



**BY EMAIL and RESS**

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November 22, 2017  
Our File: EB20170069

**Attn: Kirsten Walli, Board Secretary**

Dear Ms. Walli:

**Re: EB-2017-0069 – Oshawa PUC Networks Inc. Mid-Term Update – SEC Submissions**

We are counsel to the School Energy Coalition (“SEC”). Pursuant to Procedural Order No.2, these are SEC’s submissions on the request by Oshawa PUC Networks Inc. (“OPUCN”) for various adjustments for 2018 and 2019 distribution rates as permitted in the Board’s Decision and Order in EB-2014-0101 (the “Custom IR Decision”)<sup>1</sup>.

In the Custom IR Decision, the Board found a number of deficiencies with OPUCN’s application. It provided for a mid-term review where a limited number of areas of the application would be reviewed and adjustments incorporated into 2018 and 2019 rates, which at the time were declared interim.<sup>2</sup> After a review of the evidence in this proceeding, including the clarifying teleconference, SEC submits the Board should order the following adjustment to OPUCN’s proposal for 2018 and 2019 rates in the area of third-party plant relocations and load forecast.

***Plant Relocations***

OPUCN is not seeking to adjust its 2018 and 2019 revenue requirement for third-party requests for plant relocations. This is after underspending over the first three years of the Custom IR plan in this area by approximately \$2.4M.<sup>3</sup> OPUCN forecasts that in 2018-2019, not only will it undertake the planned forecast work, but that it will also catchup on the work that was not undertaken over the last three years.<sup>4</sup> Due to this, OPCUN believes that no adjustment is warranted. SEC disagrees and submits an adjustment is required.

There is no evidence to justify that the plant relocations requested by Region of Durham and the City of Oshawa will occur as planned in 2018 and 2019. As of the end of 2017, OPUCN will not have done any of the planned \$1.3M net of contributions capital work for the City of Oshawa that was

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<sup>1</sup> *Decision and Order* (EB-2014-0101 - Oshawa PUC Networks Inc), November 12 2015 [“Custom IR Decision”]

<sup>2</sup> *Custom IR Decision*, p.9-10

<sup>3</sup> Exhibit , p.17

<sup>4</sup> *Ibid*

forecast during the Custom IR proceeding.<sup>5</sup> While some of that might begin to be spent in 2018 and 2019, it is unreasonable to expect that the amount of work planned over 5 years will be done in just 2. At best, the work originally planned for 2015 and 2016 may be completed in 2018 and 2019.

		<b>Third-Party Plant Relocations (\$ 000)</b>						
	<b>Project</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2015-2017</b>	<b>2018-2019</b>
EB-2014-0101 Approved	Hwy 407 Extension - Plant relocation	4,510	700	0	0	0	5,210	0
	Hwy 407 Extension - Contribution	-3,580	-400	0	0	0	-3,980	0
	Hwy 407 Extension - Net	<b>930</b>	<b>300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,230</b>	<b>0</b>
Actual/Revised Forecast	Hwy 407 Extension - Plant relocation	1,659	60	480	0	0	2,199	0
	Hwy 407 Extension - Contribution	-856	-240	-300	0	0	-1,396	0
	Hwy 407 Extension - Net	<b>803</b>	<b>-180</b>	<b>180</b>	<b>0</b>	<b>0</b>	<b>803</b>	<b>0</b>
EB-2014-0101 Approved	Durham Region - Plant relocation	1,875	935	1,065	1,080	1,055	3,875	2,135
	Durham Region Contribution	-506	-235	-265	-280	-255	-1,006	-535
	Durham Region - Net	<b>1,369</b>	<b>700</b>	<b>800</b>	<b>800</b>	<b>800</b>	<b>2,869</b>	<b>1,600</b>
Actual/Revised Forecast	Durham Region - Plant relocation	694	1,354	1,319	3,140	1,055	3,367	4,195
	Durham Region Contribution	-190	-325	-615	-1,270	-285	-1,130	-1,555
	Durham Region - Net	<b>504</b>	<b>1,029</b>	<b>704</b>	<b>1,870</b>	<b>770</b>	<b>2,237</b>	<b>2,640</b>
EB-2014-0101 Approved	City of Oshawa - Plant relocation	680	595	470	460	470	1,745	930
	City of Oshawa Contribution	-175	-145	-120	-110	-120	-440	-230
	City of Oshawa - Net	<b>505</b>	<b>450</b>	<b>350</b>	<b>350</b>	<b>350</b>	<b>1,305</b>	<b>700</b>
Actual/Revised Forecast	City of Oshawa - Plant relocation	0	0	0	805	1,250	0	2,055
	City of Oshawa Contribution	0	0	0	-228	-362	0	-590
	City of Oshawa - Net	<b>0</b>	<b>0</b>	<b>0</b>	<b>577</b>	<b>888</b>	<b>0</b>	<b>1,465</b>
EB-2014-0101 Approved		2,804	1,450	1,150	1,150	1,150	5,404	2,300
Actual/Revised Forecast		1,307	849	884	2,447	1,658	3,040	4,105
<b>Variance</b>		<b>-1,497</b>	<b>-601</b>	<b>-266</b>	<b>1,297</b>	<b>508</b>	<b>-2,364</b>	<b>1,805</b>
<i>Source: 1-Staff-3</i>								

If OPUCN could so poorly forecast plant relocations for the first two years of its Custom IR (2015 and 2016) even when the application was heard by the Board in the middle of 2015, parties can have little confidence that it can predict the upcoming two years. SEC finds it troubling that with the oral hearing of its Custom IR application taking place in late June and early July 2015<sup>6</sup>, OPUCN did not update the Board of what it must have known at the time were delays in many of the relocations projects that it was to include in rates.

OPUCN has also over-forecasted the costs to do third-party relocations. Work for the 407 which is being completed in 2017 will have cost 35% less (approximately \$427K) than the forecasted and approved costs in the Custom IR decision.<sup>7</sup>

To remedy these issues the Board should, first, adjust OPCUN's opening 2018 rate base by \$2.4M to ensure customers are not continuing to pay for the costs of third-party request for plant relocation that will not actually occur by the end of 2017. Second, the Board should reduce the 2018 and 2019

<sup>5</sup> 1-Staff-3

<sup>6</sup> The oral hearing took place June 30, July 2-3, 9<sup>th</sup>, 2015.

<sup>7</sup> See 1-Staff-3. Highway 407 net cost 2015-2017 forecasted and approved was \$1.230M, Actual cost forecast to be \$803K.

forecast capital expenditures in this area by 50% to reflect OPUCN's record of both over-forecasting the amount of work that it will have to do, and the cost to doing that work.

### ***Load Forecast***

As part of a mid-term review, the Custom IR Decision provided for a review of "customer connections and consumption" for 2018 and 2019.<sup>8</sup> OPUCN has interpreted this as allowing it to entirely change its load forecast methodology for 2018 and 2019, instead of updating just the forecast connection and consumption information using the load forecast from its EB-2014-0101 proceeding.

By using an entirely different load forecast methodology, OPUCN has strayed beyond the update that was contemplated by the Board's Custom IR Decision. The more limited discovery process provided for in this proceeding has been insufficient to allow for a full testing of a new load forecast methodology. OPUCN did not file the load forecast model with its application. It was only provided in response to interrogatories<sup>9</sup>, and so parties were put at a disadvantage by only having the untranscribed teleconference to attempt to understand and test the model.

This is especially problematic since the approach OPUCN has used is not consistent with Board policy and what any other distributor in Ontario has utilized. For example, the Board's Filing Requirements reference two different forecast models that are generally used and neither make use of a trend analysis proposed by OPUCN.<sup>10</sup>

The Board should require OPUCN to use the purchase power forecasts for 2018 and 2019 based on updated inputs to its load forecast methodology used and approved in EB-2014-0101.

SEC has had an opportunity to review VECC's submissions regarding the appropriate CDM adjustment. We agree with their analysis regarding the appropriate CDM adjustment to make to the load forecast.

### ***Summary***

With the exception of the plant relocations and load forecast, SEC submits that OPUCN's adjustments are both consistent with the Board's Custom IR decision and reasonable.

Yours very truly,  
**Shepherd Rubenstein P.C.**

*Original signed by*

Mark Rubenstein

cc: Wayne McNally, SEC (by email)  
Applicant and interested parties (by email)

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<sup>8</sup> *Custom IR Decision*, p.9

<sup>9</sup> 3-VECC-4(a) and 3-Staff-4(a)

<sup>10</sup> Filing Requirements For Electricity Distribution Rate Applications, Chapter 2, p.26-27