



Via RESS

October 21, 2025

Mr. Ritchie Murray, Acting Registrar
Ontario Energy Board
PO Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Mr. Murray:

**Subject: Hydro Ottawa Limited (Hydro Ottawa)
Custom Incentive Rate-Setting (Custom IR) Application for 2026-2030
Electricity Distribution Rates and Charges
OEB File: EB-2024-0115**

In accordance with Procedural Order #3, issued on October 7, 2025, please find enclosed Hydro Ottawa's written interrogatories regarding the third-party expert evidence prepared by Christensen Associates on the request of Ontario Energy Board Staff, titled *"Evaluation of Hydro Ottawa's Proposed Custom Incentive Regulation Framework for The Ontario Energy Board"*.

Please note that Hydro Ottawa is submitting the attached interrogatories without prejudice to its position regarding the propriety or admissibility of certain portions of the CA Energy Consulting report, and any possible future submissions it may decide to make in this regard.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

Signed by:

April Barrie

1E403775748B4CB...

April Barrie

Director, Regulatory Affairs

Directeur, Affaires réglementaires

AprilBarrie@hydroottawa.com

Tel./tél.: 613 738-5499 | ext./poste 2106

Cell.: 613 808-3261

CC: Charles Keizer, Torys LLP
Daliana Coban, Torys LLP
Jonathan Myers, Torys LLP

**IN THE MATTER OF the Ontario Energy Board Act 1998, Schedule B to the Energy
Competition Act, 1998, S.O. 1998, c. 15**

**AND IN THE MATTER OF an Application by Hydro Ottawa Limited for an Order or Orders
approving just and reasonable distribution rates and other service charges for the
distribution of electricity, effective January 1, 2026.**

INTERROGATORIES FROM HYDRO OTTAWA LIMITED

1.

Reference: OEB's Rules of Practice and Procedure, Section 13A.03, Page 11

Christensen Associates' report, page 4, paragraph 5 "CA Energy Consulting has been asked by the Ontario Energy Board staff ("OEB staff") to provide an independent evaluation of the PBR framework filed by Hydro Ottawa Limited ("Hydro Ottawa", or "the Company") under docket EB-2024-0115. This work has involved reviewing materials filed before the Ontario Energy Board ("OEB") pertaining to Hydro Ottawa's Custom Incentive Regulation ("Custom IR") plan, including a review of the initial application, the Company's responses to interrogatories, and the transcript of the Technical Conference. This report contains our independent evaluation of Hydro Ottawa's Custom IR plan proposal and offers recommendations for certain elements of the framework."

Question(s):

- a. Please provide the engagement letter entered into with CA Energy Consulting for purposes of this engagement, as well as copies of all written instructions provided to CA Energy Consulting in respect of this engagement.
- b. Please provide copies of any RFP and proposal response from CA Energy Consulting regarding this engagement.
- c. Please provide a listing of all material CA Energy Consulting reviewed and relied on in preparation of the report, and copies of any such material that is not readily publicly accessible.

2.

Reference: Evaluation of Hydro Ottawa's Proposed Custom Incentive Regulation Framework for The Ontario Energy Board, Page 7, Paragraph 2

CA Energy Consulting conducted a partial productivity analysis that includes 84 Ontario distribution utilities over the period 2013-2023 using the OEB's Total Cost Benchmarking data.

Questions(s):

- a. Does CA Energy Consulting see merit in considering the U.S. productivity trend when formulating Hydro Ottawa's productivity factor? Please explain.
- b. What are CA Energy Consulting's views on the appropriate time length of a productivity analysis and, specifically regarding the use of this ten-year period versus a longer or shorter time period when formulating productivity factor recommendations?

3.

Reference: Evaluation of Hydro Ottawa's Proposed Custom Incentive Regulation Framework for The Ontario Energy Board, Page 8, Paragraph 1

The findings presented in Table 1 align with recent empirical work conducted with data from US distribution utilities.

Question(s):

- a. Please confirm or correct that the US distribution work that CA Energy Consulting is citing revealed a 0.21% U.S. PFP trend.
- b. Please confirm or correct that the cited research used a customer-only output index.
- c. Please confirm or correct that the cited research used a U.S. northeast only sample.
- d. Please confirm or correct that the cited research used a 15-year time period starting in 2008 and ending in 2022.
- e. In the cited testimony, CA Energy Consulting recommended that a faster growing inflation index be used to escalate O&M rather than GDP-PI. In Hydro Ottawa's OM&A revenue escalation, the inflation index is primarily driven by GDP-IPI (70% weight with a 30% weight on average weekly earnings). Does CA Energy Consulting believe this inflation index is an appropriate input price inflation factor for Hydro Ottawa's OM&A revenue escalation formula? Please explain.
- f. In the cited U.S. PFP research, did CA Energy Consulting use the same input price inflation assumption in the PFP research as used in its recommendation for the inflation factor? Is using the same input price inflation assumption in the I-Factor and productivity factor research an appropriate approach?
- g. In the cited U.S. PFP research, did CA Energy Consulting recommend a stretch factor be added to the O&M escalation formula?

4.

Reference: Evaluation of Hydro Ottawa's Proposed Custom Incentive Regulation Framework for The Ontario Energy Board, Page 8, paragraph 3

The productivity factor should reflect expected future productivity growth during the revenue cap term, which in this case spans 2026 to 2030. Typically, an empirical measure of historical average productivity serves as an estimate for this expected growth rate.

Question(s):

- a. Does CA Energy Consulting take the view that X Factors can and should be negative assuming that the empirical evidence warrants a negative X Factor?

5.

Reference: Evaluation of Hydro Ottawa's Proposed Custom Incentive Regulation Framework for The Ontario Energy Board, Page 8, paragraph 17

The findings presented in Table 1 align with recent empirical work conducted with data from US distribution utilities.

Question(s):

- a. Please confirm that the referenced recent empirical work is that of CA Energy Consulting Consulting and does not reflect the findings of the Massachusetts Department of Public Utilities.
- b. Please confirm within the empirical work if any of the distribution companies underwent an initial public offering during the sample period.
- c. Please confirm whether the distribution companies included in the empirical work shared similar operational and geographical characteristics, and if there were any outliers in the data set please explain them with supporting details regarding their characteristics.

6.

Reference: Evaluation of Hydro Ottawa's Proposed Custom Incentive Regulation Framework for The Ontario Energy Board, Page 10, paragraph

We begin by discussing the bias that likely results from correcting OM&A for Other Revenues before moving on to the circuit kilometer and CDM adjustments. In all cases, the issue stems from correcting Hydro Ottawa's data without correcting the data for all other companies in the sample and re-estimating the parameters of the model before predicting Hydro Ottawa's costs.

Question(s):

- a. Is CA Energy Consulting aware that other utilities have "corrected" their data throughout the years within the OEB benchmarking model?
- b. Assuming that Hydro Ottawa has a higher proportion of Other Revenues driven expenses contained in its OM&A expenses, would this bias the OEB Benchmarking results against Hydro Ottawa?
- c. Does CA Energy Consulting agree that, at least some, distributors report primary plus secondary lines? If yes, does this bias the OEB Benchmarking results against Hydro Ottawa?
- d. Please confirm if the sample company data used to produce the PEG regression model includes secondary circuit kilometers.

- e. Please explain the effect on the relationship between actual and predicted costs for distribution utilities that failed to report secondary circuit kilometers between 2013-2024, assuming the majority of the companies in the sample (PEG regression model) had reported secondary circuit kilometers.

7.

Reference: Evaluation of Hydro Ottawa's Proposed Custom Incentive Regulation Framework for The Ontario Energy Board, Page 18, paragraph 2

A company that has operated under an indexed cap framework for twenty years may be operating on its efficiency frontier. In such a scenario, an attenuated stretch factor may be reasonable.

Question(s):

- a. Please provide a listing of all CA Energy Consulting reports and testimony in North America that includes recommended stretch factors in the last five years. Please provide hyperlinks to the referenced reports, and please provide copies of any reports that are not readily publicly accessible.
- b. What is the basis for twenty years in the quoted statement above?

8.

Reference: Evaluation of Hydro Ottawa's Proposed Custom Incentive Regulation Framework for The Ontario Energy Board, Page 18, paragraph 3

Therefore the Company's O&M cost performance would ideally be benchmarked against its peers rather than its total cost. To our knowledge, this is not possible because the PEG econometric model is a total cost model.

Question(s):

- a. Given this view, combined with the fact the coefficients were estimated using sample years of 2002 to 2012, and the other issues cited by Hydro Ottawa, does CA Energy Consulting take the view that the PEG model accurately depicts the projected OM&A cost performance of Hydro Ottawa in the years of 2026 to 2030?

9.

Reference: Evaluation of Hydro Ottawa's Proposed Custom Incentive Regulation Framework for The Ontario Energy Board, Page 20, paragraph 4

In addition, we suggest using a revenue-weighted average to align with the weights used to calculate the productivity factor (see Appendix 1).

Question(s):

- a. In CA Energy Consulting's view, is it also a reasonable alternative to calculate the G Factor and Productivity Factor used in a revenue cap using cost-based weights? If not, please explain.
- b. Does CA Energy Consulting agree that the Growth Factor is meant to escalate revenues for the increased costs associated with system growth? If not, please explain the purpose of the G Factor within a revenue cap escalation formula.

10.

Reference: Working Papers

Question(s):

- a. Please verify that the industry PFP analysis is customer-weighted. If so, why choose customers rather than any other outputs, cost, or aggregation of all variables in the analysis?
- b. Several utilities have large increases in outputs and OM&A expenses year-over-year due to mergers. Does CA Energy Consulting agree that these large jumps in variables from year to year will/may distort the analysis?