

November 13, 2025

Ritchie Murray
Registrar
Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Toronto, Ontario
M4P 1E4

Dear Mr. Murray:

EB-2025-0030 – Hydro One Networks Inc. – 2026 Distribution Rates - ICM Request

Please find, attached, the Final Submissions of the Consumers Council of Canada pursuant to the above-referenced proceeding.

Please feel free to contact me if you have questions.

Yours truly,

Julie E. Girvan

Julie E. Girvan

CC: All parties

FINAL SUBMISSIONS OF THE CONSUMERS COUNCIL OF CANADA

RE: HYDRO ONE NETWORKS INC. – 2026 DISTRIBUTION RATES/Z-FACTOR

EB-2025-0030

INTRODUCTION:

On August 28, 2025, Hydro One Networks Inc. (HON) filed an application with the Ontario Energy Board (OEB) for approval of its distribution rates effective January 1, 2026. The application is for Hydro One Distribution, the Orillia Rate Zone and the Peterborough Rate Zone. The application includes a request for Z-factor relief related to storm damage.

These are the submissions of the Consumers Council of Canada (CCC) regarding HON's application. CCC will limit its submission to the request by HON for Z-factor relief.

THE APPLICATION:

Starting on March 29, 2025, a major storm system caused extensive damage to HON's distribution infrastructure, as accumulated ice brought down trees, poles and conductors across much of the company's service territory. The storm resulted in 1.2 million service interruptions with 600,000 customers impacted. The majority of the restorations took place between March 28 and April 14. Hydro One was able to restore 90% of impacted customers within 4 to 5 days. Restoration efforts were completed and the final Z-factor related outage resolved on May 8. Hydro One is seeking approval of costs incurred up until June 30, 2025 due to permanent infrastructure replacements that continued beyond May.

The following Table summarizes the damage resulting from the Z-Factor event¹:

	Total
Total Broken Poles	3,088
Broken Cross Arms	3,527
Damaged Transformers	759
Transformer Spills	170

¹ Table 1 – Z-Factor Damage Ex. A/T6/S1/p. 6

The following Table sets out the net Capital Expenditures that HON spent during the Z-factor event:

Z-factor Net Capital Expenditures²

\$ M	Internal Resources	Third-Party Contractors	Mutual Aid Partners	Total \$ M
Labour - Regular	29.7	50.0	7.3	86.9
Labour - Overtime	51.5	0.50	-	52.0
Materials	14.6	2.0	0.1	16.6
Fleet	12.8	15.9	1.4	30.2
Sub-contractor		0.7	-	0.7
Other	6.3	2.8	0.6	9.8
Total	114.9	71.8	9.4	196.1
%	58%	37%	5%	100%
Hydro One Distribution				187.0
Peterborough RZ				7.4
Orillia RZ				1.8
Total				196.2

The following Table summarizes the relief sought by HON by rate zone which includes ³:

Relief Requested

	Calculation	Hydro One Distribution	Peterborough	Orillia	All Rate Zones
Z-Factor Net Capital Expenditures		\$187.0	\$7.4	\$1.8	\$196.2
Revenue Requirement impact	A	\$38.8	\$3.0	\$0.9	\$42.7
Asset Removal Costs	B	\$25.5	\$1.0	\$0.2	\$26.7
Total Relief Sought	A+B	\$64.3	\$4.0	\$1.1	\$69.4

² VECC 13

³ Table 4 – relief Sought by Rate Zone Ex. A/T6/S1/p. 16

Overall, HON is seeking to recover \$69.4 million in revenue requirement. This includes the net Capital Expenditures and Asset Removal Costs. Asset removal costs are expenses associated with the dismantling, decommissioning, or disposing of assets that have been damaged or have reached the end of their useful life that need to be replaced or removed. These costs typically cover labour and equipment for dismantling or demolition, transportation and disposal of materials, and, when necessary, site restoration to meet environmental standards.⁴

HON is not seeking recovery of the OM&A costs it incurred due to Z-factor event citing the fact that the majority of costs incurred were capital and HON expects that limiting the scope of this application to those costs will promote a focussed and efficient process.⁵

SUBMISSIONS:

The OEB has three Z-Factor eligibility criteria – materiality, causation and prudence. In addition, a utility applying to recover the costs associated with a Z-factor event must:

- Demonstrate that its achieved return on equity (ROE) during its most recent fiscal year does not exceed 300 basis points above its ROE embedded in rates;
- Demonstrate that the utility could not have been able to plan and budget for the event and that the harm caused by the extraordinary event is genuinely incremental to its experience and reasonable expectations;
- Demonstrate that the costs were incurred within a 12-month period and are incremental to those already being recovered in rates as part of ongoing business risk.⁶

CCC submits that HON's Z-factor costs clearly exceed the HON materiality threshold which was approved as \$3 million in HON's last rebasing proceeding (EB-2021-0110). In addition, CCC does not intend to take issue with the prudence of the expenditures. CCC's does not, however, support full recovery of the \$69.4 revenue requirement amount which HON seeks to recover for the following reasons:

- HON has set out the assets that were replaced in each of the rate zones as a result of the storm. This includes, poles, towers and equipment (which included poles and crossarms), overhead conductors and devices, and line transformers. In its Custom IR rate Application HON proposed a pole replacement program that would address a subset of poor condition poles. The subset focussed on poles that impacted the highest number of customers. Based on the plan, of the 3088 poles replaced during the Z-factor event, 27 poles were planned for refurbishment and 88 were planned for replacement over the 2023 to 2027 rate period. Of the 3527 crossarms replaced during the Z-factor

⁴ Ex. A/T6/S1/p. 16

⁵ Ex. A/T6/S1/p. 16

⁶ Ex. A/T6/Si/p. 15

event 18 were planned for replacement over the 2023 to 2027 period, but had not been scheduled and two transformers were planned to be replaced prior to the end of the 2025, but had not been scheduled.⁷ CCC submits that the costs associated with these replacements should not be eligible for recovery as they are not incremental and are currently funded through base rates.

- HON has set out a breakdown of the Z-Factor costs which amount to the \$196.1 million. Most of the costs relate to “Labour Regular”, “Labour Overtime” and the costs associated with “Mutual Aid Partners” and “Third Party Contractors”. CCC is supportive of the inclusion of the costs of Third-Party Contractors, Mutual Aid Partners and Labour Overtime as these are clearly incremental to what is in base rates – a requirement for cost recovery in a Z-factor application. CCC does not support inclusion of the \$29.7 million as it represents capitalized labour – which is funded through base rates. The individuals would be paid regardless of the storm if they are considered “Labour Regular”. From CCC’s perspective only incremental costs should be recoverable.
- HON has defined asset removal costs are expenses associated with the dismantling, decommissioning, or disposing of assets that have been damaged or have reached the end of their useful life that need to be replaced or removed. These costs typically cover labour and equipment for dismantling or demolition, transportation and disposal of materials, and, when necessary, site restoration to meet environmental standards.⁸ HON has included all \$26.7 million of its asset removal costs in its Z-factor request. It is unclear to CCC as to why these costs are recoverable. They appear to be operating costs which HON has excluded from its application. In addition, they appear to be largely labour costs associated with regular employees which would not be incremental to what is included in rates.
- CCC notes that in the period 2022-2024 HON spent significantly less than it planned with respect to its Vegetation Management program. In addition, the Right of Way Kilometers Cleared were well below the proposed targets. CCC submits that had HON pursued its Vegetation Management program as planned this may have had an impact on the storm damage and the associated costs.

CCC does not support full recovery of the \$69.4 in revenue requirement HON is seeking approval for. CCC supports reductions related to the replacement of assets that were planned to be replaced during the 2025-207 period. In addition, \$29.7 in labour costs should be excluded to reflect the fact that those costs are not incremental to what is included in base rates. Further reductions appear to be justified to reflect the inclusion of asset removal costs. Finally, CCC supports a reduction to reflect the fact that the storm damage may have been less if HON pursued its Vegetation Management program as planned.

⁷ IR OEB Staff - 2

⁸ Ex. A/T6/S1/p. 16