

HYDRO OTTAWA REPLY TO CHRISTENSEN ASSOCIATES EVALUATION OF HYDRO OTTAWA'S PROPOSED CUSTOM INCENTIVE REGULATION FRAMEWORK

At the request of OEB staff, Christensen Associates Energy Consulting, LLC ("CA Energy Consulting") submitted an evaluation of Hydro Ottawa Limited's ("Hydro Ottawa's" or "the utility's") proposed Custom Incentive Regulation Framework on October 14, 2025 ("the CA Report").

Hydro Ottawa engaged Clearspring Energy Advisors ("Clearspring") as an independent expert to review the CA Energy Consulting report, working papers and interrogatory responses, and prepare a reply report which was filed on November 3, 2025 (the "Clearspring Report").¹

In addition to the Clearspring Report, Hydro Ottawa would like to address three items raised in the CA Report: (1) Other Revenue, (2) Growth Factor, and (3) Adjustments for multi-use buildings.

Other Revenue re Hydro One Rents and Other Joint Assets

CA Energy Consulting cited Hydro Ottawa's example on rent from Hydro One as an example of an Other revenue that "if this is the case for other companies in the sample, then adjusting Hydro Ottawa's OM&A cost and comparing it to the model's prediction without correcting all other company costs and re-estimating the model's parameters will overestimate Hydro Ottawa's performance."² However, CA Energy Consulting does not appear to have reviewed the OEB's open sources data for these elements or assessed if inequities are being recorded related to the treatment of OM&A costs related to Other revenue. In reviewing the OEB's open source data, Hydro Ottawa achieved the third highest Other Revenues within Account 4210³, confirming that Hydro Ottawa has a disproportionate level of other revenue in this category compared to its peers.

Growth Factor Consideration

¹ Clearspring Energy Advisors LLC, *Responses to Christensen Associates Analysis Regarding Hydro Ottawa's Proposed Custom IR Incentive Regulation Framework (in reply to October 14, 2025 report)* (November 3, 2025).

² Christensen Associates, *Evaluation of Hydro Ottawa's Proposed Custom Incentive Regulation Framework for The Ontario Energy Board* (October 14, 2025), page 11, paragraph 26.

³ Please note based on reviewing Hydro One's Appendix H in EB-2021-0110 and the open source data Hydro One reported this revenue within Account 4325 - Miscellaneous Service Revenues and has been included in this analysis.

CA Energy Consulting's review of Hydro Ottawa's rate framework does not consider the growth and energy transition impacts arising within the utility's service territory, the need for investment in grid modernization and resiliency, or the distinct operating conditions of Hydro Ottawa's service territory that necessitate a geographical approach to planning for system capacity.

Hydro Ottawa requested Clearspring to calculate a growth factor using Clearspring's cost elasticity methodology which relies on historical and forecast observations to predict the escalation of OM&A expenditures over the forecast term. In evaluating the output of this analysis, it is important to note that historical cost elasticity models do not account for changes in policy direction provided by the Ministry and evolving requirements related to enabling growth, economic development and energy transition readiness. To address these evolving expectations, Hydro Ottawa has taken a measured approach by investing in areas where customer requests have already occurred, but appropriately sizing stations to ensure future needs can be met cost-effectively. In addition, Hydro Ottawa has proposed to invest in non-wires solutions where new infrastructure cannot be built fast enough, and advanced grid technologies and capabilities to modernize distribution grid management. These investments are foundational for serving future growth, economic development and energy transition outcomes in Hydro Ottawa service territory. They are also incremental to what the Clearspring cost elasticity model predicts and thus must be reconciled within any reasonable growth factor or OM&A funding approach. For this reason, Hydro Ottawa maintains that its proposed growth factor as filed in the application is an appropriate reflection of how it will need to manage costs in the next 5 years to properly invest and prepare to service its customers through the energy transition, rising costs and policy environment. This position is supported by the company's bottom-up OM&A forecasts as presented in the response to undertaking JT3.18.

Adjustments for Multi-use building

Hydro Ottawa disagrees with CA Energy Consulting's observation that converted buildings should not be considered growth for the purpose of OM&A. For example, when converting a 200 unit multi unit residential building from bulk to unit metering, the distributor now has 200 instead of 1 customer's meters to read, bill, and potentially perform additional collection activities, low income programming and field customer related calls. Regardless, Hydro Ottawa has already adjusted future growth for the impacts of historical unit metering in its load forecast. For more information, please

refer to Attachment 3-1-1(B) - Hydro Ottawa Long-Term Electric Energy and Demand Forecast (produced by Itron), page 6.

Summary

Hydro Ottawa has filed a comprehensive expert report by Clearspring Energy Advisors critiquing the productivity factor, stretch factor and growth factor recommendations put forward by CA Energy Consulting in the CA Report. In addition, this reply identifies (i) factual considerations that CA Energy Consulting omitted in its analysis of the stretch factor and the growth factor, and (ii) incremental costs that should be taken into account in setting the utility's OM&A funding over the proposed rate term. Together, this evidence demonstrates that the analysis in the CA Report is deficient and cannot be relied upon to set the custom OM&A factor.