to September 2025²³¹



403. If Oshawa Power were to reduce collection activities' budget by the equivalent of one FTE as suggested by OEB staff, the subsequent AR>30 and ultimately bad debt would rise significantly more than the reduction adding non-trivial risk and pressure to the organization.

A.10 Other OM&A-Related Reductions

A.10.1 E-Billing

404. CCC submitted that Oshawa Power's 2026 contracted labour costs (approximately \$750,000) and postage and printing costs (approximately \$600,000) are overstated as its e-billing forecast is expected to see a "similar increase of e-billing subscribers as experienced in 2024".
405. Oshawa Power agrees in part.
406. As noted in Oshawa Power's Application, the increases in these two costs are primarily due to inflation and volume growth, partially offset by a forecast of e-billing subscribers, for whom printing postage costs are no longer incurred.²³²

²³¹ T3P108; Undertaking J3.8.

²³² Exhibit 4 Page 43, lines 17-23.

407. Based on a higher than expected increase in e-billing subscribers at the time of interrogatories,²³³ followed by further increases expected from the 2025 Canada Post strike, Oshawa Power agrees that a 5% reduction of the printing and postage costs is appropriate, i.e. approximately \$30,000.
408. Oshawa Power notes that contracted labour is associated with bill generation and is not impacted by e-billing subscriber percentage as bills for all accounts need to be generated, and therefore should not be reduced due to having a higher number of e-billing customers.

A.10.2 Facilities

409. CCC submitted that forecast operational expenditures in relation to 100 Simcoe Street facility are too high for 2026, and there would be “no need to undertake substantial repairs immediately prior to demolition”. They proposed a 50% reduction in maintenance costs of \$100,000.
410. Oshawa Power disagrees.
411. First, neither the administrative building at 100 Simcoe, nor the distribution stations, are being demolished – just the outbuildings behind the main office – being the distribution building, the metering/storeroom/garage building, and associated underground equipment and foundations.²³⁴
412. Second, Oshawa Power, as an employer, is responsible to provide a workplace that is of sound condition and safe for its employees and customers who also visit the premise – both for facilities slated for demolition in three years, and for facilities that will not be demolished and must be maintained to normal standards.
413. As described in the Application, the Facilities program includes general maintenance, repair and security of the Oshawa Power facilities including its administrative buildings and all its stations. The expenditure level in the 2026 test year is lower than actual facilities spending in 2024 of \$163,302,²³⁵ and no major repairs are planned. In this context, an additional 50% reduction is unwarranted and arbitrary.

A.10.3 Travel and Conference Costs

414. CCC submitted that the increase in travel and conference costs is “symbolic of the Company’s business transformation plan that results in the ballooning of executive and management-related costs”.

²³³ Exhibit 4 IRR, 4-CCC/VECC-129d.

²³⁴ Oshawa Power’s lease, Exhibit 1 IRRs, Attachment 1-5, p.2. These are the same facilities referred to in the demolition quote (which notes additions to these buildings), filed on November 18, 2025, Attachment OEB-2_1 Quote on Demolition.

²³⁵ Exhibit 1 IRR, 1-SEC/Staff/CCC/PP/CCMBC/VECC-9c.

415. Oshawa Power disagrees.
416. As described in Oshawa Power's Business Plan,²³⁶ the utility implemented a strategic objective to Transform Company Culture which includes establishing a learning culture and to strengthen its workforce capacity through enhanced training for all employees. Keeping pace with the industry and specific functional and technical knowledge are required for employees to raise awareness and knowledge for their roles. Further, the costs associated with these programs continue to grow with valuable knowledge and inflation. With additional pressures and uncertainties to manage in today's information-based society, Oshawa Power's commitment to learning from and contributing to industry events and conferences is beneficial for the utility's operations, and should not be penalized. For these reasons, Oshawa Power submits that its modest \$126k travel and training budget is appropriate in view of this objective and the overall scale of the organization.

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

417. PPP submitted that Oshawa Power should be prepared to provide the details, if required, in the future to validate that its affiliate transaction are in alignment with ARC.
418. Oshawa Power reiterates that all of its shared services provided to and from the utility and its affiliates are in strict compliance with the requirements of the OEB's Affiliate Relationship Code.
419. The balance of the arguments from the Parties all relate to affiliate 2825407 Ontario Inc., which are addressed below.

B.1 Collection and metering costs

420. OEB staff noted that Oshawa Power's decision to outsource its collection and metering work to an affiliate, 2825407 Ontario Inc, rather than bring this work in-house, did not constitute a benefit to customers.
421. Oshawa Power disagrees.
422. In alignment with its Business Plan objective of Transforming Company Culture, Oshawa Power determined it was appropriate to outsource functions including collections to enhance efficiency and service quality.
423. Oshawa Power has always outsourced this work.²³⁷ OEB Staff has produced no analysis of the costs of bringing on new FTEs in Oshawa Power's unionized environment, versus continuing the flexibility and lower costs associated with continuing to outsource this work.

²³⁶ Exhibit 4 at pp. 65- 66.

²³⁷ Exhibit 4 IRR, 4-VECC-170c.

424. However, the third-party service provider stopped providing these services in Oshawa in 2023, and a subsequent service provider required Oshawa Power to commit to a 12-month contract.
425. Oshawa Power's affiliate was able to offer this service because the utility only requires dedicated technicians for a maximum of six and half months in any given year, saving Oshawa Power the service fees for five and half months annually during the winter disconnection ban from November 15 to April 30 each year.
426. Therefore, outsourcing to Oshawa Power's affiliate, and the flexibility it affords, results in significantly lower costs to Oshawa Power than would otherwise have been possible.
427. To determine pricing, fees paid to the previous service provider in 2023 were maintained by Oshawa Power's affiliate with no increases applied in the 2025 and 2026 test year.²³⁸

B.2 CIS staff augmentation

428. OEB staff stated that it is unclear on how having the affiliate hire staff instead of the distributor directly hiring staff is to the benefit of customers. OEB Staff again fail to consider an analysis of the costs of bringing on new FTEs in Oshawa Power's unionized environment, versus continuing the flexibility and lower costs associated with outsourcing this work.
429. To complete the customer information system (CIS) project in 2025, Oshawa Power leveraged staff from 2825407 Ontario Inc. to implement and test the new system.
430. This was a cost-effective way to resource the project, because the affiliate was able to get more competitive rates. The staffing augmentation was charged to Oshawa Power at fully allocated cost.²³⁹
431. Oshawa Power's decision to leverage affiliate resources is based on cost, availability and ensuring OEB's Affiliate Relationship Code is followed.

B.3 Collaboration with Lakefront Utilities

432. OEB staff did not see a benefit to Oshawa Power or its customers in relation to the shared service between Oshawa Power's affiliate and Lakefront Utilities. CCMBC and OEB staff highlighted that burnout was cited as a reason for requiring more staff yet using its resources to contract work to another distributors.
433. None of the Parties make any mention of the OEB's clear expectation that: "*Distributors must file information on the extent to which they have investigated potential opportunities*

²³⁸ SEC Motion Follow Up letter dated October 10, 2025.

²³⁹ T2P93-96

for consolidation or collaboration/partnerships with other distributors.”²⁴⁰ Oshawa Power's collaboration with Lakefront is a clear first step in this direction. Oshawa Power's hope is that this collaboration may eventually lead to a transaction, with synergies, that can be evidenced in any potential future MAADs Application. To try to assess and evaluate the benefits of the relationship at this incredibly early stage, as suggested by OEB Staff, is simply premature.

434. Rather, Oshawa Power has agreed to support its shared service arrangement with Lakefront to provide capital and operational leadership and oversight, as well as Health & Safety oversight and Fleet management assistance on a temporary basis. The intention of this contract is to collaborate and provide operational leadership assistance to Lakefront as it has been facing challenges with leadership and staffing levels. This partnership underscores both companies' dedication to customer service, safety and operational excellence, while aligning with the wider industry objective to collaborate and assist LDC peers.
435. Oshawa Power notes that OEB Staff does not appear to consider the customers of Lakefront in its submissions. Do those customers not matter at all to the OEB?
436. Importantly, Oshawa Power notes that the staff required to fulfil this shared service are existing operational management team staff, with no overlap with the new roles proposed for 2026 because different skillsets are required.

B.4 Other Shared Service Arguments

437. SEC and CCC argued that that any undepreciated capital amounts related to the Dayforce system remaining should be allocated to Oshawa Power's affiliates.
438. Oshawa Power agrees in principle but notes that these amounts are immaterial. The vast majority of staff using the Dayforce system are within the regulated utility.
439. CCMBC alleges that in 2024, Oshawa Power outsourced its call centre to an affiliate. Oshawa Power corrects this as the call centre was not outsourced to an affiliate but to an independent service provider.²⁴¹

²⁴⁰ Section 2.1.9 of the Chapter 2 Filing Requirements.

²⁴¹ Exhibit 4 at p. 44 (lines 13-15).

IV. COST OF CAPITAL, PILS, AND REVENUE REQUIREMENT

A. *Issue 3.1 – Is the proposed cost of capital (interest on debt, return on equity) and capital structure appropriate?*

440. OEB staff noted that it expects Oshawa Power to update the short-term debt rate to 2.72% and rate of equity to 9.11% in accordance with the 2026 Cost of Capital Parameters (EB-2025-0303) issued by the OEB on October 31, 2025, during the draft rate order stage.

441. Oshawa Power confirms that these updates will be made at that time.

A.1 *Financing of New Facility*

442. SEC suggested that the cost of the new facility creates a financial risk for the utility, because the municipal shareholder cannot inject capital into the LDC to cover the 40% equity component of rate base. This would lead to a debt ratio above 60%. VECC also suggested that the OEB should consider the impact of the new facility on debt rates.

443. Oshawa Power does not agree.

444. SEC has produced no evidence to justify its assumption that the City of Oshawa is unable or unwilling to inject capital into the LDC. Many municipal shareholders are actively investing in LDC growth, be it Oshawa's neighbouring utility Elexicon²⁴² or further afield at Toronto Hydro.²⁴³ There is no evidence available that the City of Oshawa would not do the same.

445. As mentioned at the oral hearing by Ms. Tang,²⁴⁴ the utility has been working closely with both financial institutions and its shareholder to assess financing options available for such a large capital project. Oshawa Power expects that the debt rate will increase temporarily but will come back down to normal levels shortly thereafter. To date, Oshawa Power has received strong support from numerous lenders with indicative term sheets, and a decision on the financing will be finalized by Q1 2026. As part of its financial due diligence, Oshawa Power is confident it can manage the financial requirements for this necessary capital project. Further, the utility is in active dialogue with its shareholder to communicate the associated impacts of the new facility and to maintain their continued support.

²⁴² <https://elexiconenergy.com/newsroom/energizing-the-future-shareholders-reinvest-in-the-success-of-elexicon#:~:text=Funds%20will%20enable%20Elexicon%20to,with%20sustainable%20growth%20and%20value.%E2%80%9D>

²⁴³ <https://www.newswire.ca/news-releases/toronto-hydro-to-receive-equity-investment-from-city-of-toronto/>

²⁴⁴ T2P155.

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

446. No further comments were received on this matter, as the Parties settled the methodological aspects described in the Partial Settlement Proposal filed on September 22, 2025.
447. The final results of the Income Tax/PILS model will be contingent on the OEB's determination of Issues 1.1 and 2.1.

C. Issue 3.3 – Is the proposed calculation of the Revenue Requirement appropriate?

448. Oshawa Power confirms that its revenue requirement was properly calculated in accordance with the OEB's Filing Requirements. Revenue Requirement calculation is subject to changes resulting from the OEB's determination of Issues 1, 2 and 3 as noted by OEB Staff.

V. LOAD FORECAST

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

449. VECC submitted that the OEB approve a revised forecast that includes an increase in the Residential customer count for 2026, an increase to Residential heating load in 2026 based on the increased customer count and revise the CDM/eDSM adjustment for 2026.
450. After reviewing these arguments, Oshawa Power is in agreement with VECC about how the half-year rule should be applied for the General Service 1,000 to 4,999 kW and Large Use rate classes in 2026.
451. With the exception of the foregoing, Oshawa Power disagrees with VECC with regards to its load forecast recommendations.

A.1 Residential Customer Count

452. The number of Residential customers in the 2026 forecast is based on the average Residential customer count growth rate from 2017 to 2024 of 1.32% applied to the 2025 Residential customer count forecast. The 2025 Residential customer count forecast is a combination of actual January 2025 to June 2025 counts and forecast counts from July to December 2025. This forecast adds 1,214 Residential customers from June 2025 actual counts to December 2026 forecast customers, or 67.5 customers per month. This monthly increase is 30% greater than the average number of Residential customers added per month from the prior 18-month period of January 2024 to June 2025, which was 52.6 customers per month.

453. VECC cited two sources to suggest Residential customer count growth should be higher.²⁴⁵ First, an interrogatory response which states that, as of June 2025, there are 725 residential lots where distribution assets on the right of way are energized but the lots haven't been connected, and approximately 720 lots additional lots that are approaching energization that are constructed by developers.²⁴⁶ The second source is a table in the Material Justification Sheet for Expansions in the DSP²⁴⁷ which shows 932 and 947 new residential customers in 2025 and 2026, respectively.
454. As noted further in the Justification Sheet for Expansions, "the timing of subdivision energization and customer account setup often does not align, with homes being connected or accounts established in different years than when the subdivision is energized."²⁴⁸ There remain subdivisions where expansion assets are energized over the past decade but where lots within them have not yet been connected or set up for billing as Oshawa Power customers. The number of residential lots that are not yet connected does not reflect the number of new Residential customers that will be paying monthly service charges in 2026.
455. The majority of vacant or yet-to-be-connected lots that were reported²⁴⁹ as of June 2025 are in developments where expansion assets were energized between 2021 to the present. VECC's assumption that all currently unconnected lots, as well as all lots associated with expansions that are expected to be energized by 2025, will in fact be requested by developers, builders, or customers to be connected and set up for billing as Oshawa Power customers all by 2026, when historically it has ranged between 5 and 10 years, is speculative, unsupported by any evidence, and incorrect.
456. Further, the customer counts in the Material Justification Sheet for Expansions in the DSP account only for gross additions and do not account for any lost customers. The customer count forecasts for rate setting purposes are net customers, which include both additions as well as removals from the billing system.
457. VECC proposed to increase the December 2026 customer count to 60,209 by adding the sum of new residential customers from the DSP, 1,879, to the December 2024 customer count. This customer count overstates the number of Residential customers that will be paying monthly distribution charges because it does not account for lost customers. The total number of new residential customers from the Material Justification Sheet for Expansions in the DSP from 2021 to 2024 is greater than the number of new billed Residential customers. This proposal also does not account for actual January 2025 to June 2025 customer counts, which had lower growth than the historic average.

²⁴⁵ VECC Submission at p. 19.

²⁴⁶ Exhibit 3 IRR, 3-Staff/VECC 98.

²⁴⁷ Exhibit 2, Attachment 2-1, Distribution System Plan, Appendix B at p. 12.

²⁴⁸ Exhibit 2, Attachment 2-1, Distribution System Plan, Appendix B at p. 12.

²⁴⁹ Exhibit 3 IRR, 3-Staff/VECC-98.

458. Oshawa Power disagrees with VECC's submission that the Residential customer count should be increased and submits that the customer counts based on historic growth, as proposed, remains appropriate.

A.2 Residential Heating Load

459. The Residential heating load forecast is calculated using the Residential customer count as an input. VECC's proposed to increase the Residential heating load forecast relies on its proposal to increase the Residential customer count.
460. In alignment with Oshawa Power's submission on the Residential customer count, Oshawa Power submits that no changes to the Residential heating load forecast are warranted.

A.3 Adjustment for New CDM/eDSM

461. VECC proposed three changes to the calculation of the adjustment for new CDM/eDSM.
462. First, VECC noted an error in the application of the half-year adjustment for eDSM activities in 2026 for the General Service 1,000 to 4,999 kW and Large Use rate classes. Second, VECC submits that assumptions related to the local initiatives program are unrealistic. Third, VECC proposes to remove the half-year adjustment for 2024 CDM and suggests the forecast already includes the full year persisting savings from CDM programs implemented in 2024.

A.3.1 Half-Year Adjustment in 2026

463. Oshawa Power agrees with VECC on the application of the half-year rule in 2026 for the General Service 1,000 to 4,999 kW and Large Use rate classes.

A.3.2 Local Initiatives Program

464. VECC proposed to remove all Local Initiatives Program eDSM savings in 2025 and apply a 50% adjustment to 2026 savings. Oshawa Power's Application, including its load forecast, was prepared before details of the eDSM plan were released in January 2025²⁵⁰ so the initial forecast relied on the 2021 to 2024 CDM framework.
465. The CDM forecast was revised in the interrogatory stage to include the actual 2021 to 2023 CDM savings and account for the eDSM plan.²⁵¹ The Local Initiatives Program was a small portion of the overall 2021 to 2024 CDM Framework. According to the 2023 Conservation and Demand Management Results, the Local Initiatives Program and Enhanced Local Initiatives Program were jointly 2.3% of cumulative 2021 to

²⁵⁰ <https://www.ieso.ca/-/media/Files/IESO/Document-Library/eDSM/2025-2027-DSM-Plan-with-Beneficial-Electrification.pdf>

²⁵¹ Exhibit 3 IRR, 3-VECC-107.

2023 GWh savings. This program now represents nearly half of forecast annual savings in the eDSM framework from 2025 to 2027.

466. As per the eDSM program plan, “New funding will also be available for LDCs to support customer engagement for province-wide DSM programs, and for LDCs to develop and implement local programs addressing distribution system needs that also provide upstream benefits to the IESO-controlled electricity system.” Given the changes to the eDSM framework relative to the 2021 to 2024 CDM framework, it is appropriate to apportion Local Initiatives Program savings to Oshawa Power.
467. VECC’s proposal to exclude 2025 savings and half of 2026 savings suggests the forecast savings provided by the IESO are inaccurate. The eDSM adjustment in Oshawa Power’s load forecast relies on forecast eDSM savings provided by the IESO and this forecast remains the most recent available information on forecast eDSM savings.
468. Oshawa Power submits that the load forecast should continue to rely on the IESO’s eDSM forecasts and include an apportionment of Local Initiatives Program savings without arbitrary reductions.

A.3.3 Half-Year Adjustment in 2024

469. VECC states “However, the CDM adjustment included in the base model 2026 forecast for each customer class already includes the full year persisting savings from CDM programs implemented in 2024”.²⁵² This statement is inaccurate.
470. Oshawa Power disagrees.
471. The load forecast methodology adds persisting CDM to actual loads, models loads that include cumulative CDM, then subtracts cumulative CDM. A CDM adjustment is then made to forecast loads to account for CDM activities that would not have yet been reflected in historic loads. VECC references Cells L29 to R29 of the CDM Tab in the Load Forecast model²⁵³ to support its claim that the full year persisting savings from CDM programs implemented in 2024 are already included.
472. It is incorrect that the full year persisting savings from CDM programs implemented in 2024 are already included because the formulas in the referenced cells, Cells L29 to R29 of the CDM Tab, include a subtraction of half of 2024 CDM activities persisting to 2026. This subtraction ensures that only a half-year of 2024 CDM savings is included before the final CDM adjustment.
473. At the stage that cumulative CDM is subtracted from initially forecast consumption in the Normalized Annual Summary Tab, the amounts subtracted are the amounts in Cells L29

²⁵² VECC Submission at p. 29.

²⁵³ Partial Settlement Proposal, Load Forecast Model, CDM Tab.

to R29 of the CDM Tab. As stated earlier, these amounts include half a year of 2024 CDM savings subtracted. For clarity, the subtraction of a 2024 CDM amount from cumulative CDM that is then subtracted from forecast loads results in a higher initial forecast. Therefore, the forecast loads, before the adjustment for CDM activities that are not yet reflected in historical loads, do not include a full year of persisting savings from CDM programs implemented in 2024.

- 474. The adjustment to subtract half of 2024 CDM savings in Cells L29 to R29 of the CDM Tab is made to avoid double counting the half-year of 2024 savings, as those volumes are included in the final CDM adjustment.
- 475. VECC's proposal to remove half of 2024 CDM savings from the final CDM adjustment would result in those savings not being accounted for at all.
- 476. Oshawa Power submits that the half-year application of 2024 CDM amounts is appropriate and should remain in the load forecast.

VI. COST ALLOCATION, RATE DESIGN, AND OTHER CHARGES

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

- 477. The Parties settled the methodological aspects as described in the Partial Settlement Proposal. OEB Staff noted that the approved settlement on cost allocation includes flexibility for adjustments to revenue-to-cost for the purpose of rate mitigation, as referenced in the Partial Settlement Proposal.
- 478. OEB Staff further submitted that any increase in the revenue-to-cost ratios should be limited such that the resulting total bill impact does not exceed 10%, to which Oshawa Power agreed.
- 479. The final results of the Cost Allocation Model and Rate Design will be subject to updated financial inputs based on the OEB's determination on the unsettled issues.

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

- 480. See response to Issue 5.1 above.

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

- 481. See response to Issue 5.1 above.

VII. DEFERRAL AND VARIANCE ACCOUNTS

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

A.1 Account 1508 – Getting Ontario Connected Act Variance Account (GOCAVA)

482. OEB Staff submitted that prudence of the incremental costs in GOCAVA has not been satisfied.²⁵⁴ Absent any detailed breakdown of the cost recorded in the account, OEB Staff submitted 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 Power’s last rebasing and the lack of evidence supporting the due diligence work undertaken for the renewed contract. In addition, 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 Oshawa Power 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 Power seeks to recover from the ratepayer.
483. CCC submitted that the balance in the Getting Ontario Connected Act (GOCA) Variance Account should be reduced by \$0.045M to reflect the removal of certain costs that are not directly related to Bill 93 as these amounts are not eligible for recovery from the ratepayer. SEC, VECC and AMPCO support CCC’s submission.
484. Oshawa Power disagrees.
485. Oshawa Power did undertake due diligence to ensure prudence of new costs passed on by the vendor through its membership in the Locate Alliance Consortium (LAC).²⁵⁵ Membership with LAC provides an environment similar to a purchasing consortium where members are purchasing services from the same vendor as other members and receiving a volume discount. Member benefits include consistent processes, reduced costs per locate, savings for the service provider, and efficiencies gained through a one call/one locate strategy. Members meet monthly with the Locate Service Provider to review results, service levels, address issues to be resolved or develop action plans as required. Prior to expiration of a current contract, members evaluate the performance of the incumbent Locate Service Provider and decide as a team whether to extend the contract or go to market in the form of the RFP. Members strive for 100% consensus to ensure all member

²⁵⁴ OEB Staff Submission at p. 30.

²⁵⁵ T3P124.

requirements are met. Upon agreement by the members of LAC, a generic contract is established however, each utility signs a contract directly with the Locate Service Provider.

486. Bill 93 Getting Ontario Connected Act, 2022²⁵⁶ received Royal Assent on April 14, 2022 and came into force on the day it received Royal Assent. The provisions of GOCA have driven the cost increases of locate service providers as they addressed compliance obligations through additional hiring, training and process improvements. In response to Undertaking J3.10, Oshawa Power submitted an email exchange outlining the various steps taken by the Locate Service Provider to support compliance improvements prior to acceptance of the proposed pricing increases effective April 1, 2022 by the membership of LAC.²⁵⁷
487. Oshawa Power submits that costs in the amount of \$0.045M are not reflected in the GOCA balances proposed for disposition. These are the costs associated with Ontario One Call and Planview. As noted in the Oral Hearing, Oshawa Power followed the OEB’s Getting Ontario Connected Act (GOCA) Decision and Order proposed accounting entries in the Schedule A Electricity Accounting Order. Accordingly, non-incremental costs have been offset by revenue requirement in rates effectively eliminating these costs from the GOCA Variance Account.²⁵⁸
488. Oshawa Power²⁵⁹ outlined locate costs for each subcontractor, less total revenue requirement escalated by IRM inflation to arrive at the total GOCA Variance account balance. This table has been enhanced below to show further details of revenue requirement and GOCA variance account balance for each subcontractor.

Table 4 – 2024 Actuals and 2025 Bridge Year Forecast Locate Costs - Details

Description	2024 Actuals	2025 Forecast
Locate Costs		
Promark	552,954	563,686
Ontario One Call	19,071	19,458
Planview	2,976	3,050
Total Locate Costs	575,001	586,194
Less: Revenue Requirement (IRM)		
Promark	338,405	350,080
Ontario One Call	20,482	21,189
Planview	0	0
Total Revenue Requirement	358,887	371,269
GOCA Variance Account		
Promark	214,549	213,606

²⁵⁶ *Getting Ontario Connected Act, 2022*, SO 2022, c 9.

²⁵⁷ Undertaking J3.10, Attachment J3.10_2_FW_Action Requested_Promark – New Pricing Model and Compliance Improvements – acceptance -APRIL 2022.

²⁵⁸ T3P114L3-8.

²⁵⁹ Exhibit 4 IRR, 4-CCC/CCMBC/VECC-120e, Table 4-25.

Ontario One Call	-1,411	-1,731
Planview	2,976	3,050
Total GOCA Variance	216,114	214,925

489. The removal of costs considered non-incremental (i.e. Ontario One Call and Planview) from the GOCA Variance Account would result in a total reduction of \$2,884: a net reduction of \$1,565 for 2024 (\$2,976 - \$1,411) and a net reduction of \$1,319 (\$3,050 - \$1,731) for 2025 as outlined below. The net result would be a GOCAVA balance of \$214,549 for 2024 and \$213,606 for 2025 resulting in a total GOCAVA balance for disposition in the amount of \$428,155.

A.2 Request for Distributor Specific DVA Account 1508 – Avoided Rent Deferral Account and Account 1508 – New Facility OM&A Variance Account

490. OEB Staff did not take issue with the establishment of the Avoided Rent Deferral Account as the DVA is asymmetrical to the benefit of the ratepayers and it is straightforward to identify the baseline rent and savings triggered upon relocation.²⁶⁰

491. CCC submitted that it is appropriate to establish the Avoided Rent Deferral Account to ensure that ratepayers receive the benefit of this avoided cost during the IR term. SEC and AMPCO support CCC's submission.²⁶¹

492. OEB Staff did not support the establishment of the New Facility OM&A Cost Variance Account on a symmetrical basis; however, OEB staff would support creation on an asymmetrical basis in order to mitigate windfall gains associated with clearly identifiable avoided costs.²⁶²

493. CCC submitted that CCC's recommended operational budget of \$0.31M will be sufficient to cover the costs of both the previous and new administrative facilities and as a result there is no basis to establish the New Facility OM&A Cost Variance Account.²⁶³

494. Oshawa Power maintains the position outlined in the Argument-in-Chief that the proposed Avoided Rent Deferral Account and the New Facility OM&A Cost Variance Account are appropriate mechanisms to ensure that savings and variances in costs built into rates arising from the new facility are recognized as soon as possible to the benefit of ratepayers.

²⁶⁰ OEB Staff Submission at p. 33.

²⁶¹ CCC Submission at p. 28; SEC Submission at p. 44; AMPCO Submission at p. 16.

²⁶² OEB Staff Submission at p. 33.

²⁶³ CCC Submission at p. 29.

VIII. OTHER

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

495. OEB Staff submitted that the effective date of January 1, 2026, is appropriate and supports providing Oshawa Power with interim rates until a decision can be made and foregone revenue to reconcile revenue losses resulting from the timing of the final decision.²⁶⁴ OEB Staff proposed that that foregone revenue should be provided from the implementation date until its next expected rate order (i.e. December 31, 2026).
496. Oshawa Power agrees with OEB Staff in this regard.
497. AMPCO, PP and SEC take the position that the effective date should be no earlier than the first day of the month following the final rate order issued by the OEB.²⁶⁵ AMPCO and PP do not provide any reasoning to support their positions. SEC justifies this date on the basis that the Application was deficient in material ways and Oshawa Power took an “overly adversarial” approach to addressing the issues list, interrogatory answers, and disputes over confidentiality.
498. Oshawa Power strongly disagrees. Oshawa Power has met all of the OEB filing deadlines with the sole exception of requesting a two (2) business day extension to file reply. Specifically:
- Oshawa Power submitted its Application on April 29, 2025 meeting the deadline set by the OEB in its letter dated December 9, 2024.
 - OEB issued the completeness letter dated May 14, 2025.
 - Oshawa Power filed its interrogatory responses on July 30, 2025 meeting the deadline set by the OEB in its PO1 dated June 13, 2025 and PO2 dated June 30, 2025.
 - Settlement conference took place on August 18-20, 2025. Oshawa Power filed the settlement proposal, which contained a list of unsettled issues, on September 22, 2025.
 - A transcribed motion hearing in response to SEC’s motion was held on September 29, 2025 as directed by the OEB in its PO3 dated September 18, 2025.
 - Oshawa Power filed the documentation agreed to with SEC in its October 2, 2025 letter on October 10, 2025.
 - On October 20, 2025, the OEB issued PO5 ordering Oshawa Power to file certain responses to 1-SEC/Staff/CCC/PP/CCMBC/VECC-9(a), (f), (g), and (h), 1-SEC-17, and 1-SEC-26 by October 22, 2025. Oshawa Power filed the information on October 22, 2025 meeting the deadline set.

²⁶⁴ OEB Staff Submission at p. 34.

²⁶⁵ AMPCO Submission at p. 16; PP Submission at p. 18; SEC Submission at paras 5.3.1 to 5.3.3.

- Oshawa Power responded to further documentation requests from SEC on October 23, 2025. In their correspondence, SEC specifically noted its appreciation Oshawa Power’s same day provision of additional material and references.
 - Oshawa Power met the same-day deadline in the October 27, 2025 Decision and Order on Confidentiality to file additional documentation, the day before the oral hearing.
 - A transcribed oral hearing on unsettled issues was held on October 28-30, 2025.
 - Oshawa Power filed its undertakings resulting from the oral hearing on November 4, 2025, meeting the deadline set by OEB in its PO5.
 - Oshawa Power filed responses to the OEB’s questions and its Argument-in-Chief on November 18, 2025, meeting the deadline set by the OEB in its PO6 dated November 11, 2025.
499. Oshawa Power also objects to SEC’s suggestion that it adopted an “overly adversarial” approach in this proceeding; that characterization is neither accurate nor fair. If any party has adopted an overly adversarial approach, it was SEC. Counsel for SEC’s disdain for Oshawa Power, and its CEO, is in clear view in the submissions filed.²⁶⁶
500. More to the point, there is nothing improper about Oshawa Power adopting positions on matters in this proceeding that disagreed with the positions adopted by SEC. Oshawa Power at all times complied with the OEB’s rules and processes, and adopted a professional and deliberate approach to ensuring that its substantive concerns were understood by the adjudicative panel of Commissioners.
501. Finally, with respect SEC’s assertion that the Application was deficient in material ways, an argument that is clearly without merit and addressed fulsomely elsewhere in this submission, this does not provide a valid basis for the OEB to delay the effective date of rates.
- B. Issue 7.2 – Has the applicant responded appropriately to all relevant OEB directions from previous proceedings?***
502. OEB staff submitted that while Oshawa Power has improved its asset replacements strategy, it has not performed appropriate distribution system planning because it did not adequately explain how it prioritized its investments around the new facility. Oshawa Power disagrees, for the reasons provided under Issue 1.1 above.
503. OEB staff further submitted that Oshawa Power adequately addressed OEB direction with respect to:

²⁶⁶ SEC submission, para 1.2.42.

- Tracking the number of assets that it installs by major asset category
- Qualitatively reporting on areas of realized cost efficiencies and distribution system planning improvements
- Presenting its performance pertaining to its 14 targets proposed in its 2021 settlement proposal, and appropriately aligned those targets with the OEB's Activity and Program-based Benchmarking (APB).

504. Oshawa Power agrees.

505. PP requested that Oshawa Power confirm that their approach to efficient coordination with the City of Oshawa and the Region of Durham on energy and emission plans and has considered those goals, objectives, and targets with a view to pursuing cost efficiencies and reduced emissions. Oshawa Power confirms that it intends to continue this approach (as set out in Exhibit 1, Section 1.6.2).

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

506. As highlighted in the Argument in Chief, Oshawa Power is not seeking any rate relief related to the new facility in this proceeding. The business case supporting the investment will be addressed in a future proceeding. This approach was confirmed by an OEB Decision & Order.²⁶⁷

507. Specific concerns with Oshawa Power's distribution system plan with respect to the new consolidated operational facility are addressed under Issue 1.1 above.

IX. OTHER ANCILLARY MATTERS

A. Benchmarking

508. Parties challenged Oshawa Power's benchmarking as inappropriate to gauge affordability, suggesting errors in how the Oshawa Power used the OEB's benchmarking, and suggested that the Customer per FTE benchmark lacked a comparison.

509. Oshawa Power disagrees.

510. The OEB expects utilities to present objective, well-researched benchmarking analyses that can be rigorously tested. The OEB then considers these analyses in assessing a utility's cost trend performance.²⁶⁸

²⁶⁷ EB-2025-0015 Decision on Motion, July 15, 2025

²⁶⁸ Handbook for Utility Rate Applications, pp.18-19.

511. Oshawa Power followed the OEB's direction, providing its results on the OEB scorecard, including results from the OEB's total cost benchmarking forecast model, and OM&A per customer. Expert consultant Ms. Galli used the customer per FTE as a metric in the Resource Optimization Review to evaluate staffing levels.
512. These arguments are addressed in more detail below.

A.1 Alleged Errors in the OEB's Total Cost Benchmarking Model

513. SEC made a vague suggestion that there was an error in Oshawa Power's use of the PEG model – either in how the expected costs were calculated, how Oshawa Power operated the model, or because there was a flaw within the model itself.²⁶⁹
514. Oshawa Power provided its forecast using the PEG model in its Application.²⁷⁰ OEB staff and all of the other intervenors had ample time to review Oshawa Power's use of the model, and none (save SEC) suggested there were any errors or concerns with Oshawa Power's use of the model in their final arguments.
515. Oshawa Power has reviewed the model once again prior to filing this Reply Submission and did not identify any errors.
516. Instead, it appears that the forecasting model is capturing the increasing cost pressures faced by LDCs within its expected costs each year. While Oshawa Power's cost-effectiveness is decreasing as a result of this Application and the new facility being put into service in 2027, the decrease in cost performance is not significant enough to move Oshawa Power to Cohort III in any year, based on the three year average used by the OEB to determine Cohort status.
517. The PEG model remains an important resource for Oshawa Power's internal planning. Oshawa Power will continue to monitor updates and guidance from the OEB to ensure it continues to use it as intended.

A.2 Appropriate Benchmarking for Affordability – Rates vs. Costs

518. Oshawa Power disagrees that it should have benchmarked its rates instead of their total costs because rates are set based on costs in a cost of service proceeding.
519. If Oshawa Power was to benchmark its rates and not costs, the question remains which rate classes should be prioritized, and what actions should be taken if Oshawa has different results when comparing different rate classes.

²⁶⁹ SEC Submission at pp. 24-25.

²⁷⁰ Oshawa Power filed the Benchmarking Spreadsheet Forecast model on April 29, 2025 with its forecast results to 2026.

520. For example, SEC's benchmarks have focused on Oshawa Power's GS>50 rate class in their argument. GS>50 customers make up less than 1% of Oshawa Power's customers. AMPCO represents major power consumers, whereas CCC represents residential consumers.
521. Different LDCs use cost allocation methodologies reflecting their respective system.²⁷¹ Comparison of cost allocation differences between LDCs is outside of the scope of Oshawa Power's benchmarking.²⁷²
522. Oshawa Power stands by its assertion that benchmarking based on total costs is a better indicator of cost-efficiency than benchmarking against rate classes, because benchmarking total costs ensures the best possible rates for all.

A.3 OM&A Per Customer Tells the Same Story as FTE Per Customer

523. Parties failed to mention that Oshawa did include metrics comparing OM&A costs per customer in its Application.²⁷³
524. The OM&A cost per customer metric includes labour, subcontractor, and all other operating costs – addressing the suggested deficiencies in the customer per FTE metric.
525. This metric compares LDC's overall operating cost efficiency using public OEB data, averaged across ALL rate classes, for the largest contributor to costs – OM&A. In its Application, Oshawa Power provided OM&A per customer by geographic peer, LDC peers by size, and LDCs by Coort.
526. As can be seen in the tables below, Oshawa Power's OM&A costs per customer remain very low, even after the 2026 increase is factored in – telling the same story as the PEG and Customer per FTE metrics. Oshawa Power has been doing more with less, and will continue to be lean, even after approval of its proposed 2026 rate increase.

²⁷¹ This was illustrated in an example with Burlington Hydro discussed at the hearing (T3P10-11 (Public Redacted Version)), which is moving to Cohort III in 2025 based on its total costs, but had lower GS>50 rates than Oshawa Power.

²⁷² Furthermore, cost allocation was settled in the Settlement proposal.

²⁷³ Exhibit 1 at p. 101, 1.7.4 Benchmarking OM&A Per Customer.

OM&A Per Customer Benchmarking Evidence Summary				
	2021	2022	2023	
Oshawa Power (Ex. 1, Table 1-41)	\$ 218	\$ 233	\$ 250	A
Geographic Peer Group Average (Ex. 1, Table 1-41)	\$ 273	\$ 296	\$ 318	B
Oshawa Power relative to geographic peer group	-20.1%	-21.3%	-21.4%	C = A / B - 1
Similar Sized Peer Group Average (Ex. 1, Table 1-42)	\$ 294	\$ 316	\$ 327	D
Oshawa Power relative to size peer group	-25.9%	-26.3%	-23.5%	E = A / D - 1
Cohort II Peer Group Average (Ex. 1, Table 1-43)	\$ 328	\$ 354	\$ 360	F
Oshawa Power relative to Cohort II peer group	-33.5%	-34.2%	-30.6%	G = A / F - 1
	2024	2025	2026	
Oshawa Power (1-X-5)	\$ 299	\$ 312	\$ 345	H

B. “Just say no” to a purportedly incomplete Application.

527. SEC submits that faced with an Application that is materially non-compliant with the OEB’s filing requirements, the Commissioners have the option of rejecting the Application entirely, and should seriously consider that option.²⁷⁴ SEC erroneously concludes that this determination should be reached by the OEB on two bases: (i) the Application was materially non-compliant with the OEB’s filing requirements due to incompleteness; and (ii) Oshawa Power took an “overly adversarial approach”.²⁷⁵
528. Oshawa Power disagrees.
529. SEC ignores that the Application was accepted as complete by letter on May 14, 2025. The OEB, not intervenors, determine whether or not an Application is complete.
530. As noted throughout, it has been SEC, with a frankly unexplained disdain for Oshawa Power and its CEO, that has been overly adversarial in this proceeding, including filing a motion to compel at the start of a settlement conference (can you imagine a worse way to begin settlement negotiations?); engaging in an extensive fishing expedition on the need and prudence of a new facility (then not citing any of that materials in submissions – because as asserted by Oshawa Power – the information is simply not relevant); and blatantly disregarding the OEB’s Rules of Procedures with regards to filing materials in advance of the oral hearing.
531. SEC mischaracterizes the proceeding as one where Oshawa Power, in a throwback to the past, sought very aggressively to limit the information available to the Commissioners and the Parties. To support this assertion, SEC points to: (i) aspects of the distribution system plan (“DSP”); (ii) aspects of the business transformation plan; (iii) absence of the Oshawa Power chief executive officer; and (iv) a failure to consider the rate impacts of the Application.

²⁷⁴ SEC Submission at paras 1.2.68 to 1.3.2.

²⁷⁵ SEC Submission at paras 1.2.68 & 1.3.2.

532. Oshawa Power again disagrees. Oshawa Power has fully rebutted SEC's argument that it sought to hide the new facility costs under Issue 1.1 above, and will not repeat that argument again here. The record is also clear that SEC simply misunderstood the sequencing of Oshawa Power's business transformation plan, and when asked by SEC the Applicant voluntarily disclosed the risk register (even though not asked for in the original IRs).²⁷⁶ Finally, and as noted in the overview section of this reply, Oshawa Power has been focused on correcting its historically low distribution rates and has considered both affordability and rates as a core imperative in its Application.

C. Defer cost of service Application

533. VECC does not support a five-year rate plan for Oshawa Power. One of the alternatives VECC is proposing is to defer decision making until sometime in 2026, apply an IRM adjustment for 2026 (and potentially 2027) rates, and have Oshawa Power file an addendum to the Application for the new facility.

534. Oshawa Power submits that this recommendation is preposterous and should be rejected outright as not at all in compliance with the OEB's policies (on Cost of Service, or on ACM/ICMs), nor is it in line with respecting the efficiency, timeliness and dependability of the OEB's hearing process. Finally, it is simply tone deaf, as it would continue to perpetuate the numerous operational issues this Application seeks to correct, as well as the very low (4.68%) ROE in 2024.²⁶⁸ Contrary to the submissions of VECC the status quo cannot be sustained.

D. VECC's refusal to sign a confidentiality undertaking should not prejudice Oshawa Power

535. VECC asserts that lacking access to the confidential information places it at a relative disadvantage.²⁷⁷ Oshawa Power disagrees. VECC has two representatives in this proceeding, and both chose not to sign an undertaking to access legitimately confidential materials. This choice by VECC's representatives should not result in any prejudice to Oshawa Power.

All of which is respectfully submitted this 22nd day of December, 2025.



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²⁷⁶ Letter from SEC dated October 2, 2025 re: SEC Motion states: "

²⁷⁷ VECC Submission at paras 8 & 40.