

November 23, 2017

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: EB-2017-0069 – Oshawa PUC Networks Inc. 2015-2019 – Rates – Mid-Term Update – Submissions of the Consumers Council of Canada

Introduction:

On July 7, 2017, Oshawa PUC Networks Inc. (Oshawa) filed an Application with the Ontario Energy Board (OEB) for approval of its rates for 2018 and 2019. This Application arises out of the OEB's Decision in EB-2014-0101, approving a 5-year Custom Incentive Rate plan for Oshawa. As part of that approval the OEB found that for the purposes of setting final rates for 2018 and 2019 Oshawa would be subject to a mid-term review process.

In its Decision the OEB specifically stated:

“The mid-term review will have a narrow scope with a limited number of 2016 actual and forecast updates. The OEB directs Oshawa PUC to file new application no later than July 1, 2017 including evidence of:

- Customer connections and consumption
- Capital expenditures by Oshawa PUC, net of contributions, resulting from:
 - a) Regional planning
 - b) Third party requests for plant locations and
 - c) New customer connections
- Cost and schedule of the MS9 substation project and the proposed Hydro One Enfield TS, as well as any related capital contributions too Hydro One by Oshawa PUC
- Cost of capital
- Working capital requirements based on an updated forecast for the cost of power
- Comparisons of OEB-approved to actuals for 2015-2017
- Comparisons of the approved forecasts for 2018 and 2019 that are used to set interim rates in this Decision and updated forecasts for 2018 and 2019, and
- Comparisons of the interim rates for 2018 and 2019 set in this Decision and the rates that would flow from the updated forecasts Oshawa PUC provides.

The comparisons should provide information, including financial performance sufficient for the OEB to determine whether rate adjustments are warranted.”¹

These are the submissions of the Consumers Council of Canada (Council) regarding Oshawa’s rate proposals for 2018 and 2019.

Submissions:

The Council has submissions to make with respect to Oshawa’s proposed load forecast for 2018 and 2019 and Oshawa’s proposed capital expenditures.

Load Forecast

Oshawa has provided an updated forecast customer growth rate of 1.8% compared to the 3% that is embedded in the interim rates.² The OEB indicated it its decision that Oshawa would have an opportunity to update the forecast growth rate for 2018 and 2019 based on the results to date at the mid-term review.³ Oshawa relied on its discussions with the City of Oshawa and a 2015 Durham Regional Official Plan to arrive at the 1.8%.⁴ Oshawa also adjusted its forecast demand and consumption for 2018 and 2019 to reflect the observed trend for “softening demand” for its customers. In addition, Oshawa applied a new methodology (different from that used in the EB-2014-0101 case) to forecast purchased power for 2018 and 2019.

From the Council’s perspective Oshawa went beyond what the OEB had allowed for in developing its load forecast for 2018 and 2019. The OEB Decision referred explicitly to updates regarding customer connections and consumption. Yet rather than updating the inputs to an approved methodology, what Oshawa has done is apply a new load forecast methodology.

Oshawa’s alternative approach applied in this proceeding uses a simple linear regression model rather than the approved approach. It appears that the application of this new methodology is inconsistent with the OEB’s filing guidelines as it results in a forecast that is not weather normalized. In addition, according to the analysis provided by the Vulnerable Energy Consumers Coalition (VECC) in its submission, the application of the new methodology overstates, or double counts Conservation and Demand Management (CDM) savings.

Accordingly, the Council submits that for the purposes of setting final rates for 2018 and 2019, the OEB should reject Oshawa’s proposed approach and require Oshawa to maintain the load forecast methodology approved in the EB-2014-0101 proceeding.

Capital

The Council has no concerns with respect to the MS9 Substation project that was dealt with in the previous proceeding. Despite concerns that there was uncertainty regarding the cost and timing of that project, Oshawa’s current forecast for the project timing and cost remains unchanged, so no adjustments are requested or required at this time.

¹ EB-2014-0101, Decision and Order dated November 12, 2015, pp. 9-10

² Ex. A, p. 12

³ Decision, p. 30

⁴ Ex. A, p. 12

In the EB-2014-0101 Decision the OEB directed Oshawa to report on the status of its capital program including an analysis of variances from the plan.⁵ With respect to System Access (those projects driven by third-party requests) it is Oshawa's evidence that forecast plant relocations are expected to be \$2.4 million below the plan by the end of 2017, mainly due to the pace of construction being slower than anticipated. Oshawa's evidence is also that despite the shortfall, it expects to spend the projected amounts for 2018 and 2019 and to make up the 2015-2017 shortfall during that period.⁶

From the Council's perspective Oshawa has not provided any credible evidence that these projects will go ahead as planned and that will the full amounts be spent by the end of the five-year rate plan period. Given the \$2.4 variance in the 2015-2017 period the Council submits that in setting rates for 2018 the OEB should require Oshawa to adjust the opening rate base value to reflect what was actually spent during the prior period.

The Council notes that with respect to System Access the project costs for the 2018-2019 period specifically related to the City of Oshawa and Durham Region have increased budgets relative to the forecast set out in the DSP. Given the pattern of under-spending in the prior period the Council does not accept that these increases are reasonable. We note that with respect to the City of Oshawa projects nothing was spent in the 2015-2017 period. With respect to the Durham projects less was spent than planned. The Council submits that the incremental amounts for 2018 and 2019 should not be approved. Given Oshawa's track record and the absence of detailed business cases to support these incremental amounts the OEB should leave the approved interim amounts in place.

Yours truly,

Julie E. Girvan

Julie E. Girvan

CC: All parties

⁵ Decision, p. 20

⁶ Ex. A/p. 17