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DECISION AND ORDER

EB-2025-0241

MILTON HYDRO DISTRIBUTION INC.

2025 Accounting Order Application

BEFORE: **Patrick Moran**
 Presiding Commissioner

December 9, 2025

1. OVERVIEW AND PROCESS

On July 31, 2025, Milton Hydro Distribution Inc. (Milton Hydro) filed an application requesting approval for an accounting order to establish a Corporate Cost Allocation Variance Account (CCAVA). This new deferral and variance account (DVA) would track the revenue requirement impacts resulting from changes between the allocation of shared services and corporate costs, as approved in Milton Hydro's 2023 Cost of Service (CoS) proceeding, and the updated amounts which have been determined to be appropriate through the Atrium Economics Report for the 2023 CoS year.¹

On September 9, 2025, the Ontario Energy Board (OEB) issued a Notice of Hearing and Procedural Order No.1. This order set the procedural schedule for interrogatories and submissions and invited intervenors from the 2023 CoS proceeding² to participate in the proceeding. The OEB granted intervenor status and cost award eligibility to the School Energy Coalition (SEC), Consumers Council of Canada (CCC), and Vulnerable Energy Consumers Coalition (VECC) following their participation requests.

On September 23, 2025, OEB staff and intervenors submitted written interrogatories requesting additional information related to Milton Hydro's request for the accounting order. On October 7, 2025, Milton Hydro provided responses to the interrogatories. Along with its responses, Milton Hydro filed a letter with the OEB seeking confidential treatment for certain information included in the interrogatory responses. OEB's decision regarding Milton Hydro's confidentiality request is addressed in this Decision and Order.

By October 23, 2025, OEB staff and intervenors submitted their written arguments to the OEB and served them on all parties in the proceeding, followed by Milton Hydro's reply submission on November 4, 2025.

The OEB has considered all evidence and submissions on the record and for the reasons set out in this Decision and Order, the OEB denies approval for the establishment of the DVA requested by Milton Hydro.

¹ EB-2025-0241, Milton Hydro's Accounting Order Application filed on July 31, 2025, Section 4, p. 5

² EB-2022-0049

2. DECISION OUTLINE

Each of the following issues is addressed in this Decision and Order, together with the OEB's findings:

- Confidentiality Requests
- Request for a new DVA

3. DECISION ON CONFIDENTIALITY REQUESTS

In its letter dated October 7, 2025, Milton Hydro requested confidential treatment for certain information contained in its interrogatory responses to OEB staff and intervenors, pursuant to the OEB's *Rules of Practice and Procedure*³ and *Practice Direction on Confidential Filings*.^{4,5}

The responses for which confidential treatment was requested are listed below:

- The response to interrogatories from OEB staff and VECC⁶ includes a forecasted Return on Equity (ROE). Milton Hydro notes that such a request requires the disclosure of non-public, forward-looking financial information and includes information that has not been generally disclosed. Milton Hydro states that the OEB has provided confidential treatment for Elexicon Energy's ROE in two prior decisions.⁷ In addition, Milton Hydro submits that its forecasted ROE is based on unaudited, draft financial information that remains subject to change, and emphasized that such forecasts rely on speculative, non-public, forward-looking financial data, which is consistently treated as confidential.⁸
- The response to an interrogatory submitted by SEC⁹ includes details regarding Atrium Economics' contract pricing, as well as a recent client list and contact information. Milton Hydro submits that this information is not relevant to the proceeding. However, should the OEB determine that the information is relevant, Milton Hydro requests that it be treated as confidential, as it pertains to Atrium Economics' unit pricing and billing rates, which are presumptively confidential under Appendix B of the *Practice Direction*. Milton Hydro further notes that disclosure of this information could prejudice Atrium Economics' interest in future commercial negotiations for similar services with other potential clients. Milton Hydro cited examples of previous decisions where similar types of information were treated as not relevant or confidential.¹⁰

³ Sections 10.01 and 10.02 of the OEB's Rules of Practice and Procedure (revised March 6, 2024)

⁴ Sections 5.1.1, 5.1.2 and 11 of the OEB's Practice Direction on Confidential Filings (revised December 17, 2021, "Practice Direction")

⁵ Letter to the OEB, Interrogatory Responses Confidentiality Request, October 7, 2025

⁶ Staff-5/VECC-1

⁷ EB-2022-0024 and EB-2022-0317

⁸ Letter to the OEB, Interrogatory Responses Confidentiality Request, October 7, 2025, p. 2

⁹ SEC-5

¹⁰ EB-2022-0200, Decision on Confidentiality, July 12, 2023, (Revised July 24, 2023), p. 11 & EB-2021-0110, Decision on Confidentiality Requests and Procedural Order No. 5, April 14, 2022, p. 10

- The response to another interrogatory submitted by SEC¹¹ contains proprietary information, including formulas embedded in Milton Hydro's software, and is considered confidential in nature. Milton Hydro submits that disclosure of this information could adversely affect its competitive position and commercial interests. The company has invested substantial time and resources in developing a customized water allocation model, and releasing this information would enable other utilities to benefit without incurring similar costs. Additionally, the section of the water allocation model includes unit rates for NorthStar IT support, which—similar to the submissions regarding Atrium Economics' information—is not relevant to the proceeding and is presumptively confidential under the *Practice Direction*. Milton Hydro further notes that some of the redacted information in this response pertains to employee names, salaries, and compensation benefits. The names associated with job positions provided in the reply could result in the disclosure of identifiable individuals' salary and/or compensation. In addition, the interrogatory requested detailed breakdowns of items such as base salary, incentives, overtime, standby, and on-call/shift premiums. Because this information was provided at a granular level, it has not been aggregated sufficiently to allow for public disclosure and should be treated as personal information. Milton Hydro cited two prior decisions that addressed similar circumstances in previous proceedings.¹²

Findings

The OEB has reviewed Milton Hydro's confidentiality requests for the information identified above and has provided its findings on each item below.

The OEB denies the request for confidential treatment of the forecasted ROE. Milton Hydro has not demonstrated that it is an issuer of securities in regulated markets where such information would be subject to public disclosure requirements. Furthermore, Milton Hydro operates as a regulated monopoly within its service territory and does not participate in a competitive market.

The OEB grants the request for confidential treatment of the Atrium Economics agreement. The OEB accepts that the information is commercially sensitive and presumptively confidential under Appendix B of the *Practice Direction*.

The OEB approves Milton Hydro's request for confidential treatment of the water allocation model. The OEB accepts that the information is proprietary and that public

¹¹ SEC-6(c)

¹² EB-2021-0110, Decision on Confidentiality Requests and Procedural Order No. 5, April 14, 2022, p. 10 & EB-2019-0018, Decision on Confidentiality, July 24, 2019, p. 2

disclosure could adversely impact Milton Hydro's competitive position and commercial interests. The unit rates for NorthStar IT support are considered commercially sensitive and will be treated as confidential. In addition, the OEB will maintain confidentiality for personal information relating to individual employee compensation, as disclosure could reveal identifiable salary and benefit details.

4. REQUEST FOR A NEW DVA

In the application, Milton Hydro sought to establish a new DVA (the CCAVA) to track the incremental revenue requirement impacts arising from changes in the allocation of shared services and corporate costs approved in Milton Hydro's last rebasing application. Milton Hydro requested an effective date of January 1, 2025 for the new DVA.

Milton Hydro noted that it had proactively engaged in an independent third-party to review its shared services and corporate cost allocation methodology ahead of its next rebasing application as outlined in its 2023 CoS Settlement Proposal. As part of the Settlement Proposal in its 2023 CoS proceeding, Milton Hydro committed to undertake an independent third-party review of its methodology to allocate common costs among its affiliates and produce a report as part of its next rebasing application.

The review conducted by the third party (Atrium Economics) identified an overallocation of \$369,851 in shared services and corporate costs to Milton Hydro's affiliates resulting in an equivalent undercharge to Milton Hydro's ratepayers. Accordingly, Milton Hydro proposed to record \$369,851 annually in this new DVA from January 1, 2025, until its next rebasing year¹³. Milton Hydro requested to recover the account balances including the carrying charges only if its average actual regulated ROE does not exceed the OEB-approved ROE of 8.66%, for the fiscal years from 2025 until the last audited fiscal year for the next rebasing application (currently 2027).

Milton Hydro stated that its request to establish a DVA is appropriate and that the proposed DVA aligns with prior OEB practice regarding the use of a DVA. The third-party review identified that Milton Hydro's ratepayers have benefitted from the undercharged shared costs. The requested DVA is proposed to take effect in 2025, even though Milton Hydro began allocating lower costs to its affiliates in 2024, resulting in increased OM&A for its electricity distribution activities. To protect its ratepayers, Milton Hydro proposed an ROE guardrail under which the account balance will only be disposed of (i.e. recovered from ratepayers) if Milton Hydro's average actual ROE falls below the OEB's approved ROE of 8.66%. While Milton Hydro acknowledged it has

¹³ EB-2025-0241, Application for an Accounting Order, July 31, 2025, p. 3

exceeded the OEB's approved ROE in 2023 and 2024, it expects to underearn in the later years of its Incentive Rate-setting Mechanism (IRM) term.¹⁴ Milton Hydro further stated that the proposed DVA meets the OEB's eligibility criteria.¹⁵ Additionally, Milton Hydro referenced two OEB precedent cases (Oakville Hydro's 2018 and Halton Hills Hydro's 2018 IRM applications) to support its proposal in this application.¹⁶

In its reply submission, Milton Hydro provided a revised proposal to address the concerns raised by OEB staff and intervenors regarding the appropriateness of the DVA. Instead of the originally proposed fixed annual cost differential of \$369,851 to be recorded into the DVA, Milton Hydro proposed to record on an annual basis the difference between:¹⁷

- i. the amount approved in rates in its 2023 COS related to shared service and corporate cost allocation charged to its affiliates, inflated annually at Milton Hydro's approved IRM rate; and
- ii. the actual costs for the shared service and corporate cost allocation charged to its affiliates based on the methodology in the Atrium Economics Report.

Consistency with the OEB-approved 2023 Settlement Proposal

OEB staff submitted that the adjustment resulting from the updated cost allocation review is not consistent with Milton Hydro's OEB-approved 2023 settlement proposal. Milton Hydro's 2023 revenue requirement and rates were established based on the complete OEB-approved settlement proposal, in which Milton Hydro and the intervenors agreed to a value for other revenues. As noted by OEB staff, Milton Hydro's "methodology to allocate cost between affiliates" related to the calculation of other revenues used and accepted by the parties. Additionally, the settlement proposal provides that Milton Hydro will bring forward a third-party report as part of its next CoS application.¹⁸

OEB staff further submitted that the proposed changes related to the shared cost allocation and associated accounting treatment would be appropriately reviewed in Milton Hydro's next rebasing application, when the broader cost structure, allocation, and rate impacts are fully assessed. Milton Hydro should maintain the revenue requirement established based on the 2023 OEB-approved settlement proposal, subject only to formulaic adjustments, which aligns with the principles of the Price Cap Incentive

¹⁴ EB-2025-0241, Application for an Accounting Order, July 31, 2025, pp.4

¹⁵ [Chapter 2 Filing Requirements for Electricity Distribution Rate Applications](#), December 9, 2024, S.2.9.2, pp. 68-69

¹⁶ EB-2025-0241, Application for an Accounting Order, July 31, 2025, pp.4-5

¹⁷ Reply Submission, November 4, 2025, pp.6-7

¹⁸ OEB Staff Submission, October 21, 2025, pp.4-6

Rate-setting (IR) framework and remains consistent with the approved 2023 settlement proposal.¹⁹

CCC submitted that Milton Hydro's proposal is directly contrary to the 2023 OEB-approved settlement proposal. There was no consideration or agreement provided in the OEB-approved settlement proposal to allow changes to the allocation of shared service costs to be considered or implemented during the IR term.²⁰ Similarly, SEC concluded that the 2023 settlement proposal did not provide Milton Hydro with a free-standing ability to seek recovery during the IR term.²¹

In its reply submission, Milton Hydro maintained that the OEB-approved 2023 settlement proposal is silent on and contains no provision permitting or restricting relief associated with the third-party review. Neither does the settlement proposal limit or prohibit Milton Hydro from filing this application. Milton Hydro further stated that the OEB panel that approved the 2023 settlement proposal has no authority to bind the current panel considering Milton Hydro's DVA application.²²

Appropriateness of the Proposed Regulatory Mechanism

OEB staff submitted that the proposed DVA may not be an appropriate rate mechanism to address any material adjustments due to improved information or evidence of a cost component in cost-based applications between the rebasing applications. Allowing such recovery, particularly when it benefits the utility rather than the customers, would undermine the rates set under the current rate-setting mechanism. OEB staff also noted the absence of financial viability concerns despite the alleged understated shared corporate costs approved in the 2023 rebasing application; and that Milton Hydro's strong ROE performance in 2023 and 2024 further weakens its proposal to recover the cost differential through the requested DVA during the rate term.²³

CCC shared the same view regarding the lack of financial viability concern, noting that in dollars, Milton Hydro has earned approximately \$1.9M in excess of its OEB-approved ROE over 2023 and 2024, which exceeds the cost differential of \$1.1M that it seeks to recover through the requested DVA. Moreover, CCC argued that Milton Hydro's reliance on the OEB's Chapter 2 Filing Requirements in support of its application is misplaced, as these Filing Requirements are intended to guide COS applications, not to justify bypassing the incentive ratemaking framework for cost recovery beyond what IR framework permits. CCC stated that there are only two generic regulatory mechanisms

¹⁹ *Ibid.*

²⁰ CCC Submission, October 22, 2025, pp.2-3

²¹ SEC Submission, October 22, 2025, p.2

²² Reply Submission, November 4, 2025, pp.7-8

²³ OEB Staff Submission, October 21, 2025, p.5

allow for recording or recovery of cost changes during an IR term, which are the Z-factor and the ICM mechanisms. However, neither applies to Milton Hydro's request. In conclusion, CCC submitted that there is no regulatory mechanism available to Milton Hydro that would permit the requested DVA during Milton Hydro's IR term. CCC further emphasized that OEB should consider the information asymmetry between utilities and ratepayers, noting that utilities are quick to seek recovery of known cost increases but rarely requesting refunds for cost decreases during an IR term.²⁴

SEC made similar submissions, noting that a utility's actual costs will naturally diverge from the approved amounts, and that the OEB has already established specific regulatory mechanisms to address such circumstances. However, establishing a DVA is not one of those mechanisms. SEC argued that allowing such DVAs would undermine the purpose of decoupling rates from revenues and would create an asymmetrical advantage for utilities.²⁵

Milton Hydro disagreed with the submissions of OEB staff and the intervenors that the requested DVA is undermining the rates set under the current rate-setting mechanism and is not appropriate. In its reply submission, Milton Hydro noted that the OEB has established a clear legal test for the establishment of DVAs based on causation, materiality, and prudence. This test does not consider who benefits financially, nor is that factor relevant to this case.²⁶

Furthermore, Milton Hydro noted that DVAs have been granted by the OEB under section 78 of the Ontario Energy Board Act in a variety of circumstances outside of COS applications. The OEB *Handbook for Utility Rate Applications* (Handbook) defines a DVA as an account that "tracks the cost of a project or program which the utility could not forecast when the rates were set. When the costs are known, the utility can then request permission to recover the costs in future rates." Milton Hydro stated that a deferral account is especially useful for addressing operating expenses, noting that this approach aligns with the OEB's conclusion in the Framework for Energy Innovation²⁷, which states that distributors may apply for a deferral account to record material expenses related to DER integration and use.²⁸

Milton Hydro also noted that a DVA is different from ICM or Z-factor mechanisms as the rate impact occurs only upon the disposition of a DVA and is subject to a prudence review. Milton Hydro emphasized that the purpose of this application is for the establishment of a DVA to track amounts for future disposition. Milton Hydro further

²⁴ CCC Submission, October 22, 2025, pp.1-3

²⁵ SEC Submission, October 22, 2025, p.3

²⁶ Reply Submission, November 4, 2025, pp.4-6

²⁷ [Framework for Energy Innovation: Setting a Path Forward for DER Integration](#), January 2023, p. 28

²⁸ Reply Submission, November 4, 2025, pp.4-6

stated that the revised proposal is more aligned with the definition and intent of a DVA in the Handbook to track forecast costs against actual costs.²⁹

Precedent Cases

OEB staff submitted that precedent cases referenced by Milton Hydro are not applicable to its current request. Unlike Halton Hills Hydro's DVA application, Milton Hydro's request does not involve correcting an error, as Milton Hydro confirmed that its financial accounting records were accurate prior to the updated cost allocation and that the OEB-approved cost allocation methodology complies with the OEB's *Affiliate Relationships Code* (ARC). Furthermore, unlike the settlement proposal that predated the Oakville Hydro accounting order application, Milton Hydro's settlement proposal included an agreed-upon value for other revenue, and there was no agreement to file the cost allocation report before the next rebasing application.³⁰

OEB staff noted that there is a past OEB case with similarities to Milton Hydro's DVA request, which is Toronto Hydro's 2023 Custom IR update application. The requested DVA in that application was for the purpose of recording the impact from an updated depreciation study that was agreed to be filed in its next cost-based application, and it was asymmetrical to the benefit of Toronto Hydro's customer. However, Milton Hydro's request is the opposite as it seeks a DVA for later recovery from its customers. OEB staff further submitted that it would not be appropriate to allow Milton Hydro to reopen an isolated element of the OEB-approved settlement agreement.³¹

CCC and SEC made similar submissions, noting that neither of the referenced cases support Milton Hydro's DVA request.³²

In its reply submission, Milton Hydro disagreed with the analysis provided by OEB staff and the intervenors, maintaining its position that the requested DVA is comparable to both referenced precedent cases.³³

Eligibility Criteria for the Establishment of the CCAVA

OEB staff and SEC commented on the eligibility criteria under the Chapter 2 Filing Requirements³⁴ and concluded that the requested DVA does not meet the eligibility test.

²⁹ *Ibid.*

³⁰ OEB Staff Submission, October 21, 2025, pp.7-8

³¹ *Ibid.*

³² CCC Submission, October 22, 2025, pp.3-4; SEC Submission, October 22, 2025, pp.3-4

³³ Reply Submission, November 4, 2025, pp.10-11

³⁴ [Chapter 2 Filing Requirements for Electricity Distribution Rate Applications](#), December 9, 2024, S.2.9.2, pp. 68-69

OEB staff submitted the requested CCAVA does not meet the eligibility criteria primarily due to the prudence criterion. OEB staff noted that the proposed DVA is not prudent as the underlying updated cost allocation deviates from the previously OEB-approved methodology that Milton Hydro confirmed remains appropriate and compliant with the ARC.³⁵

SEC submitted that Milton Hydro's requested DVA does not meet any of the eligibility criteria. The proposed account fails the causation criterion because the incremental amounts are not new or unforeseen costs, as the underlying assets and common costs under the new cost allocation methodology remain unchanged from those included in the OEB-approved rate base. SEC further noted that the proposed DVA does not meet the materiality criterion, as the incremental costs have no significant impact on Milton Hydro's operations.³⁶ Both SEC and CCC noted that the ROE impact of 0.61% from these costs is insignificant, particularly given Milton Hydro's current over-earning position.³⁷ Lastly, SEC questioned the prudence of implementing the new methodology before rebasing, noting that Milton Hydro was not required to do so and that the OEB-approved cost allocation methodology was compliant with the ARC.³⁸

In its reply submission, Milton Hydro disagreed with SEC's assertions regarding the causation and materiality criteria. Milton Hydro emphasized that the causation criterion requires that the forecast amount to be recorded in the proposed account must be clearly outside of the base upon which rates were derived. Milton Hydro stated that the aggregated cost differential of \$1,109,553³⁹ over the requested term of the DVA from 2025 to 2027 will have a significant influence on its operations and can not be addressed through organizational productivity improvements. Furthermore, the purpose of the proposed ROE guardrail is to ensure the recovery of the account balance does not occur if its average ROE between 2025 and 2027 exceeds the OEB deemed ROE. Lastly, Milton Hydro argued that the updated cost allocation better reflects cost causation and that keeping the previously OEB-approved allocation methodology would be imprudent. The revised proposal allows the OEB to deem the establishment of the DVA is prudent in this application, while deferring the decision on the prudence of the amounts recorded in the DVA upon disposition.⁴⁰

³⁵ OEB Staff Submission, October 21, 2025, pp.8-10

³⁶ SEC Submission, October 22, 2025, p.4

³⁷ *Ibid.*; CCC Submission, October 22, 2025, p.5

³⁸ SEC Submission, October 22, 2025, p.5

³⁹ This represents an annual cost differential of \$369,851, aggregated over the 2025 to 2027 period.

⁴⁰ Reply Submission, November 4, 2025, pp.8-10

OEB Approval Scenario

OEB staff and SEC made submissions on the scenario in which the OEB approves the DVA.

OEB staff submitted that, should the OEB approve the DVA, the ROE guardrail should include a deadband of 300 basis points to enhance ratepayer protection. Additionally, the effective date of the proposed DVA should be the beginning of the 2026 rate year, as the 2025 rates have already been set on a final basis in Milton Hydro's 2025 IRM application.⁴¹

SEC argued that recording the balance on December 31 for service provided throughout 2025 would constitute impermissible retroactive ratemaking. SEC argued that the more appropriate effective date would be the issuance of the OEB's decision, with a pro-rata reduction applied to the 2025 amount. SEC further submitted that, if the OEB approves the DVA, the OEB should make no findings on the appropriateness of the specific balance in this application, as the methodology used by Milton Hydro and Atrium Economics can be more appropriately addressed in Milton Hydro's next cost of service application.⁴²

In its reply submission, Milton Hydro took issue with the deadband proposed by OEB staff for the ROE guardrail. Milton Hydro argued that the proposed ROE guardrail already requires it to assume affiliate costs in current rates if it over-earns, and it is not appropriate for Milton Hydro to bear costs up to the OEB's off-ramp for excessive under-earning. Furthermore, Milton Hydro disagreed with both proposed effective dates suggested by OEB staff and SEC, noting it was unable to forecast the results of the Atrium Economics study and should not be penalized by the time delay. Milton Hydro stated that July 31, 2025, the filing date of the current application, is the earliest appropriate effective date for the proposed DVA.⁴³

Allocation Methodology and Resulting Changes

The report was prepared for Milton Hydro by an independent third party, Atrium Economics, in order to ensure compliance and reasonableness. In its submission, OEB Staff noted that Atrium Economics' cost allocation methodology appears transparent, repeatable, and objectively verifiable. None of the interveners submitted specific comments on the report or its findings.

⁴¹ OEB Staff Submission, October 21, 2025, pp.10-11

⁴² SEC Submission, October 22, 2025, pp.5-6

⁴³ Reply Submission, November 4, 2025, pp.11-12

Findings

The request for approval to establish the proposed DVA is denied. The OEB accepted a settlement proposal⁴⁴ as an appropriate basis on which to establish just and reasonable rates for 2023 as part of a five-year IRM term that would run until 2027. As part of that settlement proposal, Milton Hydro agreed to “undertake an independent third-party review of its methodology to allocate common costs among its affiliates and produce a report **as part of its next rebasing application.**” [emphasis added]⁴⁵ The OEB included the following condition in its order:

5. Milton Hydro Distribution Inc. shall undertake an independent third-party review of its methodology to allocate common costs among its affiliates and produce a report **as part of its next rebasing application.** [emphasis added]⁴⁶

Having carried out the review, Milton Hydro applied now, instead of waiting until the next rebasing proceeding, to have the results of that review tracked in a DVA during the current IRM term and proposed to seek disposition of the balance in that account in its next rebasing application. If the OEB were to allow recovery of that balance at that time, it would amount to a retrospective change in the revenue requirement that was agreed to in the settlement proposal and accepted by the OEB for the purpose of setting 2023 rates.

Given that:

- (a) a settlement proposal typically involves interlocking compromises agreed to by the parties;
- (b) the settlement proposal was accepted as a reasonable basis on which to establish 2023 rates; and
- (c) the parties expressly agreed to a proposal that the results of the review were to be brought forward in the next rebasing application,

Milton Hydro has not established a basis on which the OEB can approve the establishment of the proposed deferral and variance account.

The request for the proposed deferral and variance account is inconsistent with the IRM regime under which Milton Hydro’s rates are currently set. Milton Hydro’s base rates were set for 2023 on a cost of service basis and are currently adjusted annually for the years 2024-2027 on a mechanistic basis, in accordance with a formula based on inflation and productivity factors. During this IRM term, revenue is decoupled from

⁴⁴ EB-2022-0049

⁴⁵ EB-2022-0049, Decision and Order, October 13, 2022, Schedule A: Settlement Proposal, p. 22

⁴⁶ EB-2022-0049, Decision and Order, October 13, 2022, p.8

specific costs and Milton Hydro is expected to manage its costs within the resulting revenue envelope. Milton Hydro agreed to a settlement proposal on the basis that it would be able to do this without having to apply to the OEB for relief during the IRM term unless there were exceptional circumstances sufficient to justify an ICM rate rider, a Z-factor solution, or early rebasing.

In this application, there is no evidence of exceptional circumstances. Instead, the Atrium Economics report suggests that the original forecast cost to be allocated to affiliates was not accurate and that there is a more accurate approach that allocates less cost to affiliates. Given that the entire set of costs in the test year are forecast costs, Milton Hydro has not established why this particular cost should be given special treatment in the middle of the IRM term. Base rates were set on the basis of the settlement agreement which was reached in relation to the entire set of test year costs, and Milton Hydro has been able to earn its target return on equity since then.

In the absence of exceptional circumstances that would support a Z-factor application, or justify an early rebasing application, there should be no expectation that specific costs can be revisited during an IRM term. To do so introduces an inappropriate element of retrospectivity that, in effect, seeks to adjust the base rates set at the beginning of the IRM term in relation to one factor, without regard to how all the other factors that went into establishing those base rates may have changed. This is entirely inconsistent with performance-based ratemaking. Such changes are appropriately reviewed on a forward-looking basis, as part of the next rebasing application, where they can be considered alongside all of the costs that give rise to the distributor's revenue requirement. The OEB's order in the last rebasing decision expressly contemplated this in relation to the review of the methodology used to allocate cost to Milton Hydro's affiliates.

In the normal course, in the next rebasing proceeding, the OEB will consider what changes to base rates are necessary, on a going forward basis, to ensure that ratepayers continue to receive reliable electricity service at a reasonable cost, and Milton Hydro earns a reasonable return on the investments it makes to provide that service.

5. ORDER

COST AWARDS

The OEB will issue a separate decision on cost awards once the following steps are completed:

1. SEC, VECC and CCC shall file with the OEB and copy Milton Hydro Distribution Inc. their cost claims no later than **December 15, 2025**.
2. Milton Hydro Distribution Inc. shall file with the OEB and forward to SEC, VECC and CCC any objections to the claimed costs by **January 13, 2026**.
3. Any intervenor whose costs are objected to shall file with the OEB and copy Milton Hydro Distribution Inc. with their response to cost claim objection by **January 20, 2026**.
4. Milton Hydro Distribution Inc. shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

Parties are responsible for ensuring that any documents they file with the OEB, such as applicant and intervenor evidence, interrogatories and responses to interrogatories or any other type of document, **do not include personal information** (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's [Rules of Practice and Procedure](#).

Please quote file number, **EB-2025-0241** for all materials filed and submit them in searchable/unrestricted PDF format with a digital signature through the [OEB's online filing portal](#).

- Filings should clearly state the sender's name, postal address, telephone number and e-mail address.
- Please use the document naming conventions and document submission standards outlined in the [Regulatory Electronic Submission System \(RESS\) Document Guidelines](#) found at the [File documents online page](#) on the OEB's website.
- Parties are encouraged to use RESS. Those who have not yet [set up an account](#), or require assistance using the online filing portal can contact registrar@oeb.ca for assistance.

- Cost claims are filed through the OEB's online filing portal. Please visit the [File documents online page](#) of the OEB's website for more information. All participants shall download a copy of their submitted cost claim and serve it on all required parties as per the [Practice Direction on Cost Awards](#).

All communications should be directed to the attention of the Registrar and be received by end of business, 4:45 p.m., on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Urooj Iqbal at Urooj.Iqbal@oeb.ca, and OEB Counsel, James Sidlofsky at James.Sidlofsky@oeb.ca.

Email: registrar@oeb.ca

Tel: 1-877-632-2727 (Toll free)

DATED at Toronto, December 9, 2025

ONTARIO ENERGY BOARD

Ritchie Murray
Acting Registrar