

EB-2024-0115

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, Schedule B (the “Act”);

AND IN THE MATTER OF an application by Hydro Ottawa Limited for an Order or Orders made pursuant to section 78 of the Act, approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2026 and for each following year through December 31, 2030.

HYDRO OTTAWA LIMITED

**CUSTOM INCENTIVE RATE-SETTING APPLICATION FOR 2026-2030
DISTRIBUTION RATES AND CHARGES**

ARGUMENT-IN-CHIEF

Filed: February 2, 2026

INTRODUCTION

On January 14, 2026, the OEB orally approved a comprehensive partial Settlement Agreement filed by Hydro Ottawa and the Parties in this proceeding. This Argument-in-Chief (AIC) submission addresses the issues that remain unresolved in this proceeding. Specifically, in this AIC, Hydro Ottawa submits that:

- 1) The proposed OM&A expenditures in the 2026 Test Year are reasonable and necessary to fund prudent operational investments over the 2026-2030 rate term;
- 2) The shared services methodology underpinning the OM&A 2026 Test Year budget is appropriate and the resulting quantum is reasonable and necessary to ensure prudent executive management and oversight of the utility's operations;
- 3) The elimination of the net metering charge is fair and justified; and
- 4) The proposed Shared Savings Mechanism (SSM) provides an appropriate incentive for Hydro Ottawa's Non-Wires Customer Solutions Program (NWCSP).

1) THE PROPOSED OM&A EXPENDITURES IN THE 2026 TEST YEAR ARE REASONABLE AND NECESSARY TO FUND PRUDENT OPERATIONAL INVESTMENTS OVER THE 2026-2030 RATE TERM

1. The proposed level of OM&A investment in 2026 (\$140M) is prudent and necessary to enable Hydro Ottawa to execute its capital plan, which is nearly doubling in size (both in 2026, as compared to 2021 Actual, and between 2026-2030 as compared to OEB Approved 2021-2025) and to enable Hydro Ottawa to develop and and maintain a safe, reliable, modern and resilient grid that meets customer expectations and supports economic growth over the 2026-2030 rate period.
2. Between 2021-2023, Hydro Ottawa faced several unforeseen and unprecedented events that disrupted its ordinary operations, caused work to be reprioritized and deferred, and altered headcount. The COVID-19 pandemic, significant weather events (namely, the 2022 Derecho), and the 84-day labour strike in 2023 prevent the historical period from being an appropriate comparison point for the current plan.
3. Hydro Ottawa submits that the appropriate reference point for this application is 2024, the first year in the current rate term that is reflective of a more typical and ordinary operating

environment. The 2024 Bridge Year budget is prudent and reasonable as demonstrated by (i) the need for the incremental investments in 2024 relative to amounts embedded in base rates, and (ii) Hydro Ottawa's OM&A per customer benchmarking results which remain in line with peers and below the industry average.

4. In the 2024 Bridge Year, Hydro Ottawa had to make urgent and necessary investments to address accumulated investment needs and incremental requirements that the utility faced in its operations as compared to the budgets that were set in the 2021 rebasing application. These budgets were developed in 2018 in a vastly different operating context than Hydro Ottawa experienced in the current rate period. To address these emerging needs and challenges, in 2024 Hydro Ottawa invested in: (i) stabilizing workforce levels following nearly a decade of rapid customer growth during which Hydro Ottawa's Full-Time Equivalent (FTE) complement remained flat, and reflecting on the lessons learned of an unprecedented 84-day labour strike that utility experienced in 2023; (ii) building out Hydro Ottawa's climate resiliency and business continuity programs, reflecting the lessons learned and after-effects of numerous and significant extreme weather events that had devastating impacts on the utility's grid and customers; (iv) non-capitalizable investments in digital infrastructure and cloud computing that are necessary to build a modern, resilient and efficient grid.
5. In the 2026 Test Year and beyond, Hydro Ottawa must make further prudent and necessary incremental OM&A investments to meet its operational obligations. These investments in its workforce, technology and distribution system maintenance will enable Hydro Ottawa to execute a capital program that is significantly growing in size compared to the 2021-2025 rate term, ensure the grid and operational readiness to serve future economic growth and electrification, and leverage cloud computing technology and Non-Wires Solutions (NWS) to modernize the grid and pursue sustainable efficiencies.
6. The 2026 Test Year OM&A budget is aligned with the needs and priorities of Hydro Ottawa's customers including with respect to reasonable price as demonstrated by the fact that an average 87% of customers surveyed in the Phase 2 engagement supported Hydro Ottawa's plan or one that does even more to advance key outcomes. It is also the product of the utility's prudent and cost-conscious approach to planning and budgeting, supported by numerous quantified efficiencies and avoided costs that demonstrate the company's focus on affordability and continued improvement in productivity.

7. It is essential that Hydro Ottawa's 2026 Test Year OM&A budget be set at an appropriate level that enables the utility to execute the capital plan approved by the OEB in this proceeding, and make necessary operational investments to serve growing and changing customer expectations and support critical provincial mandates—namely enabling economic growth and housing development, and investing in grid modernization to support cost-effective electrification and enhance system resilience.
 8. As a consequence of the reduced escalator that has been approved to set the OM&A funding growth for the 2027-2030 years, Hydro Ottawa's OM&A funding over the upcoming rate term has already been reduced by approximately \$40M. The utility must find significant incremental efficiency opportunities to manage its operations with this envelope. Any further reductions to the 2026 Test Year will have a reverberative effect and may significantly compromise customer and grid outcomes over the next rate term.
- 2) HYDRO OTTAWA'S SHARED SERVICES METHODOLOGY UNDERPINNING THE OM&A TEST YEAR BUDGET IS APPROPRIATE AND THE RESULTING QUANTUM IS REASONABLE AND NECESSARY TO ENSURE PRUDENT EXECUTIVE MANAGEMENT AND OVERSIGHT**
9. Hydro Ottawa's methodology for determining corporate shared services cost allocations is appropriate and reasonable. This methodology, which is the same methodology that was accepted as reasonable and appropriate in Hydro Ottawa's last rate application, uses budgeted costs, the time spent supporting each affiliate in a fiscal year, and market pricing mechanisms for services that can be competitively sourced to determine the quantum of allocation.
 10. The level of resourcing that Hydro Ottawa receives from its parent company, Hydro Ottawa Holding Inc. (HOHI), is reasonable and necessary to ensure that Hydro Ottawa has sufficient executive leadership and oversight as it navigates an increasingly complex operational environment. The 2023 Labour Strike emphasized the need for management to prioritize employee engagement, safety and well-being, and to take an active role in managing the numerous and varied requirements and priorities facing the utility, such as the rising of large load connection requests, evolving regulations, climate change implications, and cyber security risks.

3) THE ELIMINATION OF THE NET METERING CHARGE IS FAIR AND JUSTIFIED

11. Hydro Ottawa proposes to remove the net metering charge from its OEB-approved tariff to promote fairness among load customers with respect to accessing rate optionality plans, and encourages self-generation in Hydro Ottawa's service territory. This proposal is further enabled and justified by the efficiencies that Hydro Ottawa realized through the automation of residential and small commercial net metered customers billing processes.

4) THE PROPOSED SSM PROVIDES AN APPROPRIATE INCENTIVE FOR HYDRO OTTAWA'S NWCS

12. The proposed SSM in support of Hydro Ottawa's NWCS makes prudent use of the incentive options offered by the OEB to align utility and customer interests through benefit-sharing. It also provides appropriate remuneration to Hydro Ottawa for forgoing a traditional investment opportunity to earn a return on capital added to rate base while taking the on-going risk and management of an operational solution that will rely on customer participation in the nascent but evolving local market.

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ARGUMENT-IN-CHIEF

1) THE PROPOSED OM&A EXPENDITURES IN THE 2026 TEST YEAR ARE REASONABLE AND NECESSARY TO FUND PRUDENT OPERATIONAL INVESTMENTS OVER THE 2026-2030 RATE TERM

I. UNFORESEEN AND UNPRECEDENTED CHALLENGES IN 2021-2023

13. Between 2021 and 2023, Hydro Ottawa experienced numerous unforeseen and unprecedented challenges. While these years show the incredible resilience of Hydro Ottawa as an organization, they were incredibly disruptive and are not reflective of the utility's normal operating environment. For these reasons, as further detailed below, Hydro Ottawa submits that the 2021-2023 actuals are not an appropriate baseline against which to evaluate the reasonableness of 2026 OM&A Test Year budget.
14. **COVID-19 Pandemic (2021 and 2022):** Throughout 2021 and part way through 2022, Hydro Ottawa grappled with effects of the COVID-19 pandemic, which caused work to be deferred, shrank the workforce, and artificially depressed the utility's expenditure levels.¹ Please refer to Part I.A below for more information about the impacts of the COVID-19 Pandemic.
15. **Extreme Weather (2022 Derecho and 2023 Ice Storm):** In 2022, Hydro Ottawa experienced the most significant weather event in its history. The May 2022 Derecho left over half of Hydro Ottawa's customer base without power.² Immediate restoration efforts lasting approximately 15 days³ cost roughly \$23.8M, for which Hydro Ottawa did not seek Z-factor recovery. However, the effects of the Derecho persisted long afterwards and were compounded by a significant ice storm in the spring of 2023, further driving up the maintenance and overtime budgets and creating persisting vegetation management investment requirements due to delayed mortality of trees, and increased customer expectations and vigilance with respect to vegetation encroaching distribution infrastructure. Please refer to Part I.B below for more information regarding the impacts of the extreme weather events that Hydro Ottawa faced.
16. **Labour Strike (2023):** In the fall of 2023, Hydro Ottawa's unionized employees went on strike. During the 84-day strike, approximately 65%⁴ of the utility's workforce was de-mobilized,

¹ See generally, Schedule 1-2-4 - Impacts of COVID-19 Pandemic.

² Attachment 2-1-1(A) - May 2022 Derecho - After Storm Report, p. 5.

³ Attachment 2-1-1(A) - May 2022 Derecho - After Storm Report, p. 7 (Storm happened on May 21, 2022. Power was restored to all affected customers by June 5).

⁴ IRR Attachment 4-CCC-52(A) - Breakout of Appendix 2-K.

causing Hydro Ottawa to once again defer planned work in order to respond to reactive operational needs and challenges. Please refer to Part I.C below for more information about the impacts of the 2023 Labour Strike.

A. COVID-19 PANDEMIC (2021-2022)

17. As detailed in Schedule 1-2-4 - Impacts of COVID-19 Pandemic, Hydro Ottawa’s actuals in 2021 (the last rebasing year which is the typical comparison point for this proceeding) are significantly skewed by the pandemic. Global restrictions and safety measures during that time led to the deferral of work and artificially depressed spending levels that year (even amid the rapid rates of inflation that the sector was experiencing). In 2021, Hydro Ottawa’s gross capital expenditures were approximately 13% lower than planned. Net in-service additions were 17% lower,⁵ and OM&A expenditures were approximately 6.5% lower.⁶
18. Workforce levels were also artificially low for the pandemic period. Many workers retired or voluntarily resigned, and it was challenging to hire new talent to replace those who had resigned. As shown by Table 1, the actual vacancy rates and FTE numbers for 2021 and 2022 varied significantly from the OEB-figures for those years. In 2021, Hydro Ottawa forecasted its vacancy rate to be 4%. In reality, in 2021 the vacancy rate was more than double that figure at 10% and in 2022, the vacancy rate was triple the expected vacancy rate at 12%.

Table 1 - Vacancy Rates and FTEs in 2021 and 2022⁷

	2021 Approved	2021 Actual	2022 Actual
Vacancy rate	4%	10%	12%
Number of FTEs	616	585	595

19. The utility also experienced a range of adverse financial impacts such as lost revenues caused by reduced customer demand and consumption,⁸ an increase in bad debt,⁹ and the incurrence of additional pandemic related costs.¹⁰

⁵ Schedule 2-1-1 - Rate Base Overview, p. 17, Table 11.

⁶ Schedule 4-1-1 - Operations, Maintenance and Administration Summary, p. 4, Table 1.

⁷ IRR 4-CCC-52, Table A.

⁸ Schedule 1-2-4 - Impacts of COVID-19 Pandemic, p. 5.

⁹ Ibid. p. 6; IRR 4-Staff-147 b).

¹⁰ Schedule 1-2-4 - Impacts of COVID-10 Pandemic, p. 6.

20. Because of these pandemic effects, Hydro Ottawa's actual expenditures that year were below what the OEB-approved. As such, 2021 is not an appropriate baseline against which to compare Hydro Ottawa's expenditures and workforce levels.
21. The pandemic's economic fallout, including increased government spending and relief measures, contributed to rapidly rising inflation and interest rates. In the 2020-2024 period, Canada's inflation rate as measured by the Consumer Price Index (CPI) was the highest in 40 years. These impacts were felt throughout the 2021-2024 historical period, as the lag in OEB's inflation factor caught up with the actual inflation experienced by utilities, and as certain cost pressures continued to rise at a rate that was greater than what the OEB's inflation factor captured.¹¹

B. EXTREME WEATHER EVENTS (2022-2023)

22. 2022 was another year of significant disruption, as Hydro Ottawa experienced the most devastating weather event in its history, the May 2022 Derecho. During this storm, Ottawa saw winds of up to 190 km per hour, extensively damaging Hydro Ottawa's distribution system.¹² Over 180,000 customers lost power—more than half of Hydro Ottawa's customer base.¹³ There were a total of 1,000 individual outages on the system in comparison to 200 after the 2018 tornadoes.¹⁴
23. Recovering from this major weather event was an all-hands effort that required Hydro Ottawa to pause many planned work programs to shift resources to address the extensive impacts of this emergency. As described in Hydro Ottawa's After the Storm Report,¹⁵ restoration efforts took multiple weeks,¹⁶ costing approximately \$23.8M.¹⁷ Hydro Ottawa's overtime pay was 70% higher in 2022 than it was in 2021 due to the extra resources required for storm recovery.¹⁸

¹¹ Schedule 1-2-5 - Impact of Inflationary Pressure; see also Statistics Canada, May 22, 2024, "High Inflation in 2022 in Canada: Demand-pull or supply-push?": <https://www150.statcan.gc.ca/n1/pub/36-28-0001/2024005/article/00005-eng.htm>.

¹² Attachment 2-1-1(A) - May 2022 Derecho - After Storm Report, p. 4.

¹³ Schedule 2-1-1 - Rate Base Overview - pp. 5, 8.

¹⁴ Attachment 2-1-1(A) - May 2022 Derecho - After Storm Report, p. 5.

¹⁵ Attachment 2-1-1(A) - May 2022 Derecho - After Storm Report.

¹⁶ Schedule 2-1-1 - Rate Base Overview, p. 8.

¹⁷ Attachment 2-1-1(A) - May 2022 Derecho - After Storm Report, p. 6.

¹⁸ IRR Attachment 4-CCC-52(A) - Breakout of Appendix 2-K.

24. Hydro Ottawa’s maintenance expenses were much higher than planned as a result of the storm. In the immediate aftermath, Hydro Ottawa incurred \$7.4M of reactive maintenance expenses,¹⁹ which is more than three-quarters of the amount Hydro Ottawa spent on maintenance the previous year. Table 2 illustrates the effect that the Derecho had on two of the impacted OM&A programs.

Table 2 - System Operations & 24/7 Maintenance and Vegetation Management OM&A Expenditures (\$000)

	2021	2022	Variance
System Operations & 24/7 Maintenance ²⁰	\$4,612	\$9,323	102%
Emergency Vegetation Management ²¹	\$378	\$3,426	806%

25. Unfortunately, the disruption caused by the 2022 Derecho extended into subsequent years, as the latent effects from the storm became apparent. The Vegetation Management program provides a good example of these effects. Due to delayed mortality, trees stressed by extreme winds can take years to fail, creating a long tail of reactive trimming work after a significant storm. From 2023 onward, reactive, as-needed tree-trimming levels have been orders of magnitude higher than they were in 2021,²² and actual investments have consistently exceeded the budgeted amounts for 2024 and 2025.²³

26. In 2023 Hydro Ottawa was also hit with an ice storm in April—impacting 163,000 customers or 45% of the customer base—and several summer storms that further hindered the ability of the organization to resume normal operations, as resources were once again deployed to respond to these emergency events, leading to another cycle of deferred work and reprioritization.²⁴

27. The 2022 and 2023 storms, which are summarized in Table 3 below, disrupted Hydro Ottawa’s operations for many months by siphoning resources away from other planned work that would have occurred but for these weather events. Although Hydro Ottawa learned valuable lessons from these storms, including the need to reinforce various roles and functions through the

¹⁹ Schedule 4-1-2 - Operations, Maintenance, and Administration Program Costs, p. 4; Schedule 2-1-1- Rate Base Overview, p. 20, Table 12.

²⁰ Schedule 4-1-2 - Operations, Maintenance and Administration Program Costs, p. 36, Table 14.

²¹ IRR 4-Staff-139, Table D.

²² Schedule 1-2-3 - Business Plan, p. 14; IRR 4-Staff-139, Table D.

²³ SC-SEC-2; Attachment JT2.16(A) - OM&A & Capital Expenditures Forecast.

²⁴ Schedule 1-2-3 - Business Plan, p. 14 & Table 3.labour

organization—lessons that carry forward to Hydro Ottawa’s 2026 Test Year budget and are discussed in more detail below—the degree of disruption experienced by these storms prevents these years (2023 in conjunction with the 2023 Labour Strike) from being a useful point of comparison against which to compare the utility’s current OM&A investment needs.

Table 3 - 2022 and 2023 Extreme Weather Events²⁵

Year	Severe Weather Event	Description, Impacts & Customers Affected
2022	Derecho (May)	<ul style="list-style-type: none"> • 180,946 customers on event day (52% of customer base) • Highest wind speeds on record in Ottawa • Severity of wind speeds greatly exceeded forecast • 6th costliest natural disaster in Canada’s history • \$24 million in restoration costs for Hydro Ottawa • 90% of customers restored in seven days
	Bomb cyclone (December)	<ul style="list-style-type: none"> • 67,710 customers (19% of customer base) • Intense freezing rain and snow, loss of supply
2023	Ice storm and freezing rain (April)	<ul style="list-style-type: none"> • 163,448 customers (45% of customer base) • 90% of customers resorted within two days
	Lightning (June)	<ul style="list-style-type: none"> • 15,413 customers (4.25% of customer base) • Loss of supply
	Lightning, hail and wind (July)	<ul style="list-style-type: none"> • 37,821 customers (10.4% of customer base) • >6,000 lightning strikes during month of July 2023 (8 times as many as July 2022)

C. LABOUR STRIKE (2023)

28. The final unforeseen and unprecedented event that impacted Hydro Ottawa in the historical period is the unionized workforce 84-day Labour Strike that occurred in 2023. This dispute was not merely about compensation, but was a reflection of workload pressures that accumulated over the historical years and ultimately became unsustainable, and concerns about their impacts on health, safety and employee well-being.²⁶
29. By 2023, Hydro Ottawa’s workforce had been under immense strain for years. The organization had worked through the COVID-19 pandemic, numerous extreme weather events as shown in Table 3 above, and a period of rapid customer growth at rates that exceeded those seen by other large municipalities, as shown in Table 4 below.

²⁵ Schedule 1-2-3 - Business Plan, p. 14, Table 3.

²⁶ Oral Hearing Transcript, Day 1, p. 70.

Table 4 - Customer Growth Rates for Ontario Utilities

	Hydro Ottawa	Industry	Peer Group ²⁷
Average Customer Growth Rate (2016-2024) ²⁸	13%	6%	8%

30. The result was an incredible strain on the workforce that culminated in a nearly three-month strike starting on June 28, 2023. During this period, approximately 65%²⁹ Hydro Ottawa’s workforce was de-mobilized, and alternative arrangements were required to continue operations.³⁰ As a consequence, the 2023 OM&A budgets and FTEs are simply not reflective of Hydro Ottawa’s normal operating conditions, and the workforce numbers did not get back to historical levels until part way through 2024.³¹

II. 2024 IS THE APPROPRIATE BASELINE FOR THIS PROCEEDING

31. Because of the unforeseen and unprecedented challenges discussed above, and the disruptive impact they had on Hydro Ottawa’s operations over the 2021-2023 years, these historical years are not reasonable comparison points for evaluating the 2026 Test Year OM&A budget. Hydro Ottawa submits that 2024 and 2025 are the appropriate baselines for this proceeding as they reflect a return to normal operations.

32. Starting in 2024 and continuing over 2025, Hydro Ottawa was finally able to move away from reacting to discrete unforeseen challenges to focusing on (i) stabilizing the workforce and addressing the investment needs that had accumulated over the historical period as the customer base experienced one of the highest growth rates in the province, and (ii) contending with a wide range of new and evolving regulatory, policy and customer-driven requirements.

33. Table 5 and Figure A below provide an analysis of OEB-approved investment levels for 2024 compared to the 2024 Actual. This analysis demonstrates the fundamental need for OM&A stabilization over these years. Specifically, Table 5 escalates the 2021 approved OM&A per customer from the last rebasing application (EB-2019-0261) by the OEB’s inflation factor, and applies the actual customer growth experienced over the 2021-2024 period to derive the level of OM&A funding that would have been required to keep OM&A per customer in line with

²⁷ Peer Group consists of Alectra, Elexicon, Enova, London, Toronto.
²⁸ Electricity Reporting & Record Keeping (RRR) data - section 2.1.2 Market Monitoring Information.
²⁹ IRR Attachment 4-CCC-52(A) - Breakout of Appendix 2-K.
³⁰ Schedule 4-1-2 - Operations, Maintenance, and Administration Program Costs, p. 5.
³¹ IRR 4-CCC-50, Table C.

inflationary pressures over this period. Figure A then shows that roughly half of the variance between the 2024 OEB approved OM&A funding and the OM&A investments planned in 2024 is largely explained by customer growth, and outlines the remaining cost drivers of the variance.

Table 5 - 2021 Approved Funding Escalated Consistent With Customer Growth

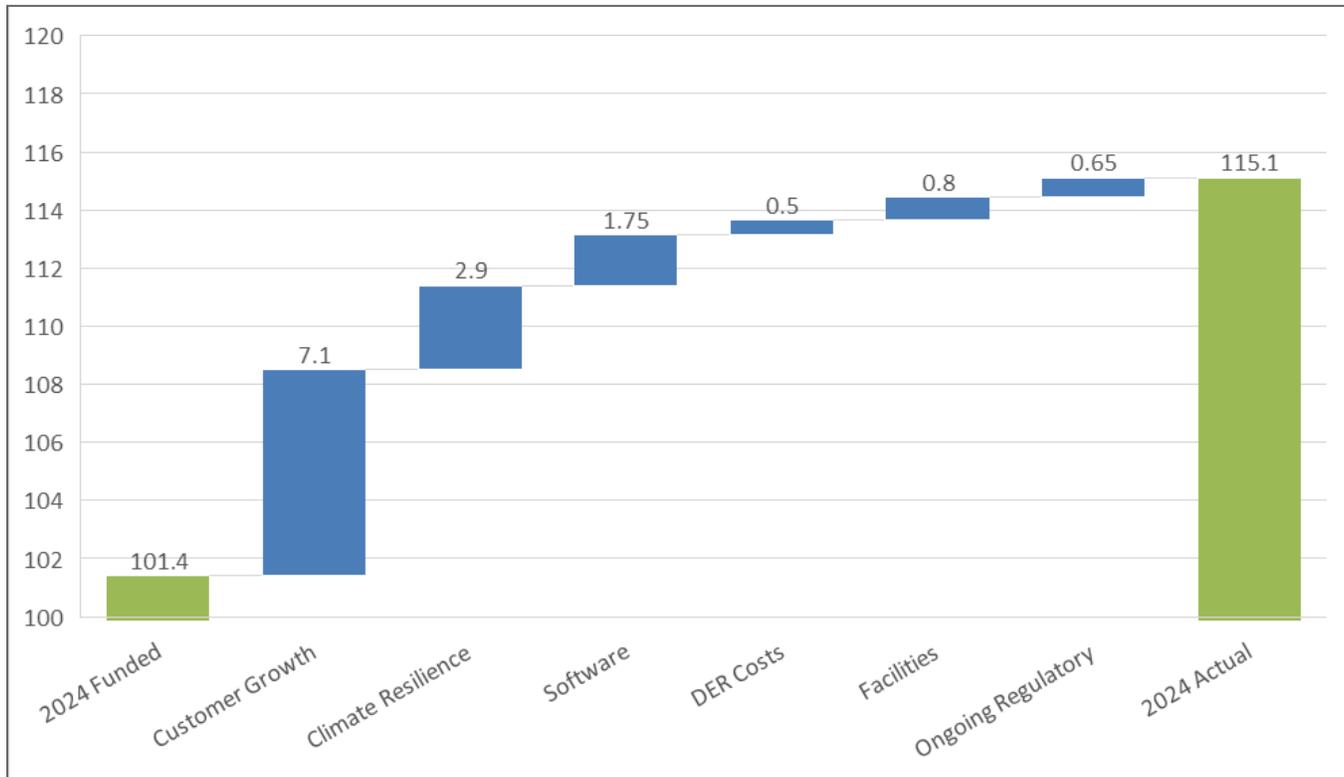
	2021 Forecast OM&A Cost Per Customer Escalated By the OEB Inflation Factor (A)	Customer Count as per Appendix 2-IB ³² (B)	OM&A (A*B)
2021	\$263 ³³	344,802	\$90.6M ³⁴
2022	\$271	356,062	\$96.5M
2023	\$281	361,688	\$101.6M
2024	\$295	367,811	\$108.5M

³² Appendix 2-IB (as updated by the Settlement Proposal). Customer Count is calculated using average format.

³³ Attachment 4-1-2(C) - OEB Appendix 2-L - Recoverable OM&A Cost per Customer and per Full Time Equivalent.

³⁴ Schedule 6-1-1 - Revenue Requirement and Revenue Deficiency or Sufficiency, p. 3, Table 1.

Figure A - Cost Drivers of 2024 OM&A Expenditures (\$M)³⁵



34. Figure A above identifies the relative impact of customer growth and related catch-up investments on the Actual 2024 OM&A expenditures as compared to the OM&A funding available in 2024 base rates. This figure also shows that in addition to the investments that were required to support customer growth related investment needs that accumulated over the historical period, other OM&A investments were also necessary in the current rate period to address incremental requirements and keep up with market-driven inflationary cost pressures that exceeded the OEB’s inflation factor:

³⁵ Customer growth is calculated as the difference between 2024 OM&A in Table 5 minus 2024 OM&A funded in base rates. Climate resilience is the difference between the Vegetation Management program 2021 budget (escalated by OEB inflation), and the 2024 actuals for the program (IRR 4-Staff-139) plus two additional resources to support business continuity (IRR 4-Staff-159, using the average cost per FTE in 2024). Software costs is the difference between the 2021 OM&A software costs (escalated by inflation) and the actual software costs in 2024 (IRR 4-CCC-36, Tables A and B). DER costs uses the average cost per FTE in 2024 to estimate the investment required to add four additional resources to support large load and DER connection requests (Attachment 4-1-3-(C) - Workforce Growth, p. 9). Facilities is the difference between the Facilities program 2021 budget (escalated by OEB inflation) and the 2024 actuals for that program (JT2.16; IRR 4-CCC-48). Ongoing Regulatory is the difference between ongoing regulatory costs less labour (escalated by OEB inflation) and the 2024 ongoing regulatory costs for the 2024 Bridge Year (IRR 4-VECC-38) plus the actual program variance for that year (JT2.16).

- a. **Climate Resilience (Vegetation Management and Business Continuity):** Two years characterized by extraordinary weather events increased volumes of reactive work in the vegetation management program, increased customer expectations with respect to mitigating the impact of extreme weather on reliability, and showed Hydro Ottawa of the need to strengthen its business continuity planning.³⁶ Inflationary cost pressures (due to specialized arborist skills) further increased costs within the vegetation management program.
- b. **IT Software Investments:** Two shifts have caused increased IT software costs above the levels budgeted for in the prior application: (1) technology-market related inflationary cost pressures, which have exceeded the rates of OEB inflation;³⁷ and (2) investments in cloud-based software solutions, which would have historically been made on-premise and capitalized but for accounting requirements are now OM&A.³⁸ These investments have supported continuous improvement in efficiency throughout Hydro Ottawa's work programs and service offerings, as discussed in more detail below in Part V.
- c. **DER and Large Load Connections:** Serving the national capital region, Hydro Ottawa has been particularly affected by electrification and the energy transition, as its large, institutional customer base has been investing in DERs and shifting from natural gas to electricity.³⁹ Supporting this incremental volume of complex large load and Distributed Energy Resource (DER) connection requests requires more engineering, project management and customer support resources.⁴⁰
- d. **Facilities Expenses:** Cost pressures from rising property values, coupled with an expanding property base from capital investments (e.g. new substations), have increased Hydro Ottawa's property taxes and insurance expenses in the Facilities program.⁴¹
- e. **Ongoing Regulatory Costs:** Expenditure growth in regulatory expenses, including OEB assessment fees, Section 30 costs, and regulatory membership fees (Electrical Safety

³⁶ Schedule 4-1-1 - Operations, Maintenance and Administration Summary, pp. 11-12.

³⁷ Schedule 1-2-5 - Impacts of Inflationary Pressure, p. 35, Table 31.

³⁸ Schedule 4-1-1 - Operations, Maintenance, and Administration Summary, pp. 10-12.

³⁹ Oral Hearing Transcript, Day 3, pp. 51-52.

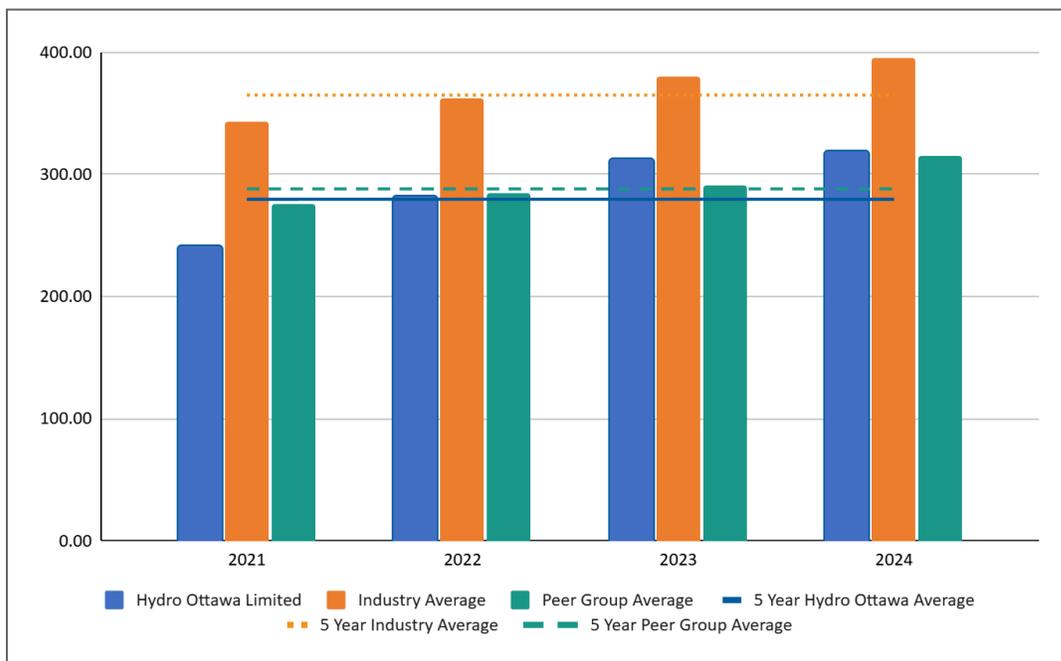
⁴⁰ Attachment 4-1-3(C) - Workforce Growth, pp. 8-10 & Figures 3 & 4.

⁴¹ Schedule 4-1-2 - Operations, Maintenance and Administration Program Costs, p. 60 & Table 25; IRR 4-CCC-48.

Authority), has exceeded what was planned for in the prior application, creating incremental costs relative to amounts embedded in rates.⁴²

35. Hydro Ottawa’s performance on an OM&A per customer basis as compared to its peers supports the overall reasonableness of the utility’s OM&A expenditures in 2024, which Hydro Ottawa submits is the appropriate baseline year for this proceeding. Using publicly available data offered by the OEB, Figure B shows that in 2024, Hydro Ottawa’s OM&A per customer was comparable to that of its peer group, and much lower than the industry average.

Figure B - OM&A Per Customers⁴³



A. CUSTOMER GROWTH-DRIVEN INVESTMENTS & WORKFORCE STABILIZATION

36. Ottawa has been experiencing some of the highest rates of population growth among large municipalities in the country.⁴⁴ Between 2016 and 2021, Ottawa’s population grew by 8.9%,⁴⁵ and between 2021 and 2031, the City of Ottawa’s official plan expects the population to

⁴² IRR 4-VECC-38, Table A.

⁴³ OM&A per customer calculated using RRR data so as to be able to compare Hydro Ottawa to its peers.

⁴⁴ Schedule 1-2-3 - Business Plan, p. 12.

⁴⁵ Ibid.

increase by 15%.⁴⁶ As Table 4 in Part I.C shows, Hydro Ottawa's customer growth rate has surpassed that of many of its peer utilities.

37. Serving a larger customer base requires investment across the organization. From a distribution operations perspective, it means more customer connections, more engineering and planning time to support growth, and more assets to test, maintain, and inspect. More customers also equates to larger volumes of work in the customer-service programs, such as customer billing, collections, and the customer contact centre.
38. However, for nearly a decade, between 2016 and 2023, Hydro Ottawa kept its headcount essentially flat, despite experiencing one of the fastest rates of customer growth in the province.⁴⁷ These workforce pressures accumulated over the historical period, and were exacerbated by the pandemic, extreme weather events and rapid technological, regulatory and policy changes that un-folded in the current rate term.
39. In 2024, Hydro Ottawa invested in 50 new positions to start to stabilize its workforce capacity levels. The urgent need for these resources in 2024 is further evidenced by the unprecedented 84-day Labour Strike that took place in 2023.⁴⁸ As discussed above in Part I.C, Hydro Ottawa's unionized workforce went on strike in part because of the unsustainable workload, health and safety pressures they were experiencing. The strike demonstrated that business continuity and operational excellence require a deliberate and immediate investment in Hydro Ottawa's workforce.
40. As shown in Table 6 below, the majority of positions added in 2024 were distribution operations, metering, and engineering and design resources that were needed to manage the increasing work volumes driven in large part by customer growth.

⁴⁶ Ibid.

⁴⁷ Ibid.

⁴⁸ Attachment 4-1-3(B) - Workforce Planning Strategy, pp. 1-7.

Table 6 - New Positions by OM&A Program in 2024⁴⁹

OM&A Program	New Positions
Metering, Distribution Operations, and Engineering & Design	42
System Access Resources ⁵⁰	22
DER & Large Load Connections ⁵¹ (discussed in Part II.D)	4
ADMS and Grid Modernization ⁵²	10
Supervisory and Program Leadership ⁵³	6
Information Management & Technology	2
Human Resources, Finance, and Regulatory Affairs	4
Business Continuity	2
Total New Positions in 2024	50

41. As explained in Schedule 4-1-3(C) - Workforce Growth, between 2021-2025, net System Access capital expenditures increased by roughly 60% as compared to approved levels for that period.⁵⁴ This followed the prior rate period (2016-2020) during which system access investments were nearly 50% higher than the forecast.⁵⁵ Despite this tremendous growth, Hydro Ottawa kept constant the number of positions within its Distribution Operations programs. That approach proved unsustainable from a workload capacity perspective, and in 2024, Hydro Ottawa added 22 new positions to readjust the program's size to reflect the system access growth that had occurred over these many years.⁵⁶

⁴⁹ Schedule 4-1-3 - Workforce Staffing and Compensation, p. 5, Table 1.

⁵⁰ Attachment 4-1-3(C) - Workforce Growth, p. 7.

⁵¹ Ibid., p. 9.

⁵² Ibid., p. 10.

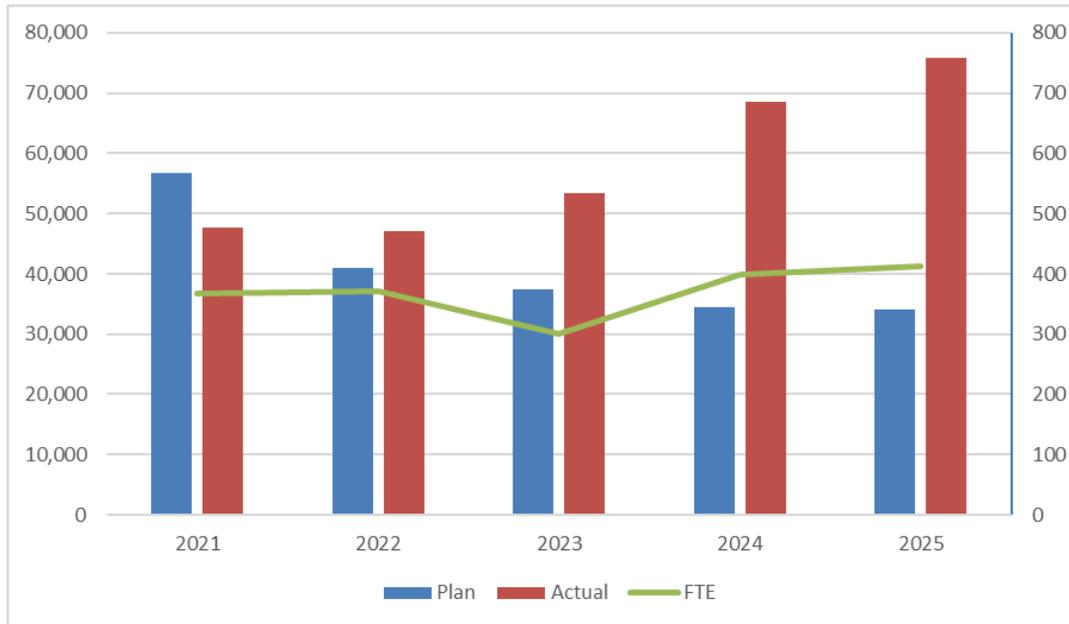
⁵³ Ibid., p. 11.

⁵⁴ Attachment 4-1-3(C) - Workforce Growth, p. 7, Figure 2; Schedule 2-5-5 - Capital Expenditure Plan, p. 38, Table 8.

⁵⁵ EB-2019-0261, Schedule 2-4-3 - Distribution System Plan, p. 293, Table 8.13.

⁵⁶ Attachment 4-1-3(C) - Workforce Growth, p. 7.

**Figure C - Actual Gross System Access Spend vs. Forecast⁵⁷
 With Distribution Operations, Metering, and Engineering and Design FTEs**



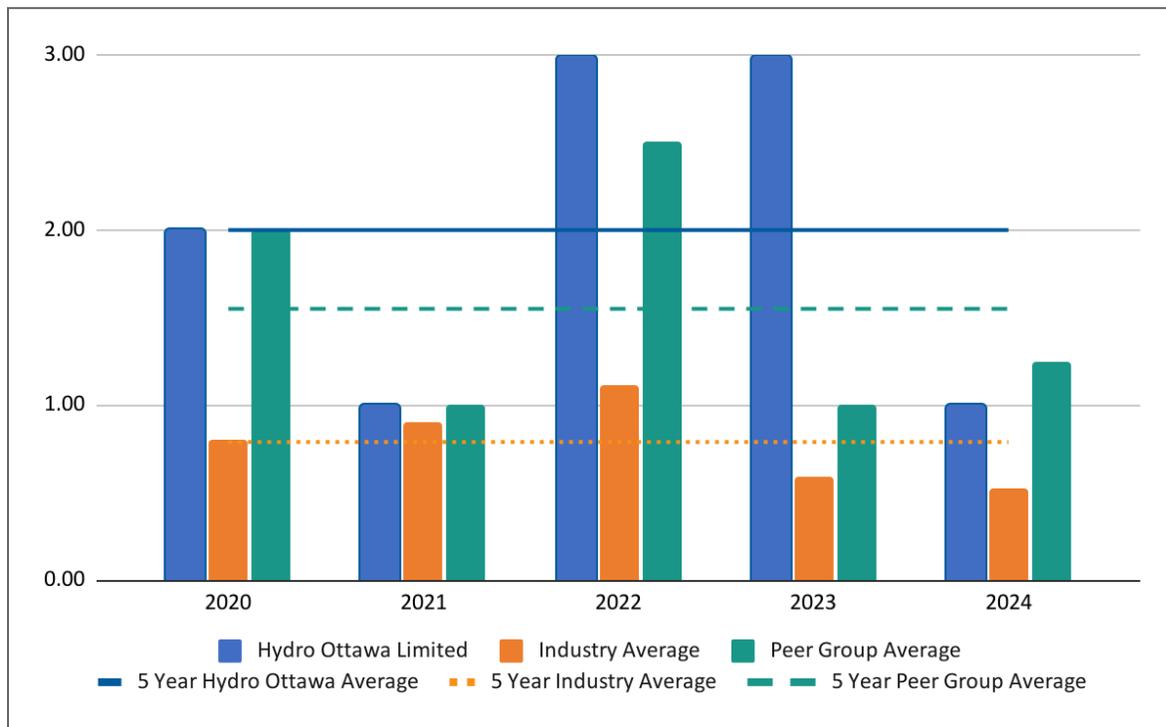
B. CLIMATE RESILIENCE (VEGETATION MANAGEMENT AND BUSINESS CONTINUITY)

42. Over the last decade, Hydro Ottawa has experienced an exceptional number and pattern of severe weather events, ranging from high heat, high winds, flooding, lightning and ice storms.⁵⁸ As shown in Figure D below, the frequency of Hydro Ottawa’s severe weather events in recent years has surpassed that of its peers:

⁵⁷ Attachment 4-1-3(C) - Workforce Growth, p. 7, Figure 2, expanded to include System Access spend from EB-2019-0261, Appendix 2-AB for 2016-2020. Distribution Operations FTEs from 4-CCC-50, Table C.

⁵⁸ Schedule 1-2-3 - Business Plan, pp. 13-14 & Table 3; Attachment 2-5-4(B) - Addendum Report to Distribution System Climate Vulnerability Risk Assessment and Climate Change Adaptation Plan, p. 42 (Western University – Forensic Analysis of the May 21, 2022 Derecho for the Ottawa Area); Schedule 4-1-1 - Operations, Maintenance, and Administration Summary, p. 11.

Figure D - Severe Weather Event Benchmarking⁵⁹



43. Coming out of the storms in 2022 and 2023, Hydro Ottawa understood that there was a need to reinforce various key roles and functions across the organization to implement lessons learned from the storms. One such area was Hydro Ottawa’s Business Continuity Management (BCM) program, where historically the focus has been about responses to electricity outages.⁶⁰ To move towards an all-hazards approach to business continuity, in which Hydro Ottawa proactively identifies potential threats, mitigates their impacts, and establishes effective response and recovery strategies, Hydro Ottawa added two BCM positions in 2024.⁶¹ An early success of these efforts has been the strengthened Electricity Emergency Response Plan’s shift to an “always on” approach, built upon the internationally recognized Incident Command System. This enhanced approach pre-stages resources when severe weather is coming, so that the resources are available and ready to respond immediately.⁶²

⁵⁹ Attachment 1-3-3(D) - Supplemental Industry Benchmarking Analysis, p. 5, Figure 3 updated for 2024 from RRR data - 2.1.4.2.10 - Major Event Response Reporting.

⁶⁰ Attachment 4-1-3(E) - Health, Safety and Environmental Compliance, and Sustainability and Business Continuity Management p. 25.

⁶¹ Attachment 4-1-3(C) - Workforce Growth, pp. 33-34.

⁶² Oral Hearing Transcript, Day 2, pp. 113-114.

44. Another lasting effect of the 2022 and 2023 storms, in conjunction with other extreme weather experienced over the historical period, has been a sharp increase in work volumes in the Vegetation Management program. As discussed in Part II.B and shown in Table 7, delayed mortality from severe weather and the increased diligence of customers to report encroaching vegetation has resulted in higher volumes of reactive work than anticipated in the last rate application. Before the 2022 Derecho, Hydro Ottawa used to have a backlog of 15 to 30 calls for as-needed activities. Now, Hydro Ottawa has a backlog of hundreds of calls about encroaching vegetation that it must address from an electrical safety perspective.⁶³

Table 7 - Vegetation Management Program Cost (\$000)⁶⁴

	Historical Years				Q2 Forecast	% Growth 2021 vs. 2025 ⁶⁶
	2021	2022	2023	2024	2025 ⁶⁵	
Planned	\$2,727	\$2,551	\$2,902	\$3,324	\$3,152	15.6%
As-Needed	\$706	\$743	\$1,264	\$2,556	\$2,810	298%
Emergency	\$378	\$3,426	\$2,091	\$1,055	\$1,102	191.5%
Total	\$3,811	\$6,720	\$6,257	\$6,936	\$7,064	85.4%

45. In addition to rising volumes of work due to extreme weather, due to the specialized arborist skills that are required to execute vegetation management work and labour shortages in this market, Hydro Ottawa has also experienced inflationary cost pressures in this program of 4-5% per year, exceeding the OEB's standard inflation factor over the 2022-2025 period.⁶⁷ Wherever possible, these market cost pressures are mitigated by Hydro Ottawa's mature procurement policies and practices:

- a. Hydro Ottawa's procurement policy is anchored by a policy that ensures that all acquisitions are conducted through fair, open and transparent competitive processes. By utilizing various "RFx" vehicles,⁶⁸ Hydro Ottawa's practices ensure that favorable pricing is secured to maximize value. This framework is further enhanced by Strategic Alliances that leverage just-in-time delivery and material pipelining, to meet project needs with minimal commitment on Hydro Ottawa's part. The effectiveness of this disciplined

⁶³ Oral Hearing Transcript, Day 2, pp. 82-83.

⁶⁴ 4-Staff-139, Table D.

⁶⁵ SC-SEC-2, Table A.

⁶⁶ Difference between 2025 and 2021 figures over 2021 figures.

⁶⁷ Schedule 1-2-5 - Impacts of Inflationary Pressure, p. 35 Table 31.

⁶⁸ Schedule 4-2-2 - Purchases of Non-Affiliate Services, p. 2.

approach is evidenced by the Vegetation Management program, whereby despite the inflationary cost pressures experienced in this program, Hydro Ottawa maintained market competitive pricing through the disciplined use of multi-year contracts with predefined annual escalation rates. By leveraging these long-term contractual provisions, Hydro Ottawa successfully capped average yearly increases for Vegetation Management services at 4-5% throughout the 2020-2024 period.⁶⁹

C. IT SOFTWARE INVESTMENTS

46. Over the historical period, IT software costs have been increasing at a rate that outpaces the OEB's standard inflation assumptions.⁷⁰ Especially affected are the cloud-based IT services that utilities, including Hydro Ottawa, are increasingly relying on to support grid modernization, meet customer expectations, and manage the workforce efficiently.⁷¹
47. Cloud computing solutions enable utilities to manage large amounts of data in a manner that is secure from the rising prevalence of cyber attacks. As utilities increasingly rely on automated, data-driven processes to manage a sophisticated digital grid marked by automated switches, advanced meters, and the integration of customer-owned solar and battery storage technologies, cloud-based solutions are playing a larger role.
48. In the past, these IT investments in digital infrastructure would have been capitalized. But the classification of these cloud-based solutions as OM&A, rather than capital, as governed by International Accounting Standard 38 (IAS 38) Intangible Assets, means that these investments must be expensed.⁷²
49. Further complicating the budgeting process for IT investments has been the volatility of cloud-computing prices. As explained in Day 3 of the Oral Hearing, in regards to cloud-computing solutions in particular, *"Hydro Ottawa, like many other companies, is navigating significant market forces. We are seeing cloud renewals exceed 10 to 20 percent, higher uplifts at the time of renewal. We are seeing a shift from simply [charging for] access to the application*

⁶⁹ Schedule 1-2-5 - Impacts of Inflationary Pressure, p. 35; Oral Hearing Transcript, Day 1, pp. 18-19.

⁷⁰ Schedule 1-2-5 - Impacts of Inflationary Pressure, p 35, Table 31.

⁷¹ Attachment 4-1-1(A) - Transition to Cloud Computing pp. 2-3; Oral Hearing Transcript, Day 1, pp. 73-74.

⁷² Attachment 4-1-1(A) - Transition to Cloud Computing, p. 2.

*to consumption-based models, tokens, pay per action, pay per conversation, which is making it harder for us to plan our budgets.*⁷³

50. Although Hydro Ottawa was able to manage its relationships with its IT vendors to reduce some of the cost pressure it experienced, technology support contracts for Hydro Ottawa still increased between 2-7% between 2020-2024.⁷⁴ The incremental effect of these cost pressures on Hydro Ottawa's 2024 budget is captured in Figure A above.

D. LARGE LOAD REQUESTS AND DER CONNECTIONS

51. Since 2021, Hydro Ottawa has experienced a surge in both large load connection requests and DER connection requests, reflecting increased interest and investment from customers in electrification. Hydro Ottawa has been particularly affected by these trends due to the large number of federal institutional customers it serves. These institutional customers (e.g., PSPC, CFIA, NRCAN, DND) have federal targets to switch from natural gas heating to electricity, which is driving a number of significant large load requests.⁷⁵ The Ottawa region also has a prominent high-tech sector and the expansion of servers to support growth in that sector is further increasing large loads.⁷⁶
52. In the four-year period between 2021 and 2024, Hydro Ottawa received almost twice as many large load connection requests as it received in the ten-year period between 2010 and 2020.⁷⁷ Of these large load requests received between 2021 and 2024, 17% exceeded 30 MVA, a capacity that was not seen in the decade prior and is much more complex and resource-intensive to accommodate.⁷⁸
53. Hydro Ottawa has also seen substantial growth in both the volume and complexity of DER connection requests since 2021. Hydro Ottawa wants to support these connection requests, consistent with the mandate received from the ministry to support investment in NWS. Adding these technologies to an aging grid requires rigorous engineering analysis to ensure grid stability and maintain safe and reliable operations. To that end, the number of preliminary

⁷³ Oral Hearing, Transcript, Day 3, p. 18.

⁷⁴ Schedule 1-2-5 - Impacts of Inflationary Pressure, p. 35, Table 31.

⁷⁵ Oral Hearing Transcript, Day 3, p. 53.

⁷⁶ Oral Hearing Transcript, Day 3, pp 53-54.

⁷⁷ Attachment 4-1-3(C) - Workforce Growth, p. 8 & Figure 3.

⁷⁸ Attachment 4-1-3(C) - Workforce Growth, p. 8.

consultation reports (PCRs) and connection impact assessments (CIAs) that Hydro Ottawa’s engineering team is responsible for has grown almost eight-fold from 2021 to 2024.⁷⁹

54. To accommodate the growth of large loads and DERs in the historical period, Hydro Ottawa added four new Distribution Engineering positions in 2024, which as Table 8 shows, was a proportional increase relative to the increased work volume.⁸⁰

Table 8 - Work Volumes from Rising DER and Capacity Connection Requests⁸¹

	2021	2024	Variance (%)
Large load connection requests	9	38	322%
DER connection requests	21	163	676%
Total requests	30	201	570%
FTEs to support volume of requests	0.75	5	567%

E. FACILITIES

55. As noted above, Hydro Ottawa has also experienced cost pressures from rising property values, which, in conjunction with the expansion of Hydro Ottawa’s asset base through the addition of new substations, have increased property taxes (comprising a third of the total Facilities program cost) and building insurance expenses.⁸²

F. REGULATORY COSTS

56. During the 2022-2024 period, Ontario’s energy industry witnessed an uptick in policy consultations and working groups, resulting in cost impacts exceeding inflation with respect to OEB assessments and Section 30 Costs, which encompass both the intervenors and the OEB’s expenses.⁸³

III. THE 2026 OM&A INCREASES ARE PRUDENT AND NECESSARY

57. Following the stabilization of its workforce and operations in 2024-2025, in the 2026 Test Year and beyond, Hydro Ottawa must make prudent and necessary incremental OM&A investments in its workforce, technology and distribution system maintenance to serve growing and changing

⁷⁹ Attachment 4-1-3(C) - Workforce Growth, p. 9 & Figure 4.

⁸⁰ IRR 4-Staff-162.

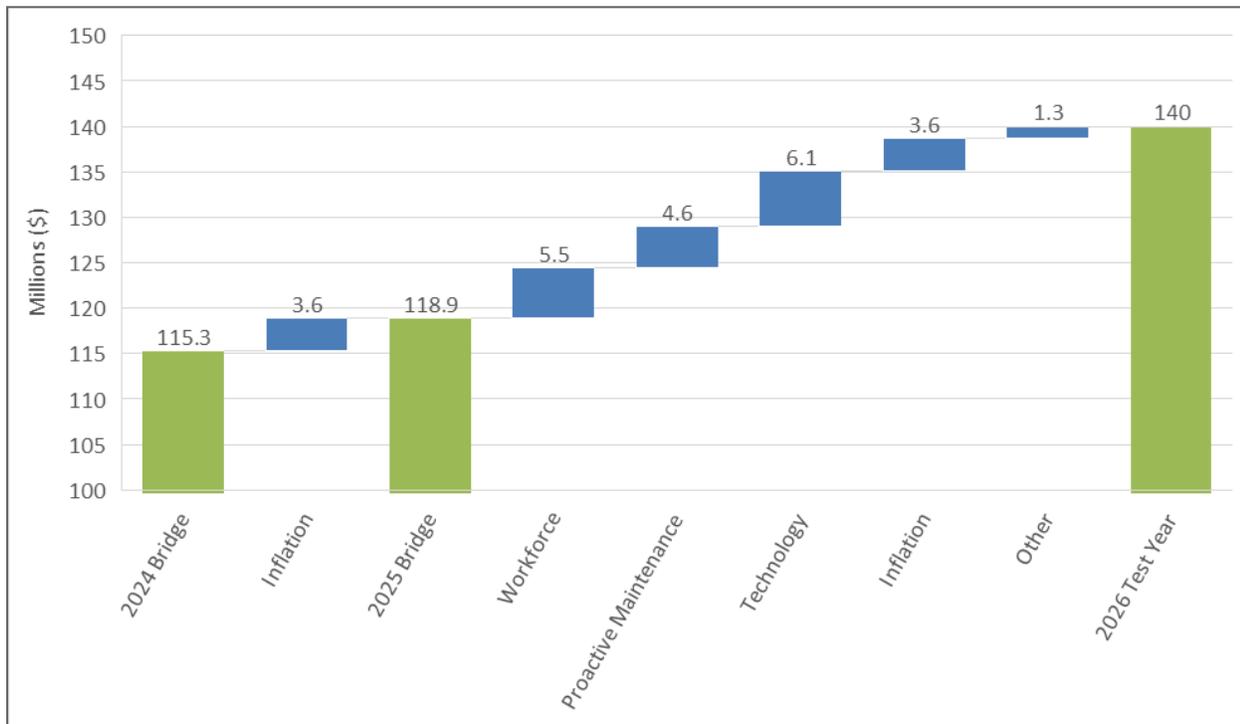
⁸¹ Ibid.

⁸² Schedule 4-1-2 - Operations, Maintenance and Administration Program Costs, p. 59.

⁸³ Schedule 4-1-2 - Operations, Maintenance and Administration Program Costs, p. 62; IRR 4-VECC-38, Table A.

customer demand, leverage technology and NWS to modernize its grid and operations, pursue sustainable efficiencies, and execute a capital program that is significantly growing in size compared to the 2021-2025 rate term (in 2026 alone, gross capital expenditures are doubling as compared to 2021).

Figure E - Cost Drivers of the 2026 Test Year Budget (\$M)⁸⁴



58. As shown in the waterfall chart presented in Figure E above and furthered explained in the sections below, the funding increase that Hydro Ottawa has requested from 2024 (the appropriate comparison point for this proceeding) to the 2026 Test Year, centers on three key drivers:

- a. **Workforce Capacity:** To enable the effective planning and execution of a capital program that is doubling in size relative to prior approved levels and to support growth, electrification and grid modernization, Hydro Ottawa needs 81 additional positions in the 2026 Test Year, many of which have been (or are in the process of) being hired.⁸⁵

⁸⁴ Schedule 4-1-2 - Operations, Maintenance and Administration Program Costs, p. 3, Table 2.

⁸⁵ Oral Hearing Transcript, Day 1, pp. 113-114; Oral Hearing Transcript, Day 3, pp. 42-43.

- b. ***Distribution System Maintenance***: To safely manage a deteriorating asset base, maintain reliability and respond to the needs of an evolving digital grid, Hydro Ottawa must invest in an improved maintenance program, leveraging new inspection technologies.
- c. ***Technology Investments***: To modernize Hydro Ottawa's operations, keep pace with evolving customer expectations and drive long-term continuous improvement in efficiency and productivity, Hydro Ottawa requires funding to invest in digital infrastructure and cloud-based solutions.

A. WORKFORCE CAPACITY

59. The 2026 Test Year includes partial-year funding for 81 new positions which are strictly required to ensure effective planning and execution of Hydro Ottawa's growing capital program, and address incremental requirements related to customer and economic growth, electrification and grid modernization. This incremental headcount in 2026 is responsible for approximately \$5.5M, accounting for nearly 25% of the requested increase between the 2024 Bridge and the 2026 Test Year budget for OM&A. However, it is important to note that because of the vacancy rate assumptions that Hydro Ottawa built into the 2026 compensation budget the 2026 Test Year includes only partial funding for this new headcount.⁸⁶
60. Hydro Ottawa's new positions reside in the following categories:
- a. resources that directly support the safe and effective planning and execution of the significant growth of the capital program, including the deployment of AMI 2.0;
 - b. resources that are necessary to advance grid modernization and support growth, electrification, including DER integration;
 - c. resources in IT to support investments in Hydro Ottawa's digital infrastructure and cyber security protection;
 - d. resources to enhance business continuity and organizational resiliency for continuous improvement in emergency preparedness, and to support Hydro Ottawa's sustainability initiatives, including its net-zero target; and

⁸⁶ JT2.3, pp. 19-20, Table E.

- e. resources in HR and Safety roles commensurate with the minimum workforce capacity levels that are required over the 2026-2030 rate term.

Table 9 - New Positions by OM&A Program in 2026⁸⁷

OM&A Program	New Positions
Metering, Distribution Operations, and Engineering & Design	68
IT Roles in the IT, CCR, Customer Billing programs	8
Business Continuity and Resiliency ⁸⁸	3
Human Resources and Safety ⁸⁹	2
Total New Positions in 2026	81

- 61. **Positions to Execute the Capital Program:** Of the 81 new positions in 2026, the largest portion is allocated to the Distribution Operations, Metering, and Engineering & Design programs. These are largely trades and project management roles that are being added to support execution and oversight of the capital program,⁹⁰ which (as approved by the OEB) will double Hydro Ottawa’s capital investments over this coming five-year rate period.
- 62. Compared to historical levels, Hydro Ottawa is adding a fewer than proportionate number of new resources to support the growth in its capital programs. As shown by Figure F, capital expenditures per Distribution Operations, Engineering and Design and Metering FTE is growing over this period, which effectively means that the amount of capital work to be executed per employee will need to increase compared to historical levels. This level of resourcing relies on built in efficiency expectations, as each Distribution Operations and Metering FTE in the coming rate period will be expected to support a greater level of capital expenditures than historically.

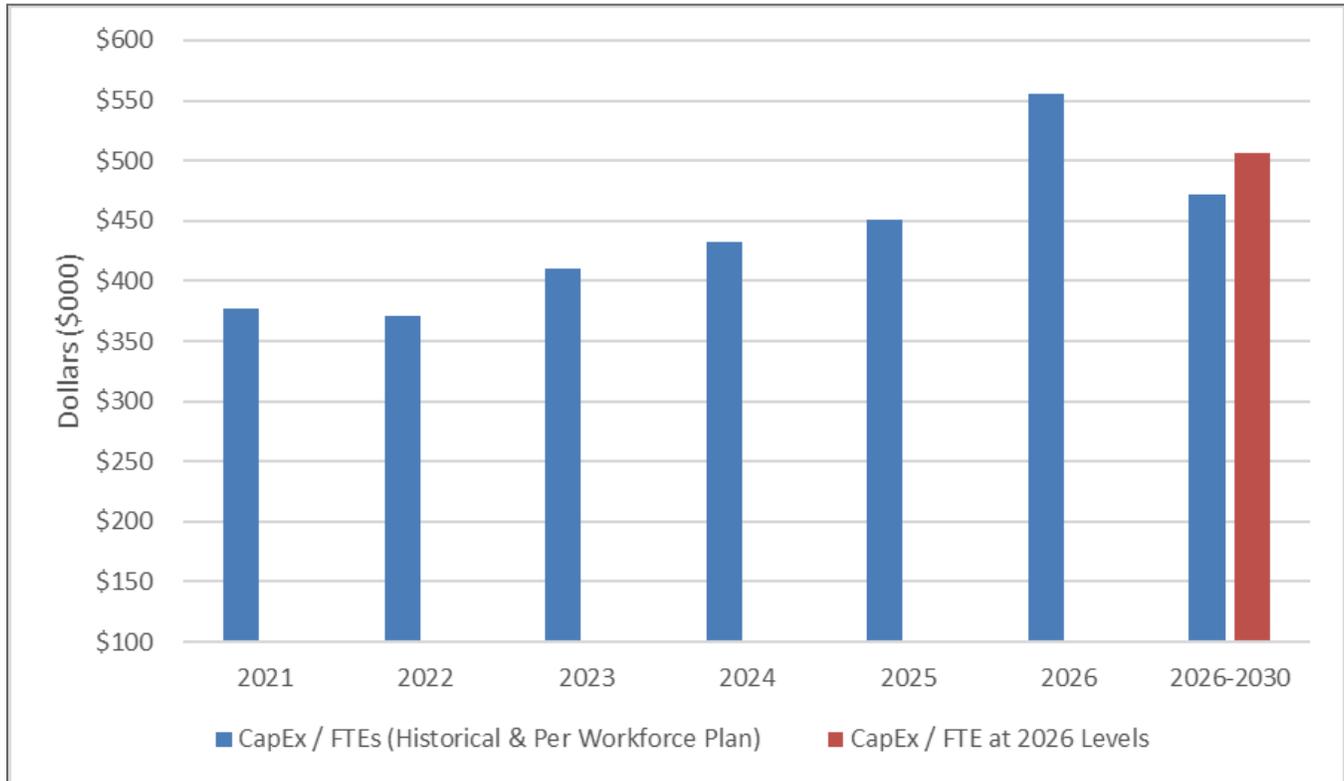
⁸⁷ Schedule 4-1-3 - Workforce Staffing and Compensation p. 5, Table 1.

⁸⁸ This line captures the position added to the Business Continuity Management program and the two Sustainability positions added. 4-Staff-159, Table A.

⁸⁹ One position being added to the HR program is an IT role, which is therefore included in the IT Roles row in Table 8.

⁹⁰ 4-Staff-159, Table A.

Figure F - Capital Expenditures Per Metering, Distribution Operations, and Engineering & Design FTEs (\$000)⁹¹



63. As shown in Table 10 below, approximately 37% of the total FTE additions planned in Distribution Operations, Engineering & Design and Metering between 2024-2030 to support the increase in the capital work program, were planned to be added in the 2027-2030 years. With the reduced OM&A escalator, the FTE additions forecasted for 2027-2030 must be re-evaluated to manage within the approved funding envelope.

Table 10 - Distribution Operations, Engineering & Design and Metering FTE Additions

Total FTE Additions Planned Beyond 2024 (A)	FTE Additions Planned Beyond 2026 Test Year (B)	2027-2030 FTE Additions as a % of Total Planned (C=B/A)
126	47	37%

64. To execute the capital plan that the OEB has approved, Hydro Ottawa will need every one of these new positions plus additional significant productivity gains to increase the throughput of

⁹¹ Attachment JT2.16(A) - OM&A & Capital Expenditures 2025 Forecast; Settlement Proposal, p. 24, Table 8; IRR 4-CCC-50, Table C.

each employee. This is the case despite the 17% reduction in the capital expenditures envelope approved as part of the Settlement, as significant FTE decreases associated with the capital plan reduction have been implicitly accounted for in the reduced OM&A escalator for 2027-2030 period.⁹²

65. **Resources to Advance Grid Modernization and Support Cost-Effective Long-Term Growth and Electrification:** Hydro Ottawa also plans to add additional positions to the Engineering & Design program to advance grid modernization objectives and support growth and electrification. The confluence of grid modernization, increased DER integration, and an aging asset base is placing unprecedented demands on distribution engineers who must now support the development of complex new programs and oversee the integration of advanced technologies.⁹³ In 2025, the volume of DER connection requests has continued to increase,⁹⁴ and the projected volume of large load requests in the coming rate period is also growing substantially.⁹⁵ These rising work volumes along with the added complexity associated with integrating new technologies to the grid creates a dire need for additional engineering resources in this rate period. These resources are also essential to support major initiatives like the Advanced Distribution Management System (ADMS),⁹⁶ which requires dedicated staff for advanced network model management and real-time power system modeling. Furthermore, the Grid Modernization Roadmap⁹⁷ introduces new asset classes, such as utility-owned Battery Energy Storage Systems (BESS), requiring engineers to develop new standards, work methods, and protection and control schemes to ensure these new technologies operate safely and reliably.⁹⁸
66. The transition toward NWS further increases the analytical burden on planning resources, who must now perform sophisticated Benefit-Cost Analyses (BCA) and model complex, dynamic planning scenarios to consider flexible connection agreements.⁹⁹ Ongoing pilot initiatives, such as the Ottawa Distributed Energy Resource Accelerator (ODERA),¹⁰⁰ also demand significant internal technical and project management expertise to design systems for the intelligent

⁹² Oral Hearing Transcript, Day 2, p. 138.

⁹³ Attachment 4-1-3(C) - Workforce Growth pp. 24-25.

⁹⁴ Oral Hearing Transcript, Day 2, p. 91.

⁹⁵ Schedule 1-3-1, p. 2, Figure 1.

⁹⁶ IRR Attachment 2-CCC-15(D) - ADMS Program Charter.

⁹⁷ IRR Attachment 2-Staff-57(A) - Hydro Ottawa Grid Modernization Strategy 2025, p.18.

⁹⁸ Oral Hearing Transcript, Day 3, p. 60.

⁹⁹ IRR Attachment 2-Staff-67(A) - NWCSP - BCA Summary Report.

¹⁰⁰ IRR Attachment 2-Staff-69(A) - ODERA Project Charter.

orchestration of customer-owned DERs. Additionally, ongoing Decarbonization¹⁰¹ and Resilience studies¹⁰² have transitioned from one-time efforts to a requirement for annual, complex system analysis to manage electrification-driven load impacts and project scoping based on a likelihood-and-consequence-of-failure framework. Because these positions support multi-year planning and system analysis rather than the physical construction of specific projects, they are not as heavily capitalized as distribution operations staff.¹⁰³ Consequently, reductions to the capital program from the Settlement Agreement do not alleviate the urgent need for OM&A funding to support these critical engineering roles.

67. **Resources to Support IT Security and Software Investments:** Hydro Ottawa plans to add eight IT roles across the organization in 2026: five positions in the IT program and one position in each of the Customer Billing, Customer & Community Relations, and Human Resources programs.
- a. **Cyber Security Roles:** Two of the five new IT positions will be cyber security positions.¹⁰⁴ Cyber security threats against utilities are on the rise and Hydro Ottawa is uniquely positioned as a high-value target for malicious actors because its service territory includes the nation's capital.¹⁰⁵ Investing in cyber defenses includes investing in a workforce with the capabilities to manage Hydro Ottawa's cyber security plans.
 - b. **Project Management Roles:** The remaining six roles across the organization will be responsible for supporting the implementation of new technological solutions. The Customer Billing position will facilitate the implementation of the AMI 2.0 program.¹⁰⁶ The Customer and Community Relations position will support the implementation of customer-facing technological solutions.¹⁰⁷ The Human Resources position will do the same for HR technology platforms.¹⁰⁸ And the remaining two IT positions will be responsible for supporting Hydro Ottawa's transition to cloud computing and other

¹⁰¹ Attachment 2-5-4(F) - Decarbonization Study.

¹⁰² Attachment 2-5-4(E) - Resilience Investment Business Case Report.

¹⁰³ Oral Hearing Transcript, Day 2, pp. 98-99.

¹⁰⁴ IRR 4-Staff-150 e).

¹⁰⁵ Schedule 4-1-1 - Operations, Maintenance and Administration Summary, p. 13.

¹⁰⁶ Attachment 4-1-3(C) - Workforce Growth, p. 30.

¹⁰⁷ Ibid.

¹⁰⁸ IRR 4-Staff-152 b).

project management functions.¹⁰⁹ Further discussion of these IT investments is provided below.

68. **Resources to Support Climate Resiliency and Business Continuity:** Hydro Ottawa plans to add three positions, one business continuity position and two sustainability positions, to further its efforts to adapt to an evolving climate and mitigate the utility's greenhouse gas emissions.

a. **Business Continuity:** As discussed in Part II.B above, the business continuity position is necessary to help Hydro Ottawa implement the learnings from the increased volume of storms experienced over the 2018-2023 period and ensure that Hydro Ottawa's operations are prepared to manage a greater volume of extreme weather events in the future.¹¹⁰

b. **Sustainability:** The two sustainability positions will support the utility as it works towards the goal of net-zero operations by 2030. To respond to the disruptive events in the last rate period, Hydro Ottawa shifted attention and resources away from sustainability efforts and as a result the target level of progress against sustainability plans was not fully achieved. Additional resources are necessary to get back on track and coordinate efforts to identify and reduce emissions, especially as Hydro Ottawa expands operations to support a significantly growing capital program.¹¹¹ These investments align with local expectations: customers and communities served by Hydro Ottawa are pursuing similar sustainability goals, driven by climate consciousness, corporate targets, investor requirements, and local, federal, and international climate commitments.¹¹² As a community leader and essential service provider, Hydro Ottawa is expected and committed to supporting the achievement of net-zero goals.

69. **HR and Safety Positions to Support Workforce Growth:** Hydro Ottawa is adding two roles in its Human Resources and Safety programs to support the growth of the overall headcount and capital program. These positions are necessary to ensure that the new employees that Hydro Ottawa adds are properly onboarded, trained and supported as they build their careers with the utility. As illustrated by Table 11 below, even with the addition of these resources, the number of

¹⁰⁹ IRR 4-Staff-150 e).

¹¹⁰ IRR 4-Staff-151 b).

¹¹¹ IRR 4-Staff-151 b).

¹¹² Oral Hearing Transcript, Day 2, p. 206, lines 17-24.

FTEs supported across the workforce by the HR functions is increasing in 2026, illustrating that the growth of this function is proportionally lower than the growth throughout the rest of the organization.

- a. **Specialized Training Requirements:** The primary driver for the additional safety-related position is the significant increase in training volume and complexity necessitated by Hydro Ottawa’s organizational growth.¹¹³ The need for specialized safety resources is further compounded by the evolution of the workforce, as the influx of new apprentices require a high concentration of foundational compliance and safety training before they can safely transition to field work.¹¹⁴ Additionally, as the distribution network becomes more sophisticated, the development and delivery of specialized training for new tools and technologies require dedicated management. The increase in total training hours across a larger workforce exceeds the capacity of existing resources to deliver and verify essential safety competencies, making these positions a prerequisite for ensuring that grid expansion and electrification targets are met without compromising the safety of employees or the public.¹¹⁵

Table 11 - Hydro Ottawa FTEs Per Human Resources FTE

	Actuals					
	2021	2022	2023	2024	2025	2026
Hydro Ottawa FTEs ¹¹⁶	585	595	494	624	641	716
HR FTEs ¹¹⁷	26	29	26	26	25	28
Employees per HR FTE	23	21	19	24	26	26

B. DISTRIBUTION MAINTENANCE INVESTMENTS TO MANAGE DETERIORATING INFRASTRUCTURE AND RESPOND TO THE NEEDS OF AN EVOLVING DIGITAL GRID

70. Distribution system maintenance investments are necessary to manage the reliability and safety risks associated with aging and deteriorating infrastructure, and respond to the needs of an evolving modern grid. These investments account for approximately \$4.6M (18.4%) of the requested increase between 2024 OM&A bridge-year budget and the 2026 Test Year budget.

¹¹³ Attachment 4-1-3(C) - Workforce Growth, pp. 32-33.
¹¹⁴ Attachment 4-1-3(B) - Workforce Planning Strategy, pp. 11-13.
¹¹⁵ Attachment 4-1-3(B) - Workforce Growth, pp. 32-33.
¹¹⁶ IRR 4-CCC-50, Table C.
¹¹⁷ Ibid.

71. Like many Ontario electricity distributors, Hydro Ottawa is currently navigating the tremendous challenge of managing an aging and deteriorating asset base.¹¹⁸ Much of Hydro Ottawa’s distribution infrastructure has reached the end of its useful life and is rapidly deteriorating.¹¹⁹ As shown in the Tables 12 and 13 below, as of 2024, 54% of the total infrastructure has reached or exceeded its Typical Useful Life (TUL), and 6% of the asset base is classified as being in degraded condition based on current assessments. While immediate replacements are prioritized based on physical degradation, the level of investment required to replace all assets in degraded condition is fundamentally impractical. For instance, the cost to replace all degraded assets by 2030 is estimated at \$862M, while the proposed system renewal spend for the 2026–2030 period is \$261M.

Table 12 - 2024 and 2030 Asset System Renewal Needs¹²⁰

Asset System	2024 – Assets in Degraded Condition	Cost to Replace All Degraded Assets by 2030	2026-2030 Proposed System Renewal Spend	2030 – Assets in Degraded Condition
Overhead	12%	\$199M	\$68M	10%
Stations	13%	\$205M	\$90M	15%
Underground	3%	\$458M	\$103M	6%
Total	6%	\$862M	\$261M	8%

Table 13 - Asset Age Demographic Projections (no investment)¹²¹

Asset System	2024 – Reached or Exceeded TUL	2030 Reached or Exceeded TUL	2035 Reached or Exceeded TUL	2040 Reached or Exceeded TUL
Metering	67%	81%	N/A ¹²²	N/A
Overhead	23%	30%	36%	46%
Stations	59%	65%	69%	75%
Underground	26%	37%	46%	52%
Total	54%	67%	42%	50%

72. Furthermore, Hydro Ottawa recognizes that chronological age remains a fundamental pillar of long-term infrastructure stewardship, and without a proactive strategy, the demographic profile

¹¹⁸ Ministry of Energy and Mines, “Ontario Launches Expert Panel to Strengthen Local Electricity Distribution,” October 27, 2025,

<https://news.ontario.ca/en/release/1006663/ontario-launches-expert-panel-to-strengthen-local-electricity-distribution>. Ontario Launches Expert Panel to Strengthen Local Electricity Distribution | Ontario Newsroom

¹¹⁹ Schedule 4-1-1 - Operations, Maintenance and Administration Summary, p. 8; see also Schedule 2-5-1 - Distribution System Plan Overview, p. 61.

¹²⁰ Schedule 2-5-1 - Distribution System Plan Overview, p. 69, Table 3.

¹²¹ Schedule 2-5-4 - Asset Management Process, p.151, Figure 29; p. 164, Figure 43; & p. 171, Figure 51.

¹²² As noted in IRR 2-SEC-51.

of the grid will continue to shift toward higher risk. With no investment, by 2030, the percentage of assets exceeding their TUL is projected to rise to 67%, with specific sectors like station assets reaching 75% by 2040. This trend is exemplified by the pole population: while an average of 8% of poles reach their TUL every five years through 2040, the proposed replacement rate only addresses approximately 4% within the upcoming period.¹²³ Maintaining levelized replacement rates is critical to prevent a compounding backlog of expired assets. This proactive approach is necessary to stabilize future rate impacts for customers and ensure that resourcing requirements remain manageable, avoiding a scenario where an unmanageable volume of infrastructure requires simultaneous emergency replacement.¹²⁴

73. Consequently, Hydro Ottawa is transitioning to an enhanced, data-driven maintenance strategy designed to manage asset failure-related safety and reliability risks within a top-down constrained capital budget.¹²⁵ Although system renewal investments are expected to increase relative to historical levels, they remain insufficient to keep pace with the forecasted deterioration of the asset base from both an age and condition perspective. As a result, the overall share of assets past their useful life and in degraded condition is expected to increase over the 2026–2030 rate term. This degradation may even exceed the projections in the table above due to budget reductions following the Settlement. These constraints further underscore the critical necessity of investing in rigorous distribution system maintenance, inspections, and testing to mitigate the risks of an aging asset population.

74. **Distribution System Maintenance Enhancements:** To maintain safety, reliability, environmental and other key outcomes while managing its degrading asset base with capital funding constraints, Hydro Ottawa must make several improvements to its testing, inspection and maintenance program starting in 2026.¹²⁶ These investments cost approximately \$2.8M and include:

- a. **Drone-Based Inspections:** Hydro Ottawa currently leverages ground-based inspection technology for overhead assets, which is not readily able to identify hot spots or degraded assets that are at the top of the pole.¹²⁷ With the drone inspection technology,

¹²³ Schedule 2-5-7 - System Renewal Investments, p. 67, Table 10.

¹²⁴ Ibid, p. 77.

¹²⁵ IRR 4-Staff-134 a), iv).

¹²⁶ IRR 4-Staff-134, Table A.

¹²⁷ Oral Hearing Transcript, Day 2, p. 77.

Hydro Ottawa will be able to efficiently capture a multitude of images that provide a view to these hard-to-inspect parts of the poles. This data will help Hydro Ottawa target high-value investments in its overhead asset base, which has experienced a steady increase in equipment failure since 2021.¹²⁸ This failure trend is expected to increase as the assets further age and deteriorate, as their utilization increases due to growth and electrification, and as extreme weather events place additional stressors on these critical assets.¹²⁹

- b. ***Image Recognition and Machine Learning for Anomaly Detection:*** To fully leverage the volume of images it receives from its drone inspections, Hydro Ottawa plans to invest in an image recognition system to identify anomalies and establish asset degradation mechanisms.¹³⁰ This technology will make it easier to notice that a transformer is starting to show hot spots without an engineer having to personally review the images. The aim of this program is to get to a point where anomaly detection will be automatic,¹³¹ though getting there will require the models to be trained and refined over the rate term.¹³²
- c. ***Increased Cable Testing for Underground Lines and Feeders:*** The degradation mechanisms that lead to cable failures are difficult to predict and detect. Additionally, intervention to replace degraded underground cables is disruptive, expensive and resource intensive. To try to improve its ability to detect degradation of these assets, and to enable a more targeted risk-based intervention approach, Hydro Ottawa implemented a cable testing pilot in 2024 that used Very Low Frequency Tan-Delta, Partial Discharge (PD), and Time Domain Reflectometry (TDR) test procedures on polymeric distribution cables. The pilot produced useful results in identifying localized degradation patterns. Hydro Ottawa plans to expand this program in the coming rate period.¹³³

75. ***Maintenance and Integration of Modern Technologies:*** In addition, Hydro Ottawa needs to invest approximately \$2.8M on a testing, inspection, and maintenance program for managing modern asset systems (including grid-scale Battery Energy Storage Systems or BESS) and

¹²⁸ Schedule 2-5-7 - System Renewal Investments, pp. 60, 64.

¹²⁹ Schedule 4-1-2 - Operations, Maintenance and Administration Program Costs, p. 15; IRR 4-Staff-134 b).

¹³⁰ Oral Hearing Transcript, Day 2, pp. 77-78.

¹³¹ Ibid.

¹³² Oral Hearing Transcript, Day 2, pp. 129-131.

¹³³ IRR 4-Staff-134 a) Table A & b); Schedule 4-1-2 - Operations, Maintenance and Administration Program Costs, p. 15.

monitoring third-party DERs that can be utilized as NWS. Integrating BESS and NWSs into grid operations is a complex undertaking which necessitates specialized training and service contracts to properly monitor and control these emerging technologies. The planned maintenance investments in this area entail specialized equipment upkeep, software and cyber security requirements, ongoing safety compliance and performance monitoring, all of which requires sophisticated third-party expertise.¹³⁴

- a. **Grid Modernization:** DER integration capabilities are also essential for advancing Hydro Ottawa's grid modernization roadmap, ensuring the utility can adapt to new responsibilities in the planning, facilitation, and coordination of DERs as energy business models continue to evolve, such as the development of Local Flexibility Markets.¹³⁵ This portion of the distribution system maintenance budget, coupled with the new NWS Variance Account that was approved as part of the Settlement, provides Hydro Ottawa the base rate funding and regulatory flexibility necessary to respond to factors beyond its direct control, such as shifts in customer adoption rates, the pace of DER technology advancements, and evolving municipal or federal policies.¹³⁶ As noted, these expenditures are supported by a symmetrical NWS Variance Account, which captures the difference between forecasted and actual costs, providing a transparent way to manage the inherent uncertainties of emerging NWS projects.¹³⁷

C. INVESTMENTS TO KEEP PACE WITH INCREASING DEMANDS ON HYDRO OTTAWA'S IT INFRASTRUCTURE

76. Investments in Hydro Ottawa's digital infrastructure and in cloud computing are necessary to keep pace with the rapid evolution of the demands on IT and OT systems. Utilities, like Hydro Ottawa, need to have IT infrastructure that is capable of handling much larger volumes of data than ever before in a manner that is secure from increasingly advanced cyber threats.
 - a. From a distribution operations perspective, the ability to securely process large amounts of data is required to be able to use advanced analytics to optimize grid operations and effectively manage aging distribution assets.¹³⁸

¹³⁴ Schedule 4-1-2 - Operations, Maintenance and Administration Program Costs, p.17; IRR 4-Staff-134.

¹³⁵ Schedule 2-5-4 - Asset Management Process , p. 289, s. 9.2.4.4.

¹³⁶ Schedule 1-3-1 - Rate Setting Framework, p.32.

¹³⁷ IRR 1-Staff-18 a); Schedule 1-3-1 - Rate Setting Framework, p.31, Table 11.

¹³⁸ Schedule 1-2-3 - Business Plan, pp. 17-18; Oral Hearing Transcript, Day 3, p. 19.

- b. From a customer-service perspective, this functionality is vital, as customers increasingly expect that their utilities will have modern digital tools that they can use to receive up-to-date information about their electricity services and perform routine tasks online.¹³⁹
 - c. From an organizational efficiency perspective, advanced tools that centralize disparate systems and permit the automation of routine tasks can streamline processes, freeing-up resources to be deployed on higher-value tasks, and creating savings for ratepayers.¹⁴⁰
77. Cloud solutions are quickly becoming the only or the preferred method to gain this needed functionality, as more and more vendors are moving away from traditional on-premises perpetual-license models (which can be capitalized) to cloud-based subscription models (that fall within OM&A per accounting standards).¹⁴¹ To unlock the value of new and innovative technologies—and to avoid using unsupported, legacy systems that are vulnerable to cyber attacks—Hydro Ottawa must increasingly make the shift to cloud.
78. In 2026, Hydro Ottawa must invest approximately \$10.8 million in cloud-computing to maintain its existing subscription base and implement new solutions to drive continuous improvement in efficiency and performance management across the organization.¹⁴² Of this total cloud program budget, approximately \$3.2M will be focused on Enterprise Asset Management (EAM) and the Customer Relationship Management (CRM) initiatives, which are discussed below.¹⁴³ The remaining cloud-computing budget is required to maintain and enhance the cloud-based services that Hydro Ottawa implemented in the last rate term and to support certain general plan capital programs. For example, between 2021-2025, Hydro Ottawa began to invest in cloud by expanding its use of Salesforce to enable real-time coordination of teams in the field,¹⁴⁴ moving to a workspace collaboration platform, Google Workspace,¹⁴⁵ creating a cloud-hosted Outage Centre to provide customers with timely communications about outages and by investing in cyber tools and other cloud-based applications.¹⁴⁶

¹³⁹ Schedule 4-1-1 - Rate Setting Framework, pp. 13-14.

¹⁴⁰ Attachment 4-1-1(A) - Transition to Cloud Computing, pp. 5-7.

¹⁴¹ Oral Hearing Transcript, Day 3, p. 17; Attachment 4-1-1(A) - Transition to Cloud Computing, p. 1.

¹⁴² IRR, 4-CCC-36, Table B.

¹⁴³ Schedule 4-1-2 - Operations, Maintenance and Administration Program Costs, p. 6.

¹⁴⁴ For further information about this initiative, see Attachment 4-1-1(A) - Transition to Cloud Computing, pp. 4-5. For productivity evidence relating to it, see Schedule 1-3-4 - Facilitating Innovation and Continuous Improvement, pp. 30-31.

¹⁴⁵ For further information about the benefits that Hydro Ottawa has experienced from this platform, see Attachment 4-1-1(A) – Transition to Cloud Computing, p. 5.

¹⁴⁶ Attachment 4-1-1(A) - Transition to Cloud Computing, pp. 3-4.

79. As the EAM and CRM major initiatives taper-off in 2029 and 2030, Hydro Ottawa will continue to invest in OM&A technology solutions to enable AMI 2.0, enhance its customer engagement platforms, and support grid technology, cyber security, data and system integration and enterprise solutions. These investment needs and properties, which are described in more detail below, necessitate both funding and flexibility to choose cost-effective cloud solutions in the outer years of the 2026-2030 rate term that will provide high-value to the organization and Hydro Ottawa's customers.
80. In addition, as discussed in Part II.C, the cost of cloud-computing services has been rapidly increasing in recent years, with the cost escalation being as high as between 10-20% for some contracts.¹⁴⁷ This upward price pressure on existing cloud software solutions further creates a need for continued levels of investment in the cloud computing program.¹⁴⁸
81. **Enterprise Asset Management (EAM):** A 2022 assessment of Hydro Ottawa's current asset management system highlighted critical gaps—manual processes, technological limitations, fragmented data—that have impeded efficient management and ISO audit compliance. The growth of Hydro Ottawa's asset portfolio, expected to reach \$3 billion by 2030, and its deteriorating condition, necessitates improvements to this fragmented system. Beginning in 2026, Hydro Ottawa plans to spend \$3M to replace this disparate system with a unified, cloud-based platform that facilitates real-time data collection and condition-based monitoring, which will help extend asset longevity and reduce downtime.¹⁴⁹
82. **Customer Relationship Management (CRM):** Hydro Ottawa intends to spend \$0.7M in 2026 to expand its current use of Salesforce to create a single, unified and comprehensive view of each customer. This effort will consolidate existing customer data across various departments so that customer service professionals will be able to address and respond to customer needs more efficiently.¹⁵⁰
83. **Customer Engagement Platform:** In the coming rate period, Hydro Ottawa is making improvements to its MyAccount portal and website to improve functionality for customers. As part of this project, Hydro Ottawa will continue to engage customers to understand their needs

¹⁴⁷ Oral Hearing Transcript, Day 3, p. 18.

¹⁴⁸ Schedule 1-2-5 - Impacts of Inflationary Pressure, p. 35, Table 31.

¹⁴⁹ Attachment 4-1-1(A) - Transition to Cloud Computing, pp. 7-8, 13, Table 4.

¹⁵⁰ Attachment 4-1-1(A) - Transition to Cloud Computing, pp. 16-17, 20, Table 7.

and design a product that is useful for them. In addition, Hydro Ottawa is investing in an AI-powered chatbot to provide customers with 24/7 assistance for common inquiries and is building on preexisting outage communication enhancements to automate planned outage notifications to customers.¹⁵¹ A portion of this investment consists of OM&A expenditures.

84. **AMI 2.0 Integration:** To support the AMI 2.0 meter renewal program, Hydro Ottawa needs to invest in IT solutions and cloud-based integration tools to manage the increased volume of data from the next generation meters. The costs attributable to integrating these new meters into Hydro Ottawa's existing digital infrastructure and enterprise systems, as well as the data management services required to support this volume of information, are included in Hydro Ottawa's OM&A expenditures for this rate period.¹⁵² Costs are expected to increase over the period as more new meters are put into service.
85. **Cyber Security:** To strengthen Hydro Ottawa's cyber security defenses during a period of significant growth, both in terms of customers and capital additions as well as internally, Hydro Ottawa plans to make additional incremental investments each year. These investments will also help to ensure that Hydro Ottawa remains compliant with the Ontario Cyber Security Framework (OCSF).¹⁵³
86. **Continuous Improvement:** As discussed above, the rapid advancement of IT and OT technologies combined with the cost pressures in this specialized market makes it difficult to plan with certainty for these outer years. Realistically, Hydro Ottawa needs to have the ability to respond to organizational and customer needs and invest in cost-effective cloud solutions in the outer years of the 2026-2030 rate term that will provide high-value to the organization and Hydro Ottawa's customers. That said, there are some investments that Hydro Ottawa anticipates that it will need to make to support the modernization of its grid technologies and enterprise systems. Examples of those investments follow:
 - a. **Grid Technology:** Currently, the technology systems that support distribution asset management, system access, system renewal and system service programs have some key limitations that will need to be addressed in order for Hydro Ottawa to modernize its grid and accommodate further levels of customer growth. These investments include

¹⁵¹ Schedule 2-5-9 - General Plant Investments, p. 14.

¹⁵² IRR 2-SEC-51; Schedule 2-5-7 - System Renewal Investments, pp. 125, 138 & Table 21.

¹⁵³ Schedule 2-5-9 - General Plant Investments, p. 75.

improvements to the way that Hydro Ottawa tracks capacity and calculates offloading and rebalancing of electricity (from manual processes to automated systems), expanding the existing Planning Historian software to accommodate more data points due to AMI 2.0, and strengthening the systems that input key geographic and asset health data into Hydro Ottawa's EAM.¹⁵⁴

- b. **Data & Systems Integration:** Hydro Ottawa's platform that integrates its numerous OT and IT systems, Oracle Data Integrator, is reaching the end of its life in 2027 and needs to be replaced. The new system will consolidate information flows into a single, modernized integration platform with redundancy, performance, and security in mind. Aspects of this program relating to cyber security monitoring are classified as OM&A expenditures for accounting purposes.¹⁵⁵

- c. **Enterprise Solutions:** To maximize operational efficiency, Hydro Ottawa is committed to the ongoing refinement and functional expansion of its Enterprise Resource Planning (ERP) system. By optimizing this platform—which serves as the backbone for Finance and Supply Chain and maintains deep integration with Human Resources' capital management tools—the utility can maintain stable administrative staffing levels even as other departments expand.¹⁵⁶ However, in response to increased cost pressures facing the organization, Hydro Ottawa has made the strategic decision to defer its comprehensive ERP upgrade beyond 2030.¹⁵⁷ Because Hydro Ottawa has deferred this more significant upgrade to the next rate period, the utility will need to make smaller, incremental enhancements to its current ERP platform in the coming rate term so that the platform has the functionality necessary to sufficiently support Hydro Ottawa's growth.¹⁵⁸

87. Hydro Ottawa requires a programmatic cloud technology budget in order to be able to fund the investment needs and priorities outlined above. A portion of this total budget will be spent on EAM and CRM, which are two of the most significant new cloud computing investments Hydro Ottawa plans to implement. However, even after initial implementation of the EAM and CRM

¹⁵⁴ Schedule 2-5-9 - General Plant Investments, pp. 51-55.

¹⁵⁵ Ibid, pp. 41-42, 45-46.

¹⁵⁶ Schedule 2-5-9 - General Plant Investments, pp. 31-34.

¹⁵⁷ Attachment 4-1-3-C - Workforce Growth, pp. 40-41.

¹⁵⁸ Schedule 2-5-9 - General Plant Investments, pp. 31, 35 & Table 10.

solutions are complete, Hydro Ottawa must continue to have adequate funding to maintain its cloud subscriptions costs and invest in other necessary cloud systems to ensure that Hydro Ottawa has the IT systems and solutions it requires to be able to execute its work programs and serve its customers cost-efficiently.

88. The value proposition of Hydro Ottawa's digital infrastructure investments is embedded throughout the evidence and OM&A program budgets. For example:
- a. Hydro Ottawa does not plan to add any resources to the Supply Chain program in the coming rate period, even though the capital expenditures, and the volume of procurements required to execute them, are orders of magnitude larger than historical levels. To manage these growing volumes without more staff, Hydro Ottawa is relying on the efficiencies that a new Enterprise Asset Management platform will provide.¹⁵⁹ Please see Part V below for further discussion.
 - b. CRM-related projects from the rate term have used the cloud-based platform to improve customer connection processes, centralizing project intake, automating workflows, and streamlining commercial project requests, residential subdivisions and EV connections.¹⁶⁰ Further investments in and expansion of the CRM in the coming rate term will enable the Collections, Customer Billing, and the Customer & Community Relations programs to keep its headcount relatively flat, despite rising customer counts and inquiry complexity.¹⁶¹ Please see Part V below for further discussion.
 - c. To improve customer service during extreme weather events, like the ones that Hydro Ottawa is experiencing with increasing frequency, Hydro Ottawa implemented a SaaS Outage Center in 2023 to provide customers with timely access to outage information during large-scale events. This cloud-based solution is more optimal for large outage events than alternative solutions because it is less likely to be affected when cellular services are degraded due to extreme weather. The new Centre also allows customers to report outages easily and to receive proactive outage notifications via email or text message.¹⁶²

¹⁵⁹ Oral Hearing Transcript, Day 3, p. 29.

¹⁶⁰ Schedule 1-3-4 - Facilitating Innovation and Continuous Improvement, p. 35, Table 7.

¹⁶¹ Oral Hearing Transcript, Day 3, pp. 33-34.

¹⁶² Attachment 4-1-1(A) - Transition to Cloud Computing, pp. 3-4.

- d. Strategic enhancements to Hydro Ottawa's customer engagement platforms, including the Hydro Ottawa website and MyAccount portal, have enabled more calls to be routed through digital self-service channels. This transition was most evident in outage management, where 2023 data shows that self-service reports more than doubled the volume handled by live agents, significantly increasing operational efficiency.¹⁶³
 - e. Despite the number of transactions and increased activities, such as increased volume of invoices to be processed and capital transactions to manage¹⁶⁴ Hydro Ottawa has and will continue to rely on system solutions to maintain headcount within the Finance Division. For example, Hydro Ottawa uses the Esker software solution enabling AI-driven technology to speed up accounts payable (AP) processing. The first-time recognition, machine learning and teaching allows Hydro Ottawa to eliminate the pain of manual AP invoice processing. In addition, automated workflows, dashboards and integration with Hydro Ottawa's ERP system streamline tasks, provide a full audit trail, and maintain electronic records of AP documents.¹⁶⁵
 - f. In the forecast period Hydro Ottawa's workforce will grow and consist of newer, younger, less experienced employees. Nevertheless, the training budget for the 2026 period does not reflect this higher volume of training.¹⁶⁶ This is in part due to efficiencies that the training program has gained from being able to use software solutions to support online and mobile-friendly training and to optimize the training program using virtual training for tradespeople.¹⁶⁷
89. The strategy of using technology to drive continuous improvement in efficiency has taken on new importance for Hydro Ottawa after the Settlement. As shown in Table 14 below, the Settlement significantly reduced Hydro Ottawa's funding levels over the 2027-2030 rate term compared to what the utility initially proposed. Managing its operations with this reduced OM&A funding escalator means that Hydro Ottawa will be even more reliant on technology investments to find incremental efficiencies in addition to those that have already been built into its budgets for this period (as discussed in further detail below).

¹⁶³ Schedule 1-3-4 - Facilitating Innovation and Continuous Improvement, p. 36.

¹⁶⁴ Oral Hearing Transcript Day 3, p. 56.

¹⁶⁵ Schedule 1-3-4 - Facilitating Innovation and Continuous Improvement, p. 37, Table 7.

¹⁶⁶ JT2.4, Table A.

¹⁶⁷ Schedule 1-3-4 - Facilitating Innovation and Continuous Improvement, p. 37, Table 7.

Table 14 - 2026-2030 OM&A Settlement Impacts (\$M)

	2026	2027	2028	2029	2030	Total
Filed ¹⁶⁸	\$140	\$147.3	\$154.9	\$162.9	\$171.3	\$776.4
Settled ¹⁶⁹	–	\$143.6	\$147.4	\$151.2	\$155.1	\$737.4
Difference	–	\$3.6	\$7.5	\$11.7	\$16.2	\$39.0

IV. HYDRO OTTAWA'S 2026 OM&A REFLECTS PRUDENT PLANNING AND COST CONTROL

90. Hydro Ottawa's planning and budgeting strategy and processes are focused on delivering the outcomes that customers need and want while controlling costs in order to keep rates affordable. To that end, Hydro Ottawa manages its OM&A envelope in a manner that is: (i) price conscious, focusing on making necessary investments in a prudent manner that controls rising costs. (ii) responsive to customer needs, as identified through on-going customer engagement; and (iii) data-driven, using benchmarking information to inform budgeting processes.

A. PROGRAMMATIC PLANNING IS COST CONSCIOUS, EMPHASIZING VALUE FOR RATEPAYERS

91. In recent years, rapid inflation combined with escalating cost pressures in the labour, specialized services (e.g., locates, vegetation management), and technology software markets have put upward pressure on OM&A expenditures. Hydro Ottawa has been actively managing these market pressures to control cost escalations.

92. With respect to labour in particular, Hydro Ottawa leverages numerous measures and reviews to ensure that compensation costs are reasonable and prudent, yet market competitive so that the utility can attract and retain the talent it needs. As discussed in oral hearing undertaking response JT2.3, these measures have resulted in average general wage increases under its collective agreement (which makes up 60.8%¹⁷⁰ of the total compensation envelope in 2026) that are slightly below that of comparator utilities.

¹⁶⁸ 2026 OM&A expenditures escalated by 5.18%.

¹⁶⁹ 2026 OM&A expenditures escalated by 2.6%, which include a placeholder inflation factor of 2.1% as used in the rate application.

¹⁷⁰ Oral Hearing Undertaking J2.2(A) - Updated Breakout of Appendix 2-K.

Table 15 - 2023-2026 Collective Agreement Average Increase¹⁷¹

	Hydro Ottawa	Comparator Utilities
2023-2026	3.62%	3.82%

93. Hydro Ottawa’s general labour rate (across the entire compensation envelope) has also increased at a pace that is lower than the labour component of the OEB’s inflation factor, illustrating Hydro Ottawa’s concerted and ongoing focus on managing costs.

Table 16 - Labour Rate Increases¹⁷²

	Historical Years				Bridge Year	Average	Total
	2021	2022	2023	2024	2025	2021-2025	2021-2025
Hydro Ottawa Labour Rate Increase	2.35%	2.58%	3.86%	3.70%	3.55%	3.21%	17.09%
OEB Labour Escalation	2.7%	7.0%	3.5%	2.3%	3.2%	3.73%	20.07%

94. In preparing the 2026-2030 investment plan that underlies this rate application, Hydro Ottawa began the planning process with a direction from the executive leadership team to leaders within the organization to focus on “*cost effective delivery of outcomes that matter to customers*” when drafting the plans for this application.¹⁷³ Program leaders and subject matter experts took that direction and used it to draft initial program plans and budgets that were informed by a bottoms-up analysis of program needs combined with top-down benchmarking and other expert reports and analyses included in the pre-filed evidence.

95. After program leaders had generated an initial set of budgets and presented them to the Board of Directors, they were told to further reduce their OM&A budgets by \$20M starting in 2026 to make the 2026-2030 plan more affordable for ratepayers. Through that process, Hydro Ottawa’s executive team imposed a headcount rationalization reduction of 11.5%, which meant that leaders had to find additional efficiencies in their programs. Many OM&A program expenditures were impacted by this process, as can be seen from the headcount reductions in Table 17 below originally filed in 4-CCC-53 (b).¹⁷⁴

¹⁷¹ Oral Hearing Undertaking Responses J2.3, Figure A.

¹⁷² Schedule 1-2-5 - Impacts of Inflationary Pressure, p. 31, Table 24.

¹⁷³ Attachment 1-2-3(A) - Corporate Memorandum - 2024-2030 Priorities and Budget Guidelines, p. 4.

¹⁷⁴ IRR 4-CCC-53.

Table 17 - Headcount Reductions by Appendix 2-JC OM&A Program

	Original	Reduction	Current Ask	% Reduction
Metering	11	3	8	27%
Engineering & Design	62	4	58	6%
Distribution Operations	94	8	86	9%
Customer Billing	1	0	1	0%
Customer & Community Relations	3	2	1	67%
Information Management & Technology	11	4	7	36%
Safety, Environment & Business Continuity	8	1	7	13%
Human Resources	3	0	3	0%
Finance	4	0	4	0%
Facilities	1	1	0	100%
Regulatory Affairs	2	0	2	0%
TOTAL	200	23	177	11.50%

B. 2026 TEST YEAR BUDGET IS RESPONSIVE TO CUSTOMER NEEDS

96. Hydro Ottawa’s rate application—including the 2026 Test Year OM&A budget—is informed by an in-depth understanding of customer needs and preferences, and is necessary to deliver the outcomes that customers need and want.
97. Customer engagement for this application occurred in two phases.
- a. In the first phase, Hydro Ottawa asked customers about their needs and preferences to inform the overall priorities for the plan. Customers told Hydro Ottawa that their top priorities are: reliable service, reasonable rates, hardening the grid to withstand severe and extreme weather and ensuring grid capacity expansion for future demand.¹⁷⁵
 - b. In the second phase customer survey, Hydro Ottawa asked customers about the level of investment they would be comfortable supporting across several dimensions of the plan. As part of the Phase II outreach, customers were told about the relationship between

¹⁷⁵ Schedule 1-4-2 - Customer Engagement on the 2026-2030 Application, p. 2; Attachment 1-4-2(A) - Customer Engagement Report on Hydro Ottawa's 2026-2030 Rate Application, p. 240.

capital investments and OM&A.¹⁷⁶ They were also asked whether they supported the total magnitude of the rate increase contemplated by the plan, inclusive of both capital and OM&A expenditures.

- c. 87% of customers surveyed accepted the plan and associated rate increase, or one that does even more to advance key outcomes.¹⁷⁷

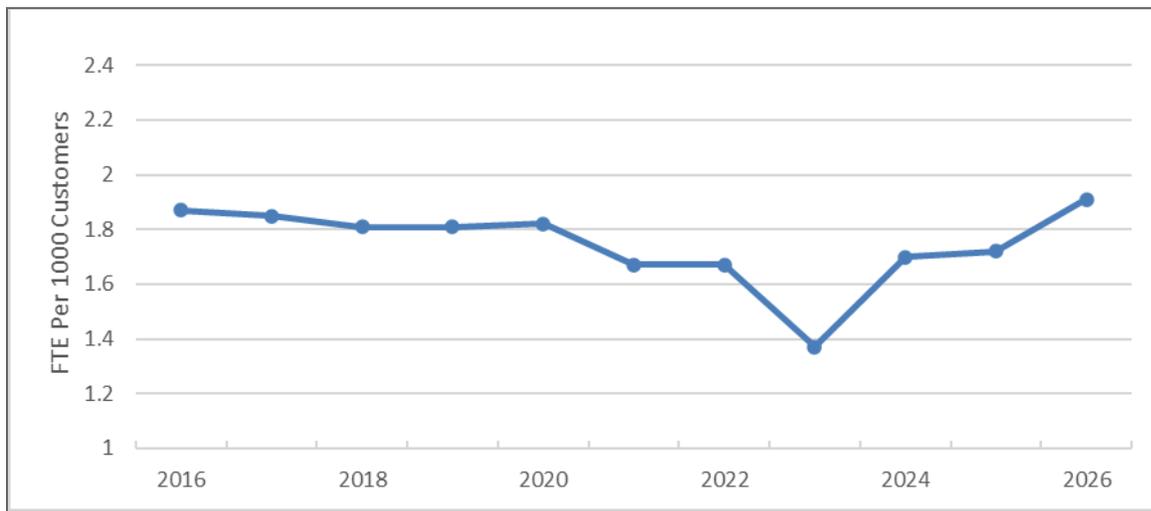
C. BENCHMARKING SUPPORTS THE REASONABLENESS OF THE 2026 TEST YEAR BUDGET

98. To gauge the appropriateness of its OM&A expenditures, Hydro Ottawa benchmarked itself against its own past performance and well as the performance of its peers on a wide-range of metrics. Three measures are particularly meaningful for Hydro Ottawa's current application: FTE per 1000 customers, OM&A expenditures as a share of capital expenditures, and FTE per \$1M in capital additions. These metrics are helpful because of the central role that customer growth and capital program size play in understanding Hydro Ottawa's OM&A expenditures. A consideration of these measures shows that Hydro Ottawa's OM&A expenditures in 2026 are prudent and reasonable.
99. **FTE per 1000 Customers:** As demonstrated by Figure G below, between 2016-2026, Hydro Ottawa's number of FTEs per 1000 customers is essentially flat, with the exception of the 2021-2023 period when Hydro Ottawa experienced significant workforce disruption from the COVID-19 pandemic, numerous impactful storms, and a three-month labour strike. After this disruptive period, Hydro Ottawa's workforce stabilized in 2024 as discussed above in Part II.A.
100. Figure G shows that the size of Hydro Ottawa's workforce for the 2026 Test Year is appropriately calibrated to the size of customer base it now serves and is aligned with what the OEB has found to be reasonable in past rate proceedings and its peers.

¹⁷⁶ Attachment 1-4-2-(A) - Customer Engagement Report on Hydro Ottawa's 2026-2030 Rate Application, p. 265.

¹⁷⁷ Ibid, p. 15.

Figure G - FTEs per 1000 Customers – 2016-2030¹⁷⁸



101. Moreover, not shown by Figure G is the rising complexity of Hydro Ottawa's customers' needs. Hydro Ottawa has seen rising volumes of large load customers and service upgrades.¹⁷⁹ These types of connection requests require significant labour and attention from Hydro Ottawa, as discussed in more detail in Part II.D above, but do not materially impact the customer growth trends. Additionally, although Ottawa has seen a fast growth in its condominium market, this increased volume of customers is partially masked in Hydro Ottawa's customer counts because of the competitive sub-metering market, in which an entire condominium appears as a single bulk-metered customer, despite serving many individual end-users.
102. **OM&A Expenditures as a Share of Capital Additions:** A comparison of Hydro Ottawa's OM&A expenditures as a share of capital additions shows that Hydro Ottawa is spending proportionally less on OM&A in support of its capital program in the coming rate term as it has in the past, indicating that Hydro Ottawa has found efficiencies throughout its OM&A programs.
103. As Table 18 shows, the ratio of OM&A to capital additions is decreasing from 71% during the 2021-2025 rate period to 64% in the 2026-2030 rate period. In effect, this means that in 2026, Hydro Ottawa will spend less in OM&A per dollar of capital expenditures than it has every year in the prior rate period.

¹⁷⁸ Forecast period (2027-2030) is calculated using 2026 FTEs figures (IRR 4-CCC-50, Table C). Customer counts from Appendix 2-IB for 2021-2030. Customer counts for 2016-2020 from EB-2019-0261, Settlement Proposal - Appendix 2-IB.

¹⁷⁹ IRR 4-Staff-172; all large load requests incorporated in the revenue forecast are existing customers, as noted in JT1.14-VECC-6, p. 4.

Table 18 - OM&A Expenditures as a Share of Gross Capital Additions¹⁸⁰

	2021 Historical	2022 Historical	2023 Historical	2024 Historical	2025	2021- 2025	2026 (Forecast)	2026-2030 (Forecast as Settled)
OM&A (RRRs) (\$M) ¹⁸¹	\$85.0	\$101.4	\$114.1	\$118.7	\$118.9	\$532.2	\$140.0	\$737.4
Gross Capital Additions (RRRs) (\$M) ¹⁸²	\$150.3	\$152.5	\$122.8	\$166.2	\$162.0	\$753.9	\$198.4	\$1,151.2
OM&A as a share of Capital Additions	57%	66%	93%	71%	73%	71%	71%	64%

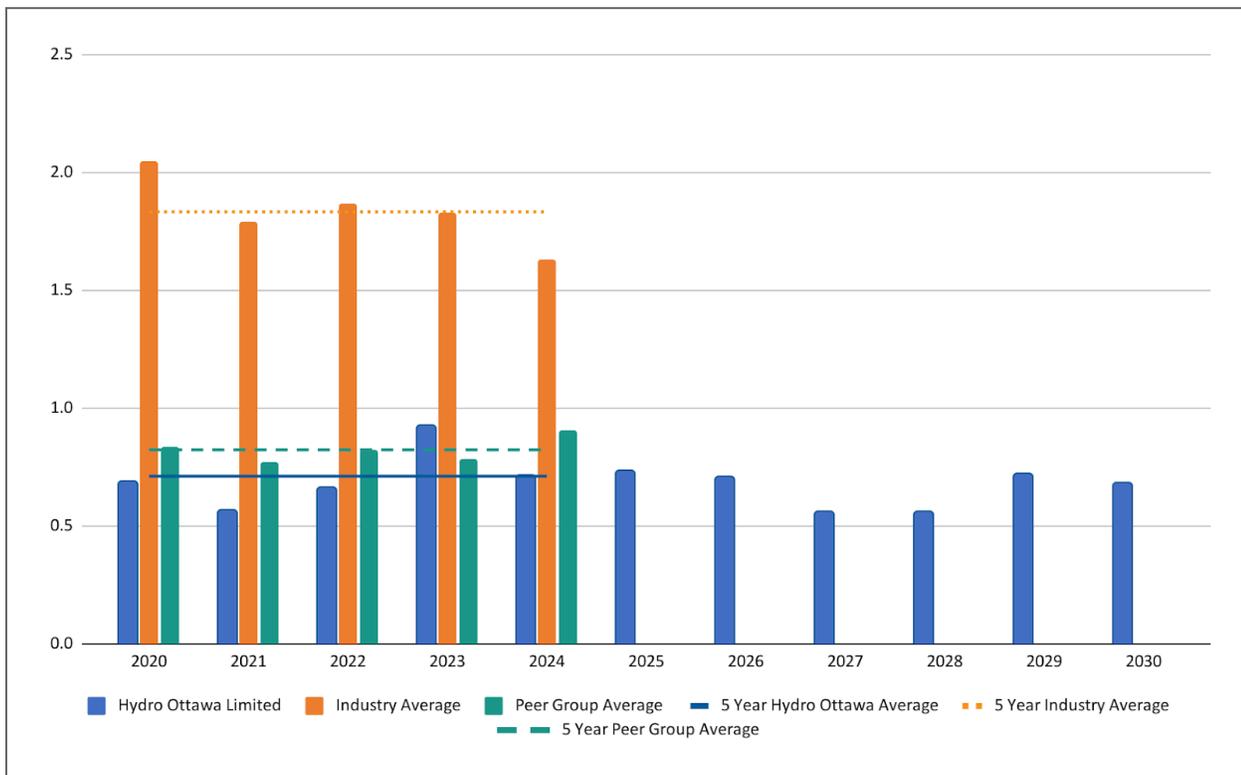
104. Further, Figure H below shows that, historically, Hydro Ottawa’s ratio of OM&A expenditures to capital additions is lower than its peers, demonstrating that Hydro Ottawa’s level of OM&A expenditures is reasonable and appropriate given the size of its capital program.
105. Particularly noteworthy is Hydro Ottawa’s performance in 2024, the year in which Hydro Ottawa restabilized its workforce. That year, Hydro Ottawa performed better than its peers on an OM&A per \$1M of capital additions basis, showing that Hydro Ottawa’s incremental investments in its workforce and OM&A programs were reasonable and proportional to the size of its capital program.
106. Looking forward into the coming rate term, Hydro Ottawa is likely to continue to match or outperform its peers on an OM&A-per-capital-additions basis, assuming that the performance of its peers in the coming rate period is similar to their performance in the past rate period. This projection further demonstrates the reasonability of Hydro Ottawa’s OM&A expenditures in the coming rate period in light of the size of the capital program.

¹⁸⁰ Table 18 and Figure H use RRR data so that Hydro Ottawa’s performance can be compared to that of its peers. As a consequence, the OM&A and capital additions figures may vary slightly from the values shown in other areas of the application.

¹⁸¹ 2026-2030 OM&A values are based on the settled OM&A escalator.

¹⁸² 2026-2030 capital additions are reported in Settlement Agreement Attachment 15 - PEG Benchmarking Forecast Model.

Figure H - OM&A Per \$1M of Gross Capital Additions¹⁸³



107. When looking at the relationship between capital and OM&A investments, it is also critical to note that these trends are not normalized to account for an increasing volume of incremental OM&A investments that Hydro Ottawa needs to make in maintenance enhancements, cloud computing investments and NWS to trade-off against capital intensive system renewal, on-premise technology and poles and wires capacity solutions. Because of technology and policy advancements, and Hydro Ottawa’s ongoing commitment to pursue technological innovation to deliver improved value for money to its customers, expenditures that have been historically capitalized are increasingly being shifted to OM&A budgets.

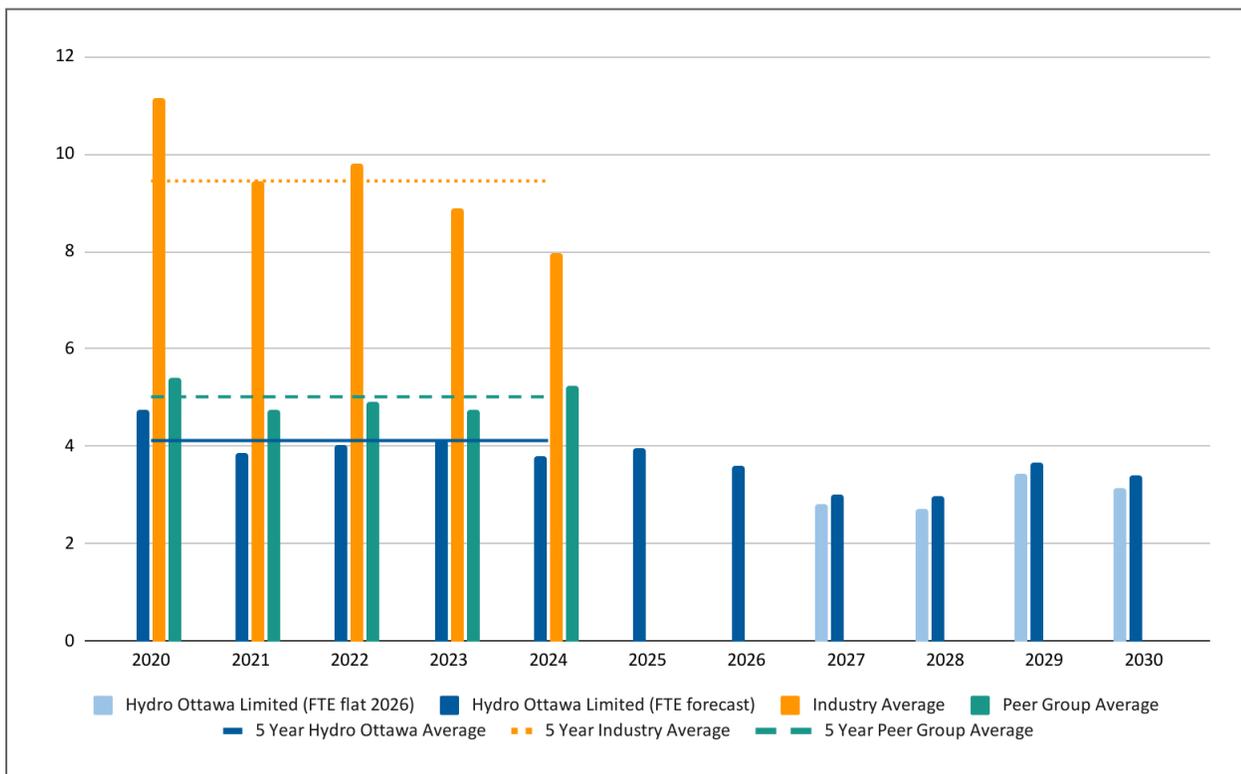
108. **FTE Per \$1M Capital Additions:** In the coming rate period, Hydro Ottawa’s capital program will double. To support this level of investment, Hydro Ottawa is expanding its workforce capacity in 2026 by adding 81 positions. Figure I, which shows Hydro Ottawa’s FTE per \$1M of capital

¹⁸³ Table 17 and Figure H use RRR data so that Hydro Ottawa’s performance can be compared to that of its peers. As a consequence, the OM&A and capital additions figures may vary slightly from the values shown in other areas of the application.

additions over this period as compared to its peers, demonstrates that this workforce growth is reasonable and proportional to the increased size of the capital program.

109. Historically, Hydro Ottawa’s FTE-to-capital-additions ratio has been lower than its peers, illustrating that Hydro Ottawa has proportionally fewer resources to execute its capital program than its peers. This is true in both 2024 and 2026, when Hydro Ottawa added additional resources to its workforce to reflect growth it had experienced. Hydro Ottawa’s strong performance as compared to its peers shows the reasonableness of these workforce additions as compared to the expansion of the capital program.

Figure I - FTE Per \$1M Capital Additions



V. HYDRO OTTAWA’S 2026 BUDGET REFLECTS SIGNIFICANT CONTINUOUS IMPROVEMENT IN PRODUCTIVITY AND EFFICIENCY

110. Hydro Ottawa’s 2026 Test Year budget reflects significant efforts to control costs and improve efficiency over time. As explained above in Part IV, Hydro Ottawa’s planning process is a rigorous one that embeds findings efficiencies to reduce cost growth.

111. As detailed in Schedule 1-3-4 - Facilitating Innovation and Continuous Improvement, Hydro Ottawa has quantified \$26.3M in OM&A productivity benefits that it will experience in the coming rate period.¹⁸⁴ This is almost double the OM&A productivity benefits that Hydro Ottawa was able to achieve in the last rate period.

Table 19 - Summary of Productivity Benefits¹⁸⁵

	2021-2025	2026-2030
Fleet Pooling	--	\$0.9M
Cable Locates Efficiency	\$2.4M	\$3.7M
Net Metering Automation	N/A	\$6.8M
Online Billing Enhancements	\$6.3M	\$5.0M
Remote Disconnection Technology	\$2.9M	\$4.9M
Disconnection Notification and Automation	\$1.8M	\$2.2M
Satellite Imaging for Vegetation Management	--	\$1.1M
Move-In, Move-Out Automation	\$0.5M	\$0.9M
Salesforce Field Service for Reliability Operations	\$0.1M	\$0.8M
Customer Information System Reduced Fees	\$0.5M	--
OM&A Total	\$14.5M	\$26.3M

112. That said, Table 19 shows only a fraction of the efficiencies that Hydro Ottawa's has built into its budget. The savings in Table 19 include only those efficiencies that Hydro Ottawa could quantify with a high degree of certainty. Rather than provide imprecise and speculative estimates of savings that Hydro Ottawa might be able to capture, Hydro Ottawa focused its continuous improvement evidence (Schedule 1-3-4 - Facilitating Innovation and Continuous Improvement) on productivity gains that it knew it could quantify with a high degree of precision and certainty. Neither this table nor the others in the continuous improvement evidence capture the sum total of the productivity improvements that Hydro Ottawa anticipates that it will make in the coming rate period and has built into its budgets.

113. To get a fuller picture of the variety of ways in which continuous improvement has been embedded in Hydro Ottawa's test-year budget, it is necessary to compare the rising volumes and complexity of work in the OM&A programs against comparatively slower increases in program budgets and headcounts. The following are examples of efficiencies that Hydro Ottawa

¹⁸⁴ IRR 1-SEC-24, Table A (Updated September 22, 2025).

¹⁸⁵ Ibid., Table D.

has built its program budgets around but are not quantified as separate, distinct savings in the continuous improvement schedule. These examples are not intended to be exhaustive, but are rather illustrative, intending to provide a picture of the costs that Hydro Ottawa has avoided in the 2026 Test Year budget.

114. ***Supply Chain is managing a doubled capital program without adding positions.***¹⁸⁶ Gross capital expenditures in the coming rate period (2026-2030) are 160% of actual gross expenditures in the last rate period (2021-2025). A larger capital program means more work for the supply chain function, as more items need to be procured, more vendors need to be managed, and larger contracts can be more complex. In addition, managing costs has become more challenging during the last rate period as high levels of inflationary pressure and a tumultuous global trading environment strain supply chains. Despite this growth in volume and complexity, the Supply Chain program is not expanding in the coming rate period. Headcount is remaining flat, without the addition of new positions.¹⁸⁷ The Supply Chain program is able to keep its headcount flat based on the efficiencies it expects to gain from implementation of the Enterprise Asset Management (EAM) cloud computing program as well as implementation from existing technologies. The EAM system's capabilities will enable improved demand forecasting and inventory optimization, thereby allowing the Supply Chain program to enhance efficiency.¹⁸⁸
115. ***Customer-facing programs are serving a growing customer base with a flat headcount.*** Hydro Ottawa's customer count has been increasing at a rapid rate. Between 2016-2021, Ottawa was the fastest growing large municipality in Canada, growing by 8.9%.¹⁸⁹ This pace is expected to continue: between 2020 and 2030, Hydro Ottawa's customer count is expected to grow by 14%.¹⁹⁰ As the programs principally responsible for managing all customer inquiries and interactions, the Collections, Customer Billing and the Customer and Community Relations (CCR) programs have seen its work volumes rise as a result of this growth. Moreover, during this period, customers' expectations have also risen, as customers want more functionality on online customer portals¹⁹¹ and seek complex advice about issues relating to electrification (e.g., EVs, DERs, service upgrades).¹⁹² These trends would suggest that these customer-facing

¹⁸⁶ Oral Hearing Transcript, Day 3, p. 29.

¹⁸⁷ IRR 4-CCC-50.

¹⁸⁸ IRR 4-Staff-153.

¹⁸⁹ Schedule 1-2-3 - Business Plan, p. 12.

¹⁹⁰ Appendix 2-IB - Load Forecast Analysis .

¹⁹¹ Schedule 1-2-3 - Business Plan, p. 18.

¹⁹² Schedule 4-1-1 - Operations, Maintenance and Administration Summary, p. 10.

programs would need more headcount to be able to adequately respond to customer needs. However, over the last decade, these programs have avoided adding new positions—and plan to continue to keep their headcount essentially flat over the coming rate period.¹⁹³ Hydro Ottawa is able to avoid the costs of adding more positions in this area of its operations by investing in its Customer Relationship Management (CRM) cloud program, which will streamline customer service by consolidating customer information in one place on one system.¹⁹⁴ The single CRM solution has a more intuitive interface that empowers agents with easy access to data, reduces training times, enables more efficient customer service interactions and leads to faster resolutions and improved customer satisfaction.¹⁹⁵

116. ***Fewer maintenance and reliability engineers are needed because of investments in Enterprise Asset Management (EAM).*** To safely manage its deteriorating asset base—of which, a substantial portion is near or has surpassed its expected service life—Hydro Ottawa is investing in a new EAM solution. The EAM solution will centralize data and enhance analytics, enabling more accurate asset condition assessments and optimized lifecycle management. The EAM system will also produce efficiencies by replacing disparate systems with a unified platform and by automating manual processes. These efficiencies have enabled Hydro Ottawa to hire fewer maintenance and reliability engineers than it otherwise would have absent these investments in the EAM.¹⁹⁶ When planning for this application began, Hydro Ottawa anticipated that it would need four more engineering and design resources than were ultimately included. Because of the productivity gains that Hydro Ottawa expects to get from investments in EAM, the engineering and design program was able to reduce its headcount for the period by four positions.¹⁹⁷
117. ***Redeployment of resources to support emerging IT needs has reduced IT headcount growth.*** As discussed above, Hydro Ottawa's digital infrastructure is in a period of transition. Like many other utilities, Hydro Ottawa is modernizing its grid to become a sophisticated digital platform marked by automated switches, advanced meters, and the integration of customer-owned technologies like solar and battery. Rather than adding even more positions to support this transition, Hydro Ottawa has phased out roles and shifted those resources to be

¹⁹³ Attachment 4-1-3(C) - Workforce Growth, p. 27.

¹⁹⁴ Oral Hearing Transcript, Day 3, pp. 33-34.

¹⁹⁵ Attachment 4-1-1(A) - Transition to Cloud Computing, pp. 16-17.

¹⁹⁶ Oral Hearing Transcript, Day 3, p. 28.

¹⁹⁷ IRR 4-CCC-53, Table A; Oral Hearing Transcript, Day 3, p. 28.

allocated to new IT projects. For example, Hydro Ottawa eliminated a database administrator and reallocated that position for data engineering. Similarly, the IT program retired a unique helpdesk position and redirected that resource to help support the delivery of new IT projects that are underway.¹⁹⁸

118. ***Finance workloads are increasing in both volume and complexity yet Finance headcount is lower in 2026 than in 2021:*** Through technology-enabled efficiencies, Hydro Ottawa has been able keep the Finance program headcount relatively stable since 2016. This stable headcount has been maintained despite increased workload and complexity from a larger capital program, increased OM&A activity, new programs with complex accounting rules (e.g., cloud computing and NWS), and evolving reporting requirements (e.g., ESG reporting standards).¹⁹⁹ In 2026, the Finance program will be smaller than it was in 2021, even with the addition of one additional resource in 2024.²⁰⁰
119. ***Simplified Connection Impact Assessment (CIA) improves customer experience while producing internal efficiencies:*** In June 2025, Hydro Ottawa introduced a simplified CIA process for inverter-based DERs (>10 kW). The streamlined connection process reduces the typical end-to-end timeline from 14-16 months down to 3-5 months and lowers costs for eligible projects (e.g., approx. \$7,000 for the simplified CIA versus approx. \$20,000-\$30,000 for a full standard CIA).²⁰¹ As Hydro Ottawa grapples with the work-volume challenges presented by the rising numbers of DER connection requests it receives (please see Part III for further discussion), this efficiency will be key to enabling the engineering and design team to manage this growth
120. ***Human Resources is recruiting, hiring and training a larger workforce in a more dynamic labour market with proportionally fewer resources.*** As discussed above in Part I, between 2021-2023, Hydro Ottawa's workforce shrank a great deal due to early retirements and increased vacancies from the pandemic, burnout, and the Labour Strike. Replacing those workers was challenging in light of the competitive labour market for talent. Despite these challenges, the Human Resources program filled 101 new positions in 2024, while keeping its

¹⁹⁸ Oral Hearing Transcript, Day 2, p. 120.

¹⁹⁹ IRR 4-Staff-155.

²⁰⁰ IRR 4-CCC-50.

²⁰¹ JT2.6-ED-13.

FTE levels constants.²⁰² Moreover, looking forward to the 2026-2030 period, the ratio of Human Resource FTE to all Hydro Ottawa FTE is staying consistent with historical levels (see Table 11 in Part III above), despite the growth of the workforce during this period. To manage this level of resourcing for a growing workforce, the Human Resources program has been and will continue to rely on efficiencies gained from technological investments, such as investments in its ERP and Workday systems.

121. ***Loss factor efficiencies are creating savings for customers on other portions of the electricity bill.*** Distribution losses are calculated based on the difference between electricity purchases and sales²⁰³. As part of the 2021-2025 Settlement Agreement, Hydro Ottawa committed to preparing a plan²⁰⁴ to reduce distribution system losses as much as possible through cost-effective measures and filing the plan with the OEB. Hydro Ottawa took numerous actions²⁰⁵ to mitigate system losses which has resulted in saving to customers on non-distribution base rates, while the costs of such activities are included in Hydro Ottawa's distribution revenue requirement.
122. As presented in Hydro Ottawa's benchmarking evidence,²⁰⁶ Hydro Ottawa's loss factor is lower than the average for both the industry and its peer group.²⁰⁷ In addition, based on a five year average from 2019 to 2023, Hydro Ottawa on a monthly basis saved residential customers²⁰⁸ \$1.37 compared to the industry average or \$0.20 compared to its peers related to its lower loss factor²⁰⁹ on the electricity line-loss adjustment portion of the bill.²¹⁰ Based on the analysis as provided in 8-ED-43, on average between 2020 and 2023, when quantifying the actual (MWh) losses cost, Hydro Ottawa's customers saved \$6.7M annually compared to if the average of its peer group's loss factor was used in determining costs related to losses. This analysis shows that on an all-in cost of electricity in Ottawa (\$/MWh), Hydro Ottawa loss factor provides a 22% saving across all rate classes in costs as compared to its peers.

²⁰² IRR 4-CCC-50.

²⁰³ Schedule 8-2-3 - Loss Adjustment Factors, s. 2.

²⁰⁴ Attachment 8-2-3(B) - Hydro Ottawa System Losses Plan.

²⁰⁵ Schedule 8-2-3 - Loss Adjustment Factors; IRR 8-ED-39.

²⁰⁶ Attachment 1-3-3(D) - Supplemental Industry Benchmarking Analysis.

²⁰⁷ Attachment 1-3-3(D) - Supplemental Industry Benchmarking Analysis, Table 4.

²⁰⁸ Secondary metered customer < 5000 consuming 750 kWh per month.

²⁰⁹ Attachment 1-3-3(D) - Supplemental Industry Benchmarking Analysis, Table 17.

²¹⁰ Savings also occur related to transmission and wholesale charges.

123. As a result of the efforts completed to date²¹¹, Hydro Ottawa's loss factor²¹² has been further reduced from 3.38% (2021-2025 rate period) to 3.32% (2026-2030 rate period). A further 1.55% savings in monthly line loss adjustment cost. And as part of its Settlement commitments, Hydro Ottawa has agreed to support next steps to study cost-effective means for reducing losses.
124. ***Specific Service Charge efficiencies are creating savings for customers on one time charges.*** As part of this Rate Application Hydro Ottawa proposed to reduce the account set up fee from \$29 to \$10. This fee represents approximately 94% of Hydro Ottawa Administrative one time services charges²¹³. The OEB generic rate is set at \$30²¹⁴ and no cost adjustments, including inflation, have occurred since establishment. As a result of Hydro Ottawa automation through a self service function,²¹⁵ and promotion of this function, Hydro Ottawa is saving customers approximately \$1.2M annually in one time charges in comparison to the generic rate. This is another example of Hydro Ottawa's targeting high impact manual activities for efficiencies that save customers directly per transaction while managing FTE as a result of a growing customer base. Similar to the savings related to the loss factor, customers see this one time charge savings outside distribution base rates.

VI. MANAGING TO THE OM&A ENVELOPE IN THE OUTER YEARS: 2027-2030

125. Hydro Ottawa's capital program has been settled and approved. The 2026-2030 capital program will be approximately \$1.1 billion—or twice the size of the capital budget approved by the OEB in the previous rate period. To support this level of planned work, Hydro Ottawa will need to expand its current distribution operations workforce considerably and make other investments in its IT infrastructure and supporting functions. Hydro Ottawa needs the OM&A base year to be set at an appropriate level in 2026 in order to enable the safe and effective execution of the capital plan.
126. As shown by Figure J, the settlement has already decreased Hydro Ottawa's OM&A funding by approximately \$40M over the rate period. A further reduction to Hydro Ottawa's 2026 OM&A funding from what is proposed would have a reverberative effect throughout the rate term, and may compromise customer and grid outcomes.

²¹¹ Settlement Proposal Attachment 6 - Chapter 2 Appendices, Appendix 2-R - Loss Factor (December 19, 2025).

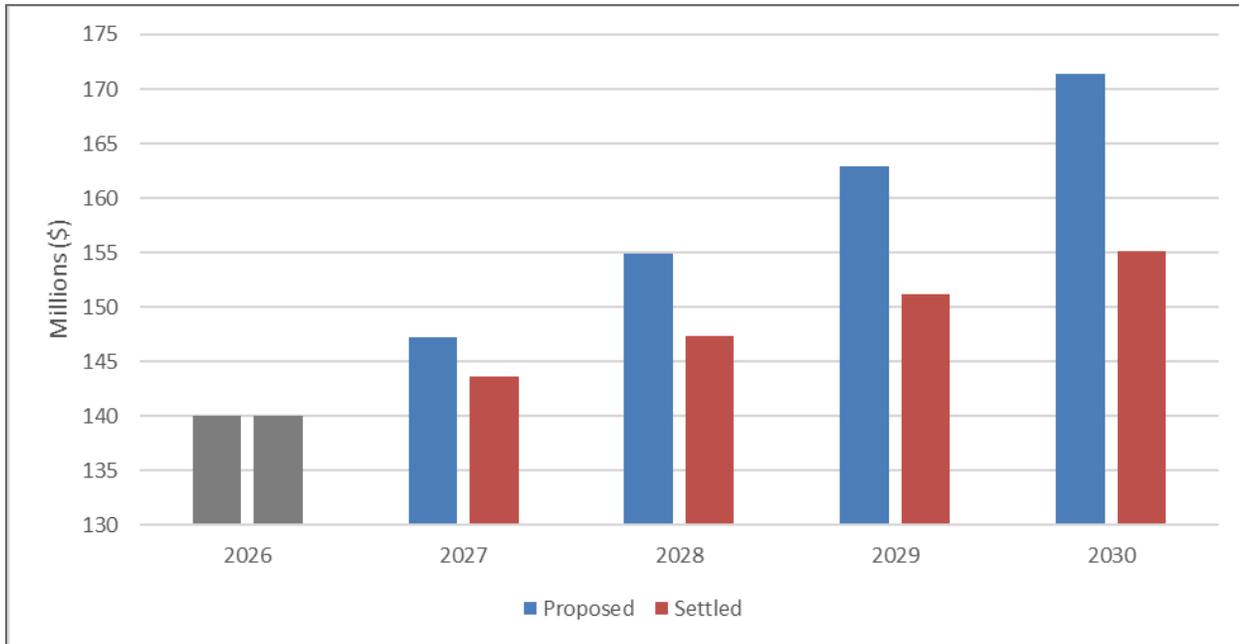
²¹² Secondary metered customer < 5000.

²¹³ IRR 8-SEC-85.

²¹⁴ Ontario Energy Board, 2006 Electricity Distribution Rate Handbook (May 11, 2005), page 114.

²¹⁵ Schedule 1-3-4 - Facilitating Innovation and Continuous Improvement.

Figure J - OM&A Expenditures Grown By Proposed and Settled Escalator (\$M)



2) THE SHARED SAVINGS METHODOLOGY UNDERPINNING THE OM&A 2026 TEST YEAR BUDGET IS APPROPRIATE AND THE RESULTING QUANTUM IS REASONABLE AND NECESSARY TO ENSURE PRUDENT EXECUTIVE MANAGEMENT AND OVERSIGHT OF THE UTILITY’S OPERATIONS

127. As explained in Schedule 4-2-1 - Shared Services and Corporate Cost Allocation, Hydro Ottawa’s prices for shared corporate services provided by Hydro Ottawa to affiliates are determined by fully-allocated cost-based pricing.²¹⁶ Hydro Ottawa determines the cost of shared corporate services provided to and from utility, based on budgeted costs and time spent supporting each affiliate in the fiscal year, and uses market pricing mechanisms for services that can be competitively sourced in the market ²¹⁷ These methodologies are appropriate and aligned with the approaches approved by the OEB in Hydro Ottawa’s prior application (EB-2019-0261).²¹⁸ As such, the resulting quantum included in the 2026 Test Year are reasonable and should be approved.

128. Hydro Ottawa receives a number of corporate shared services from its parent company, HOHI, which are focused on ensuring prudent executive leadership, management and oversight of the

²¹⁶ Schedule 4-2-1 - Shared Services and Corporate Cost Allocation, p. 2 & Table 1.

²¹⁷ Ibid, p. 3 & Table 2.

²¹⁸ EB-2019-0261, Settlement Proposal, p. 56; EB-2019-0261, Schedule 4-2-1 - Shared Services and Corporate Cost Allocation, pp. 2-5.

utility's operations.²¹⁹ In recent years, as Hydro's Ottawa's customer base has grown, and its operating environment has become increasingly complex to navigate due to the numerous historical and prospective challenges facing the utility, the level of support required from HOHI has increased, resulting in greater corporate allocations to the utility starting in 2024 and continuing into the 2026 Test Year OM&A budget.²²⁰

129. The increases in corporate cost allocation from HOHI to Hydro Ottawa are prudent and necessary to address lessons learned from the 2023 labour strike, which underscored the need for management to prioritize employee engagement, safety and well-being.²²¹ They are also necessary to contend with the wide-range of incremental requirements and priorities facing the utility including: a substantial rise in large load connection requests and inquiries, changing regulatory landscape and policy priorities, evolving energy security requirements, climate change implications, and the ongoing digital transformation of the industry.²²² Finally, as a critical infrastructure operator, Hydro Ottawa has a heightened need for stronger cyber security and robust digital infrastructure, necessitating direct engagement from executive leaders to support the deployment of enterprise-wide new technologies.²²³

3) THE ELIMINATION OF THE NET METERING CHARGE IS FAIR AND JUSTIFIED

130. Hydro Ottawa proposes to remove the net metering charge from its OEB-approved tariff. As result, no revenue has been forecasted for this specific service charge as part of the proposed 2026 Other Revenue.²²⁴ This proposal ensures fairness among load customers with respect to accessing rate optionality plans, and encourages self generation. It is enabled by efficiencies that Hydro Ottawa realized through the automation of residential and small commercial net metered customers billing processes.
131. Hydro Ottawa temporarily stopped charging net metered customers the monthly net metering fixed service charge effective November 1, 2021²²⁵ while it reviewed if the charge should continue.²²⁶ This was as a result of customer advocacy,²²⁷ changing provincial policies and to

²¹⁹ Schedule 4-2-1 - Shared Services and Corporate Cost Allocation, pp. 6-7.

²²⁰ Ibid.; IRR 4-Staff-156; IRR 4-Staff-173.

²²¹ IRR 4-Staff-156.

²²² IRR 4-Staff-173 b).

²²³ Ibid.

²²⁴ Schedule 6-3-1 - Other Revenue Summary.

²²⁵ Schedule 6-3-4 - Other Operating Revenue.

²²⁶ Oral Hearing Day 2, p. 41 line 18.

²²⁷ Oral Hearing Day 2, p. 208 starting line 6.

support the commitment it made as part of the 2021-2025 Approved Settlement Agreement,²²⁸ in respect to the City of Ottawa's Energy & Emissions Plan (Energy Evolution).

132. Net metering customers, unlike other generation customers, also incur a monthly fixed service charge based on the rate class they are assigned. From a load customer perspective, net metering is another rate optionality for customers to select from, and Hydro Ottawa does not charge a separate fee for customers to access other rate optionality choices related to consumption.²²⁹
133. During the 2021-2025 rate period, Hydro Ottawa automated the residential and small commercial net metering billing activities. While automation of the commercial class net metering customers was planned for 2022-2023, it was ultimately put on hold in order to achieve the OEB deadlines to connect residential and small commercial net metered customers to the MDM/R pursuant to Ontario regulation 393/07. In addition, it was further delayed to support the implementation of electric vehicle transmission rates.²³⁰ As a result of these other emerging regulatory compliance priorities, commercial net metering account billing remains a manual process. However, commercial net metering accounts are a small percentage of overall net metering customers.²³¹

4) THE PROPOSED SSM PROVIDES AN APPROPRIATE INCENTIVE FOR HYDRO OTTAWA'S NWCS

134. Hydro Ottawa's proposed SSM provides an appropriate and policy-responsive utility incentive associated with the deployment of Hydro Ottawa's NWCS program. This program commences with Kanata North area initiatives. As other cost-effective opportunities²³² are identified to leverage third-party owned DERs through the 2026-2030 rate term, Hydro Ottawa intends to expand the NWCS into other areas, pending approval by the OEB, and will record any variances through the NWS Variances Accounts.

²²⁸ Hydro Ottawa Limited, 2021-2025 Custom Incentive Rate-Setting Approved Settlement Agreement, EB-2019-0261 (September 18, 2020).

²²⁹ Oral Hearing Day 1, p.191; Oral Hearing Day 2, p.42.

²³⁰ Oral Hearing Day 2, p.159; Oral Hearing Day 3, p.11.

²³¹ JT2.15.

²³² IRR 2-Staff-67, part a) i) and ii).

135. For the Kanata North area, Hydro Ottawa completed and filed a report²³³ summarizing its application of the OEB’s BCA Framework²³⁴ to assess the value of delivering its NWCSP in this area.²³⁵
136. The NWCSP is targeted to provide immediate risk mitigation for capacity constraints in the Kanata North area through peak demand support. To address this demand and improve contingency preparedness, a new station (“Kanata North MTS”) is under construction. This station will improve capacity, and support in reducing the impact of outages. Projected for completion in 2028, it will have two 100 MVA transformers and eight distribution feeders. The NWCSP will provide long-term value by helping to defer or delay the need for a second new station to serve the region in the mid 2030s.²³⁶
137. Hydro Ottawa used an average distribution capacity cost to illustrate the advancement value of capacity for the 3 year period prior to the energization of the new station. This cost represents the traditional wires alternative that would be avoided in the near term and deferred in the long term and was based on the preliminary cost estimates for the construction of an average 100MVA station and associated distribution expansion costs and an estimate of relative Customer Connection and Cost Recovery (CCRA) contributions. These annualized station and distribution costs were used in the reference scenario for the purpose of the “business-as-usual” analysis, and are outlined in Table 20.

Table 20 - Cost Breakdown (\$'000 000s)²³⁷

Cost Category	Cost
Distribution station cost	\$42.3
Primary distribution cost	\$26.3
Connection Cost Recovery Agreement with Transmission Provider	\$10.0
TOTAL	\$78.6

²³³ Attachment SC-Staff-4(A) - Updated Attachment 2-Staff-67(A) - NWCSP - BCA Summary Report.

²³⁴ Ontario Energy Board. *Benefit-Cost Analysis (BCA) Framework for Addressing Electricity System Needs*. May 16, 2024. <https://www.oeb.ca/regulatory-rules-and-documents/rules-codes-and-requirements/bca-framework>

²³⁵ Attachment SC-Staff-4(A) - Updated Attachment 2-Staff-67(A) - NWCSP - BCA Summary Report, p.26; Attachment SC-Staff-4(B) - Updated Attachment 2-Staff-67(A) - Appendix A - NWCSP BCA Summary Report.

²³⁶ *Ibid.*, p.11, Figure 2.

²³⁷ JT1.10, Table A.

138. In the case of Kanata North another feasible and technically viable solution would have been to temporarily bring an incremental 30MVA of capacity to the area from Terry Fox MTS (2 x 28kV circuits at 15MVA each). The temporary capacity would have been used to supply via two new dedicated feeders extended from Terry Fox MTS to the Marchwood MTS and Kanata MTS supply regions. To make use of these two feeders, additional distribution work would be required within the Kanata North region to redistribute load on existing feeders. The total estimated cost for this wire solution is estimated at \$68.5M.²³⁸
139. The advancement value of capacity for the three year period using the average distribution cost has a value of approximately \$0.8M/MVA in comparison to \$2.3M/MVA²³⁹ of the temporary solution. As a result, had Hydro Ottawa utilized the temporary solution, the resulting net benefits, and therefore proposed shared savings would have been substantially higher than what is proposed in the application. This temporary solution was ruled out from the reference scenario for the BCA in favour of the “business-as-usual” approach outlined above to mitigate the risk of overstating the benefits of the non-wires solution. Instead, in its BCA, Hydro Ottawa has interpreted the “business-as-usual practices” to mean the construction of an average 100MVA station and associated distribution expansion costs, including estimated relative CCRA contributions.
140. As seen in Table 21, the analysis demonstrates an overall net present value of \$985,000 in net benefits to the distribution system from 2026-2030 in accordance with the Distribution Services Test (DST). The estimated magnitude of benefits is conservative, as it excludes qualitative benefits such as reliability, resilience, innovation, market transformation, and planning value, as well as broader energy system benefits.

²³⁸ SC-Staff-7, p. 2.

²³⁹ Ibid., p. 3.

Table 21 - Shared Savings Mechanism Calculation (\$'000s)²⁴⁰

	2026	2027	2028	2029	2030
Estimated DST Benefits	\$297	\$632	\$783	\$1,222	\$1,282
Estimated DST Costs	\$373	\$496	\$640	\$695	\$749
Estimated Net DST Benefits	-\$76	\$136	\$143	\$527	\$533
Estimated Net DST Benefits (Capped at value of estimated DST Costs)	-\$76	\$136	\$143	\$527	\$533
NPV of estimated Net DST Benefits	\$985				
SSM (50%/50%)	\$492				

141. Hydro Ottawa proposes a 50/50 sharing of the quantifiable and calculated net DST benefits, capped at DST costs, to be settled at the conclusion of NWCSPP activities within the 2026 to 2030 rate application period. This approach to sharing program benefits is referred to as the Shared Savings Mechanism (SSM). A symmetrical variance account²⁴¹ is approved as part of the Settlement Agreement to track differences between NWCSPP and OM&A expenditures included in base rates and actual program costs over the rate term, net of any external funding. Funding for the NWCSPP will be recorded in the NWS Variance Account.
142. The SSM is an appropriate, prudent and reasonable approach to remunerate Hydro Ottawa for deploying its NWCSPP. It is consistent with and responsive to OEB policy, as articulated in the Framework for Energy Innovation²⁴² (FEI) and the NWS Guidelines,²⁴³ and aligned with the broader policy objectives of the Ontario Ministry of Energy and Mines, as set out in the Integrated Energy Plan²⁴⁴ and subsequent directives to the OEB.²⁴⁵ In addition, the approach incorporates customer protections while enabling the advancement of NWSs and learning objectives, consistent with the FEI.

²⁴⁰ Attachment SC-Staff-4(B) - Updated Attachment 2-Staff-67(A) - Appendix A - NWCSPP BCA Summary Report, Tab Approach to Cost Recovery.

²⁴¹ Schedule 1-3-1 Rate Setting Framework, p. 31, Table 11.

²⁴² Ontario Energy Board, "Framework for Energy Innovation: Distributed Resources and Utility Incentives (EB-2021-0118)," January 30, 2023, <https://www.oeb.ca/consultations-and-projects/policy-initiatives-and-consultations/framework-energy-innovation>.

²⁴³ Ontario Energy Board, *Non-Wires Solutions Guidelines for Electricity Distributors (EB-2024-0118)*, March 28, 2024, <https://www.oeb.ca/regulatory-rules-and-documents/rules-codes-and-requirements/nws-guidelines-electricity>.

²⁴⁴ Ontario Ministry of Energy and Mines, *Energy for Generations: Ontario's Integrated Plan to Power the Strongest Economy in the G7*, July 18, 2025, <https://www.ontario.ca/page/energy-generations>.

²⁴⁵ Executive Council of Ontario, *Order in Council 802/2025*, June 11, 2025, <https://www.oeb.ca/documents/OC-802-2025.pdf>.

143. As noted during the Oral Hearing, the SSM proposal was an unsettled issue and OEB staff indicated that they had “high-level policy concerns”²⁴⁶ with the proposal. Hydro Ottawa looks forward to reviewing and replying to OEB staff’s submission regarding these concerns.
144. It is firmly the view of Hydro Ottawa that the SSM proposal is aligned, consistent, advances and satisfies the intent of the regulatory policy direction and expectations of the OEB as set out in the FEI, NWS Guidelines, and supporting BCA Framework. Hydro Ottawa’s reasons are set out below.
145. On January 30, 2023, the OEB issued *Framework for Energy Innovation: Setting a Path Forward for DER Integration* (“FEI Report”).²⁴⁷ In the FEI Report, the OEB concluded that:

*To support the cost-effective provision of distribution service that provides long-term value to customers, the OEB expects distributors to factor DER integration, consistent with the pace of DER adoption, into their planning and operations and consider DER solutions (NWAs) when assessing options for meeting system needs. Although these activities may be relatively new, or not yet routine for some distributors, the OEB expects that over time they will become business as usual.*²⁴⁸

146. In the FEI Report, the OEB stated further that it:

*...expects distributors to consider third-party owned DER solutions as NWAs for meeting system needs. The OEB recognizes that, in **deploying these solutions, distributors will forgo an opportunity to earn a return by adding to their rate base** [...] This misalignment between utilities’ interests (to earn profits by building assets) and customer interests (to have the most cost-effective delivery of reliable energy services) may be a barrier to DER solutions. Providing **incentives for distributors** to deploy third-party owned DERs as NWAs is a way of addressing this barrier in the near term, without revisiting the fundamental approach to how utilities are remunerated and the overall rate-setting framework.*²⁴⁹ [emphasis added]

²⁴⁶ Oral Hearing Day 3, p. 97.

²⁴⁷ Ontario Energy Board, *Framework for Energy Innovation: Setting a Path Forward for DER Integration*, (EB-2021-0118), January 30, 2023.

²⁴⁸ *Ibid.*, p. 13.

²⁴⁹ *Ibid.*, p. 24.

147. Through the NWCSP and SSM proposal, Hydro Ottawa is factoring and considering DER/NWA solutions when assessing options for meeting system needs with the aim of making such activities business as usual as experience is gained. Further, the NWCSP makes prudent use of the incentive options offered by the OEB to align utility and customer interests through sharing benefits between the two, by providing some compensation to Hydro Ottawa for forgoing a traditional investment opportunity to earn a return by adding to rate base while taking the risk and management of a non-capital solution that will rely on ongoing customer participation in NWS.
148. As stated in the OEB's *Filing Guidelines for Incentives for Electricity Distributors to Use Third-Party DERs as Non-Wires Alternatives*, "[t]he OEB's goal in **inviting distributors to propose and implement incentive mechanisms** is to evolve the current rate-setting framework to facilitate near-term progress on the use of third-party owned DERs as non-wires alternatives, in a manner that can inform a broader reconsideration of utility remuneration and the development of an incentive policy applicable to all distributors."²⁵⁰ [emphasis added]
149. The Guidelines identify three incentive mechanisms that distributors may propose: the Shared Savings Mechanism (SSM), a Performance Target or Scorecard-Based Incentive, and the Margin on Payments mechanism. Each is designed to address different risk profiles, levels of forecast certainty, and program objectives. No single mechanism is inherently superior; each has distinct strengths and limitations that make it more or less appropriate depending on the circumstances of each application.²⁵¹
- a. An **SSM** allocates a defined portion of the net benefits delivered by a DER solution to the distributor, based on evaluated outcomes. This mechanism provides a high degree of alignment between distributor incentives and net benefits to customers, as compensation is directly tied to actual performance. It is most appropriate when benefits are measurable and forecast confidence is high. While the mechanism exposes the distributor to performance risk and timing uncertainty for incentive recovery, these risks

²⁵⁰ Ontario Energy Board, *Filing Guidelines for Incentives for Electricity Distributors to Use Third-Party DERs as Non-Wires Alternatives*, March 28, 2023, page 2.

²⁵¹ Recognizing the discretion available to distributors, on November 22, 2023, the OEB hosted a webinar and invited Guidehouse Canada Ltd. to provide illustrative examples and guidance on key elements and considerations associated with the incentive mechanisms. The OEB emphasized that these examples were intended to be illustrative only, not prescriptive, and not to signal preferred DER use cases or incentive structures that distributors should propose in their applications.

can be effectively managed through portfolio-level evaluation, reliable forecasting, and contractual arrangements with DER providers.

- b. A **Scorecard-Based Incentive** links distributor compensation to achievement against predefined metrics, such as system benefits, cost control, or market development outcomes. This mechanism mitigates risk by relying on forecast-based targets and allows greater flexibility to adapt to changing conditions. However, incentives are less directly tied to realized net benefits and administration can be more complex due to multi-metric tracking and reporting requirements.
 - c. A **Margin on Payments** mechanism allows a distributor to earn a fixed margin on payments made to DER providers for services delivered to the distribution system. This mechanism provides predictable, low-risk incentives and is relatively simple to administer. It is best suited to programs with high uncertainty or longer development horizons but offers weaker incentives for performance optimization and may require safeguards to control costs.
150. Hydro Ottawa's selection of an SSM is well-suited to its proposed NWCSP. Hydro Ottawa has high confidence in forecasted needs and associated net benefits, which are supported by the completed BCA and prior program experience (e.g., the former CDM Framework). The SSM structure reduces risk to customers, as remuneration is tied to overall portfolio performance rather than individual projects. Compared to other mechanisms, and given the circumstances of this application, an SSM provides the strongest alignment with actual savings, offers a higher potential to incentivize savings that will be shared with customers, and is administratively simple to implement.
151. Hydro Ottawa notes that the NWCSP with SSM proposal represents the first time since the release of the FEI Report in 2023 that a Panel of Commissioners will adjudicate a proposal brought under policies ushered through the FEI Report and subsequent guidelines and framework; thus giving the OEB an opportunity to realize the intentions and expectations set out in its FEI Report.
152. On this point, it is of note that the OEB stated in the FEI Report that:

Once some incentives have been in place for sufficient time to assess implications and outcomes, the OEB will use that information, as well as lessons learned from adjudicating the proposals, to inform any broader review of utility remuneration and determine if any future incentives policy applicable to all electricity distributors is warranted. To facilitate this, the OEB may seek to undertake interim assessments of incentive impacts within the first 24-36 months of their implementation, in addition to considering the outcomes of incentives during review of implementing distributors' next rebasing applications. If appropriate, lessons learned may also inform any incentives available under the next generation natural gas IRP Framework.²⁵²

153. Further, the OEB stated in the FEI Report that:

Testing incentives for third-party owned DER solutions is an important step towards OEB consideration of the broader, more fundamental remuneration question, while also facilitating more immediate progress on the use of DERs. Overall, testing incentives will help the OEB develop effective tools for driving sector performance, and ensure the regulatory framework and distributors are positioned to meet the demands of the energy transition.²⁵³

154. As a result, Hydro Ottawa's SSM proposal presents a low risk initial opportunity that, if approved, will allow the OEB to begin to advance the objectives of the FEI Report. This initiative provides a practical environment to test an incentive, evaluate implications, outcomes and impacts, derive lessons learned from adjudicating a proposal - all of which will inform future potential modifications to incentives and support the development of broader tools to drive sector performance.

155. Hydro Ottawa notes that the proposal achieves, aligns, and is consistent with the Ontario Ministry of Energy and Mines goals and objectives for the electricity distribution sector as articulated in its *Energy for Generations Ontario's Integrated Plan to Power the Strongest Economy in the G7* ("the IEP") published in 2025.²⁵⁴

²⁵² Ontario Energy Board, *Framework for Energy Innovation: Setting a Path Forward for DER Integration*, January 30, 2023, p. 29.

²⁵³ *Ibid.*, p. 30.

²⁵⁴ Ontario Ministry of Energy and Mines, *Energy for Generations: Ontario's Integrated Plan to Power the Strongest Economy in the G7*, July 18, 2025, <https://www.ontario.ca/files/2025-07/mem-energy-for-generations-en-2025-07-18.pdf>.

156. In particular, the Ministry of Energy and Mines states in the IEP that:

Ontario is also working to support the use of non-wires alternatives (NWAs) — such as energy efficiency, demand management, and local generation — to help meet local electricity needs without immediately expanding traditional infrastructure. When deployed strategically, NWAs can ease pressure on constrained parts of the grid, accelerate customer connections, and reduce the overall cost of growth-related upgrades. As part of its grid modernization strategy, the government is encouraging LDCs to evaluate NWAs where they offer a cost-effective solution to enable new development and improve service delivery.²⁵⁵

157. The reference to NWAs in the IEP reinforces earlier policy statements from the government, such as the 2024 Letter of Direction to the OEB, which included the expectation that the OEB “[p]rovide incentives to utilities to implement non-wire solutions that benefit customers (e.g., DERs/NWAs).”²⁵⁶

158. Overall, Hydro Ottawa views the proposed NWCSP with SSM as the type of proposal that the OEB sought to invite from rate-regulated electricity distributors when it issued the FEI Report in 2023. It is aligned and consistent with the policy goals and objectives of the OEB as well as the higher-level energy policy goals of the province, including affordability, modernization, and customer choice. It provides an opportunity for the OEB, LDCs, IESO, customers and other stakeholders with an opportunity to learn about and gain a further understanding of NWS and related incentives in a controlled, low risk, and transparent way. These learnings and understandings will help further inform the development of future policies and adjudicative decisions to better drive sector performance and begin the path to move NWS from being non-routine planning decisions to business-as-usual.

159. Hydro Ottawa respectfully requests that the OEB approve the SSM as proposed.

²⁵⁵ Ibid.

²⁵⁶ Ministry of Energy and Electrification, "Letter of Direction", October 23, 2024, <https://www.oeb.ca/sites/default/files/Letter%20from%20the%20Minister%20of%20Energy%20and%20Electrification%20-%202024-1074.pdf>.