Corporation de distribution électrique de HEARST Power Distribution Co. Ltd.

May 23, 2025

Ontario Energy Board P.O.
Box 2319 27th Floor
2300 Yonge Street Toronto,
Ontario M4P 1E4

Subject: Request for Deferral of 2026 Cost of Service Application
Hearst Power Distribution Co. Limited (HPDCL) – ED-2002-0539

Dear Registrar,

Hearst Power Distribution Co. Limited (HPDCL) was identified in the Ontario Energy Board's (OEB) December 9, 2024, letter as one of the electricity distributors scheduled to rebase for the 2026 rate year. The same letter outlined the Board's process and expectations for deferral requests, including a deadline of January 24, 2025, to notify the OEB of any intent to defer rebasing.

HPDCL acknowledges that this deadline has now passed. However, we respectfully submit this letter to formally request a two-year deferral of our 2026 Cost of Service (COS) application. We are seeking to continue under the Price Cap Incentive Rate-setting mechanism for 2026 and 2027 and defer our rebasing application to support rates effective May 1, 2028.

We recognize that the Board expects timely notice for deferrals and appreciate its consideration of this late request. The rationale for this request, which we believe demonstrates that a deferral remains appropriate is provided below.

1. **Financial and Operational Performance**

   While HPDCL reported a higher-than-expected achieved Return on Equity (ROE) of 13.96% in 2024, which is 562 basis points above the deemed ROE of 8.34%, and $25,835 above the 300 Basis points, this variance is driven by isolated, non-recurring factors:

   Net Other Revenue increased from $235,382 in the 2021 COS forecast to $337,781 in 2024 actuals. This increase is primarily due to HPDCL being subcontracted for utility locate services following the amendment of the Ontario Underground Infrastructure Notification System Act (OUINS Act), which centralized and streamlined the locate process across the province.
   These revenues reflect extraordinary and time-limited subcontracting activity related to unusually large requests received in 2024. To the best of management's knowledge, this level of revenue is not expected to recur in 2025 or beyond.

   Thus, HPDCL submits that its financial performance does not reflect a sustained over-earning situation, but rather a short-term anomaly due to external regulatory developments.

2. **Resource Constraints and Staff Transition**

HPDCL is currently undergoing internal staffing transitions for 2 senior roles, which have significantly limited the utility's capacity to prepare a robust COS application within the standard timeline. These resource limitations make it impractical to complete the necessary planning, analysis, and stakeholder engagement required for a filing in 2025 for 2026 rates.

A two-year deferral will allow the utility to stabilize operations; onboard new staff as needed and properly prepare for its next rebasing application.

3. **Upcoming ICM Filing for 2026 Rates**

Although HPDCL does not have specific major capital projects underway that would justify an early rebasing, the utility intends to submit an Incremental Capital Module (ICM) as part of its 2026 IRM application to address costs associated with planned extraordinary expense.

This approach allows the utility to recover specific capital costs outside of base rates without requiring a full rebasing, further supporting the rationale for a deferral.

HPDCL believe this request is consistent with the OEB's regulatory framework and in the best interest of ratepayers, providing cost-effective, stable rates while ensuring sufficient planning time for a thorough COS application in the following year.

Please do not hesitate to contact us should the OEB require further information or clarification.

Yours truly,

Original Signed by:

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