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February 25, 2026

**EB-2024-0115 Hydro Ottawa Custom IR Application for 2026-2030
Pollution Probe & CAFES Ottawa Consolidated Submission**

Dear Mr. Murray:

Attached is the consolidated submission for Pollution Probe and CAFES Ottawa. Although these approved intervenors are discrete organizations with different staff, governance and stakeholder representation, it has been identified by the parties and their common consultant that it would be possible and increase overall efficiency to consolidate submissions into one consolidated document while retaining the positions and recommendations that are important to each approved party. In other words, even though positions and recommendations on some elements vary, it has been possible to work through the common consultant to consolidate those submissions in a complimentary manner. Although it is not always possible or efficient to consolidate multiple submissions into a single document, the potential to do so in this instance was aided by the OEB approved settlement addressing most of the issues and leaving only three unsettled issues to address.

Please reach out should you have any questions.

Respectfully submitted on behalf of Pollution Probe and CAFES Ottawa.



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EB-2024-0115

ONTARIO ENERGY BOARD

Hydro Ottawa

2026 Cost of Service Application

**CONSOLIDATED POLLUTION PROBE &
CAFES OTTAWA SUBMISSION**

February 25, 2026

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1. Introduction and Overview

Hydro Ottawa Limited (Hydro Ottawa) filed a custom incentive rate-setting application with the Ontario Energy Board (OEB) on April 15, 2025, under section 78 of the Ontario Energy Board Act, 1998, seeking approval for changes to the rates that Hydro Ottawa charges for electricity distribution, beginning January 1, 2026.

A settlement conference was convened between Hydro Ottawa and intervenors on November 4, 2025, to November 13, 2025. The settlement proposal, reflecting a substantial partial settlement agreed to by the parties in the proceeding, was filed by Hydro Ottawa on December 19, 2025 and approved by the OEB during the oral hearing on January 14, 2026. This OEB approved settlement reflects the majority of issues.

Procedural Order No. 6 issued December 30, 2025, provided for, among other things, an oral hearing on the unsettled matters of 2026 OM&A and the Net Metering Charge. The unsettled matter of the proposed Shared Savings Mechanism incentive for Non-Wires Customer Solutions Program was agreed to be heard through written submissions.

Ottawa Hydro has committed to the capital budget, custom incentive approach and all the other elements included in the OEB approved settlement¹. The three remaining unsettled issues are important, but they are also discrete from the commitments made in the settlement. In other words, the three remaining issues can be considered by the OEB knowing that the benefits and commitments outlined in the settlement are locked in and not contingent on any specific decision related to the unsettled issues. Hydro Ottawa has confirmed that it will be able to work within whatever OM&A envelope that the OEB determines is appropriate². The very fact that the OM&A was not included in the settlement indicates that there is a difference of opinions in what an appropriate 2026 OM&A envelope value should be.

There has been a high degree of coordination during this proceeding across parties where issues aligned or where certain compromises were possible to enhance efficiency and achieve a positive outcome. This resulted in an OEB approved settlement for the majority of issues in the proceeding, leaving three unsettled issues as the focus of this submission. It was also helpful for OEB Staff to file their submission³ in advance of intervenor, particularly related to the SSM Incentive.

Pollution Probe and CAFES Ottawa are two separate and discrete organizations with different staff, governance, constituents and input on relevant issues, but through

¹ HOL_Settlement Proposal_Refiled_20260116.

² OEB_EB-2024-0115_20260114_VOL1_89497, page 201, line 3 to page 14.

³ OEB_Staff_Submission HOL.

ongoing coordination it has been identified that input and positions on the limited residual hearing issues are not in direct conflict between the parties. This has made it possible to consolidate submissions into this single document while retaining the positions and recommendations that are important for each party to include. Although it is not always possible or efficient to consolidate multiple submissions into a single document, the potential to do so in this specific instance was aided by the limited number of unsettled issues left in this proceeding and aided by working with a common consultant during the proceeding. Similarly, during the settlement process, discrete issues were discussed across parties in order to arrive at a common resolution that avoided individual parties from opposing the settlement proposal.

Hydro Ottawa confirmed that they track results against plan as part of their ISO 55000 program and they will be able to report on activities and results compared to plan as part of their next Cost of Service application, if required by the OEB⁴. It is typical and important to report on actual results from the rate term compared to plans, evidence and commitments filed to support the application. This is specifically important to Hydro Ottawa since they have proposed to deliver specific programs and results over the term that would bridge the gaps between Hydro Ottawa and leading peer utilities. It is recommended that the OEB note the expectation that Hydro Ottawa should provide updates on specific improvements and results related to all its commitment over this rate term in the next Cost of Service application.

Hydro Ottawa provided a large amount of evidence and testimony highlighting the current and future energy transition occurring compared to historical status quo⁵. This included accelerated electrification, increased distributed energy resources (DERs), and decarbonisation in alignment with customer, community and policy objectives. Hydro Ottawa's net zero grid enablement is lagging behind some of the industry leaders including those with more aggressive electrification and net zero commitments⁶. The OEB approved settlement includes the capital funding and related distribution system plan (DSP) commitments to enable Hydro Ottawa to close those gaps over the rate term. Doing so should position Hydro Ottawa well to meet customer and system needs in alignment with the energy transition and also aligns with Hydro Ottawa's commitments to enable the City of Ottawa's Energy Evolution energy and emissions plan and net zero by 2050.

Hydro Ottawa has applied a Reference Scenario to underpin its DSP that is based on the significant shift from the current status quo energy mix to higher electrification and

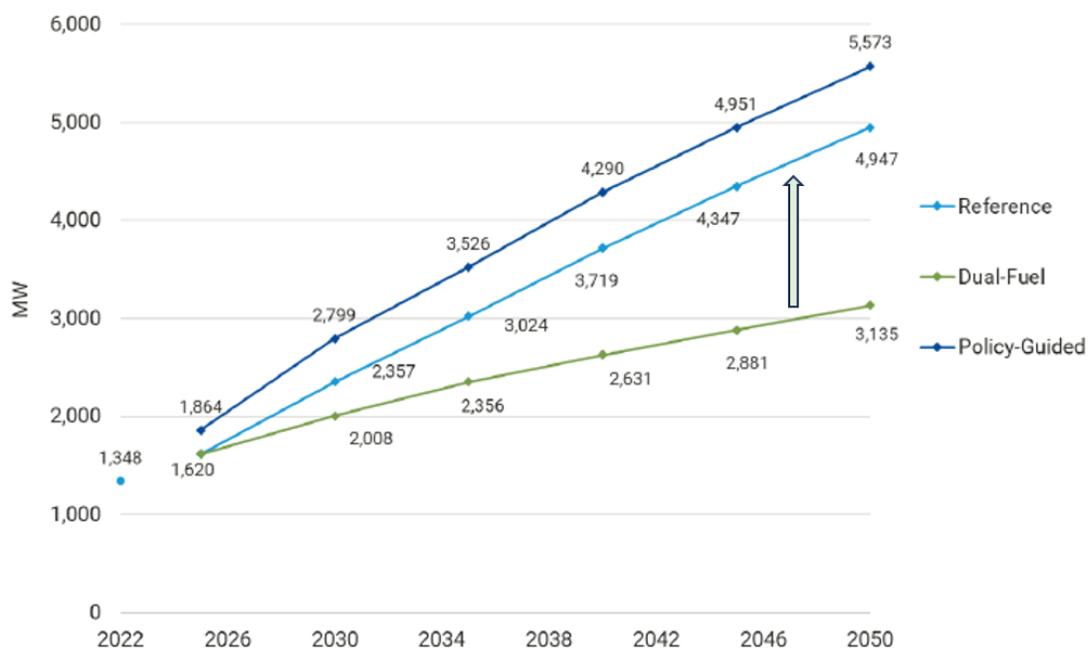
⁴ OEB_EB-2024-0115_20260114_VOL1_89497, page 26, line 18 to page 27, line 17.

⁵ Including restating the trend in its Argument in Chief - HOL_Argument_In_Chief_20260202, page 15.

⁶ For example, Toronto Hydro's system and plan commitments are on track to support net zero by 2040, where the Ottawa commitment is net zero by 2050 and needs specific action over this rate term to support that objective.

decarbonization. The Reference Scenario diagram noted below (Figure 4) illustrates the expected 2/3rds shift from the current natural gas use (i.e. dual fuel) toward electricity⁷. Hydro Ottawa confirmed that it can make the adjustment to support full transition to electrification by 2050 (i.e. policy-guided scenario) during a future rate term, if that is necessary.

Figure 4. Decarbonization Scenario Peak Demand Comparison of Primary Scenarios



Pollution Probe and CAFES Ottawa would both also like to thank parties for the helpful and efficient coordination during the proceeding. The work put in to arrive at the settlement which was ultimately OEB approved is well understood. Some of the additional coordination with parties enabled consolidated questions on the net metering charge⁸, OM&A and ultimately resulted in some parties not requiring time which kept the oral hearing on schedule or slightly ahead of schedule. These outcomes do not happen by chance. Environmental Defence has also included some of our feedback in their submission related to the net metering charge and we have attempted to avoid duplicating those submissions. We also recognize much of the information included by OEB Staff in their submission and have attempted to avoid replicating the details they included in this submission.

⁷ Source diagram from Exhibit 2, Tab 5, Schedule 4, Appendix F, page ix, Figure 4.

⁸ Environmental Defence included our consolidated hearing questions on net metering charge issues during the oral hearing.

CAFES Ottawa would like to specifically highlight and thank the significant coordination and feedback from the ratepayers, community representatives and other local stakeholders. Ottawa Hydro's service territory includes a highly engaged and active range of ratepayers and stakeholders that strongly support what is required to enable the energy transition, including distributed energy resources (DERs) and community energy. This coordination took a lot of incremental effort⁹ and we want to make sure that it is recognized. The complex and important intersection of issues resolved through the settlement and those that carried forward in the hearing process are intended to support reasonable rates, a reliable grid and a community centric electricity system that enables meeting the net zero and customer needs as the energy transition continues to accelerate. It is appreciated that the Hydro Ottawa DSP aligns with this direction and that Hydro Ottawa has expressed openness to enhance its approach over the term, including through open stakeholder engagement on DERs.

2. Summary of Recommendations

This section provides a summary of recommendations which should be read in conjunction with the broader document. It is recommended that:

- The OEB consider a reasonable 2026 OM&A envelope in the range of \$118.16 million and \$123.7 million. More detail is included under this issues section below, but this range is based on boundaries applying a comparative average increase from the current term (closer to inflation) to the most recent 2025 actuals and secondly, the OM&A application request (i.e. \$140 million) adjusted to align with the actual OEB approved settlement capital budget compared to the application. This range would help reduce the large distribution rate impact proposed by Hydro Ottawa in the range of a 10% to 16% increase by rate class¹⁰ and bring it closer to inflation. It is important to recognize the compounding effect of increases over rate terms and large escalations between rate terms. For short term and specific purposes, a large temporary increase could be proposed, but over the long term this is not sustainable. It will be important for Hydro Ottawa to consider opportunities to reset distribution rates based on innovation and efficiencies achieved when planning for its next rate term. It is important that the benefits of the investments and activities over this term are realised by ratepayers for the future, ideally in reduced distribution rates.
- The governance related to the cost allocation processes should be updated, examined and improved. It is recommended that the OEB require Hydro Ottawa to

⁹ Including meetings, emails, and coordination tools such as sharing input and feedback via a CAFES Ottawa Google drive.

¹⁰ HOL_Settlement Proposal_Refiled_20260116, Attachment 12 - 2026-2030 Bill Impacts Model - Settlement Proposal.

undertake a detailed third-party objective review of the corporate structure, cost allocation and allocation of benefits. The review should also include a review of the process and procedures for allocation of affiliate time and costs to Hydro Ottawa and any improvements requires to align with best practices. The review should also include an assessment of whether the use of common employees for regulated and non-regulated activities has the potential to create any disadvantage for third party community energy solutions compared to those delivered by Hydro Ottawa and its affiliates. It is recommended that the report and related actions taken or proposed, be included in the next Cost of Service filing.

- It is recommended that the OEB approve Hydro Ottawa's net metering charge request.
- It is recommended that the OEB reconfirm its support of non-wire solutions (NWSs). It is recommended that Hydro Ottawa be allowed to submit the results of the Non-Wires Customer Solutions Program (NWCSP) to the OEB upon completion (as proposed) and submit all the actual information at that time, including the savings resulting from the deferral of traditional wire solutions. It is early days for utility implementation of these types of solutions and it is important not to create unintended barriers. Given that Hydro Ottawa has committed to proceed with the NWCSP, it would be a fair approach that provides an opportunity for Hydro Ottawa to provide actual results and information to support an SSM incentive request. Based on the facts of this program, there does not appear to be a need to confirm or reject the SSM incentive at this time.
- It is reasonable to require Hydro Ottawa to include the details on all the initiative, plan and program results it has made over this rate term in its next Cost of Service application.

3. Submissions by Outstanding Issue

The following are the submissions by outstanding issue in accordance with the Issues List.

Are the proposed OM&A expenditures appropriate?

Hydro Ottawa is seeking approval of a \$140 million OM&A budget for the 2026 Test Year, which is an increase of 64.7% increase over the 2021 OEB approved amount¹¹.

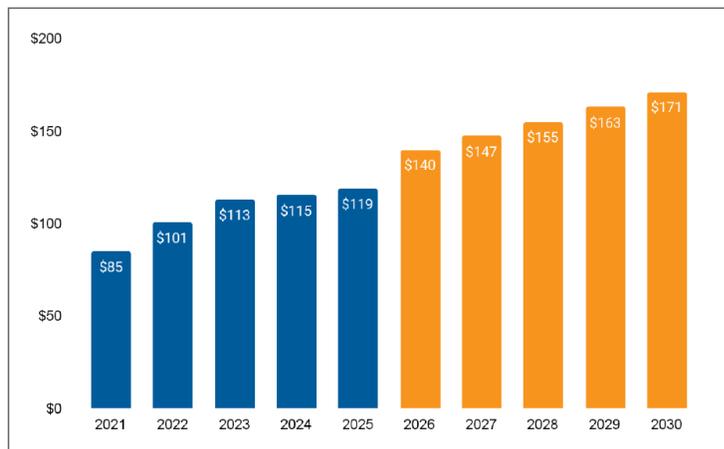
Figure 3 below shows Hydro Ottawa's OM&A spending over the current rate term and the proposed spending starting in 2026 based on the original application¹². The 2026

¹¹ Per Figure 3 below.

¹² Exhibit 1, Tab 3, Schedule 1, Figure 3.

OM&A requested by Hydro Ottawa remains the amount in the original application (per Figure 3, below), but the 2027 to 2030 amounts will vary using the settlement formula off what the OEB ultimately approves for 2026 OM&A.

Figure 3 - Summary of 2021-2030 Annual OM&A Expenses (\$'000 000s)⁴



The OEB approved settlement included an updated formula over the term and using Ottawa Hydro’s proposed 2026 OM&A of \$140 million, the updated values over the term are noted as OM&A Expense in Table 11 of the settlement¹³, as outlined below¹⁴.

Table 11 - Settled Working Capital Allowance 2026-2030 (\$'000s)¹³

	Test Years				
	2026	2027	2028	2029	2030
Power Supply Expenses	\$ 993,762	\$ 1,021,282	\$ 1,058,378	\$ 1,098,018	\$ 1,142,050
OM&A Expenses	\$ 140,010	\$ 143,651	\$ 147,386	\$ 151,218	\$ 155,149
Total Expenses for Working Capital	\$ 1,133,773	\$ 1,164,933	\$ 1,205,764	\$ 1,249,235	\$ 1,297,199
Working Capital %	7.50%	7.50%	7.50%	7.50%	7.50%
Total WCA- Settled	\$ 85,033	\$ 87,370	\$ 90,432	\$ 93,693	\$ 97,290
Total WCA - Proposed	\$ 84,867	\$ 87,170	\$ 89,988	\$ 92,742	\$ 95,566
Change	\$ 166	\$ 200	\$ 444	\$ 951	\$ 1,724

Based off the original application values¹⁵, the proposed 2026 OM&A value represents a one year 17.6% increase from the 2025 forecast included in the application. Hydro Ottawa confirmed during the oral hearing that the most up to date estimate of final 2025 OM&A is \$120,591,565¹⁶, which is just slightly above the value noted in Figure 3,

¹³ HOL_Settlement Proposal_Refiled_20260116, Table 11.

¹⁴ Confirmed by Hydro Ottawa per OEB_EB-2024-0115_20260114_VOL1_89497, page 202 lines 7-20.

¹⁵ Per OM&A Figure 3 above.

¹⁶ OEB_EB-2024-0115_20260114_VOL1_89497, page 79 lines 19-25 and JT2.16A Tab JA.

above. Even based on the increased estimate for final 2025 OM&A, the 2026 proposed OM&A represents a 16% increase¹⁷ in one year.

Hydro Ottawa proved a cost driver table to outline the major categories for cost increases and decreases over the current term and to reconcile against the proposed OM&A value for 2026. This is noted in Table 12 below¹⁸.

Table 12 – Summary of Overall OM&A Cost Drivers (\$'000,000s)

Cost Driver	Historical Years			Bridge Years		Test Year
	2021	2022	2023	2024	2025	2026
OPENING BALANCE	\$ 91	\$ 85	\$ 101	\$ 113	\$ 115	\$ 119
Inflation		\$ 3	\$ 4	\$ 5	\$ 4	\$ 4
COVID Impact	\$ (6)	\$ 2				
Labour Costs				\$ 4		\$ 6
Proactive Distribution Maintenance						\$ 5
New IT Programs		\$ 1				\$ 6
Major Weather Events		\$ 8	\$ 8			
Labour Strike			\$ 6			
Other Costs		\$ 2	\$ (6)	\$ (7)	-	\$ 1
Total Change	\$ (6)	\$ 16	\$ 12	\$ 3	\$ 4	\$ 21
CLOSING BALANCE	\$ 85	\$ 101	\$ 113	\$ 115	\$ 119	\$ 140

The 2022 and 2023 OM&A costs noted above include \$8 million per year in costs related to the major storm events. Hydro Ottawa agreed that these storm events are not a typical occurrence and confirmed that they have not included expenses related to those types of major storms in the OM&A budget for the 2026 test year value¹⁹. Removing the storm related event costs in 2022 and 2023 results in an average increase in OM&A spending from 2021 to 2025 is 2.6% per year increase. This is closer to the range of annual inflation, but significantly lower than the 16% increase Hydro Ottawa has proposed for the rebased 2026 OM&A value. Using a 2.6% average increase from the current term would result in a 2026 OM&A of \$123,726,954²⁰. This would represent one reasonable estimate for 2026 OM&A.

Removing the historical costs related to the storm events, Hydro Ottawa indicates that the major drivers of increased costs for 2026 are inflation and head count²¹, with

¹⁷ OEB_EB-2024-0115_20260114_VOL1_89497, page 80 lines 7-11.

¹⁸ Exhibit 1 Tab 2 Schedule 1 Table 12.

¹⁹ OEB_EB-2024-0115_20260114_VOL1_89497, page 202 line 27 to page 203 line 19.

²⁰ Latest 2025 forecast of is \$120,591,565 + 2.6% = \$123,726,954.

²¹ OEB_EB-2024-0115_20260114_VOL1_89497, page 202 line 27 to page 204 lines 11-14.

inflation being a similar increase to previous years, but proposed labour jumping significantly in 2026 compared to all previous years. The headcount analysis provided by Hydro Ottawa in several exhibits illustrates this large proposed jump to 716 FTEs in 2026²². This increase only includes FTEs under the regulated utility Hydro Ottawa or also referred to as Hydro Ottawa Limited (HOL) and does not include the FTEs added or moved to affiliates to provide services to Hydro Ottawa²³. Employees providing services to Hydro Ottawa are placed in affiliates (for example, the large number in the holding company) based on the alignment and benefits to the broader corporate structure²⁴. The drivers based on head count analysis are opaque since they do not adjust for other factors such as FTEs moved to the affiliate over the current term and then charged back to Hydro Ottawa.

Pollution Probe and CAFES Ottawa are aware that additional detailed analysis of headcount and other OM&A categories are planned by other parties. All of which is meant to test the validity of the proposed increases above current spending levels, on a more apples-to-apples basis. In reality and similar to the current rate term, Hydro Ottawa's FTEs and costs will vary from what it is estimating over the new rate term and Hydro Ottawa will need to prioritize based on the OM&A envelope approved by the OEB. From a rates and effective delivery perspective, it is up to Hydro Ottawa how it chooses to deliver effective services to meet the current and future needs of the community in alignment with the energy transition. Hydro Ottawa is judged on its real results and performance, while operating in an efficient and cost-effective manner within the OM&A envelop provided. The details become more important when results do not align with customer and community needs and/or the costs of providing those services increases at a significant rate without clear reasons or incremental benefits being created. It could be reasonably expected that the large increase in capital investments should improve system performance and monitoring, while reducing operating costs compared to the previous term.

Advancing performance to align with best practice peer utilities needs to be a focused activity and not an open door to increase costs every new rate term. As noted in the customer surveys conducted by Hydro Ottawa, customers understand that they need to pay for the services they receive²⁵. This aligns with customer and community feedback we receive, which also includes the expectation that Hydro Ottawa will expand its efforts to enable distributed energy resources (DERs) and community energy, all leading to a more efficient local system and customer benefits.

²² For example, illustrated in 4-CCC-52d, Table A.

²³ OEB_EB-2024-0115_20260115_VOL2_89498, page 7 line 24 to page 8, line 22 to page 9, line 4.

²⁴ OEB_EB-2024-0115_20260115_VOL2_89498, page 9, lines 13-23

²⁵ Exhibit 1, Tab 6, Schedule 1, Figure 1.

Hydro Ottawa suggests that its application had a connection between the Capital plan and the levels of OM&A requested. We agree that there are some specific connected elements, but in reality this represents a relatively small amount of the proposed OM&A. The 2026 Capital envelope in the OEB approved settlement is approximately a 15.6% decrease in Capital compared to the original request²⁶. If there was a 100% correlation (i.e. no flexibility to decrease OM&A based on the Capital plan), this would equate to a 2026 OM&A of \$118.16 million. When OM&A is less correlated with the capital plan, it provides opportunities to decrease the 2026 OM&A more than a proportional decrease to the capital plan. This would set a second potential estimate for 2026 OM&A. As noted, there are other factors that are specific to OM&A that need to be taken into account and these could reduce the 2026 OM&A from this range. We do not propose to reduce 2026 OM&A below the range noted in order to provide adequate flexibility to Hydro Ottawa. Some of the other factors noted which impact OM&A costs (e.g. affiliate treatment and governance) should be appropriately studied and examine in the next Cost of Service application.

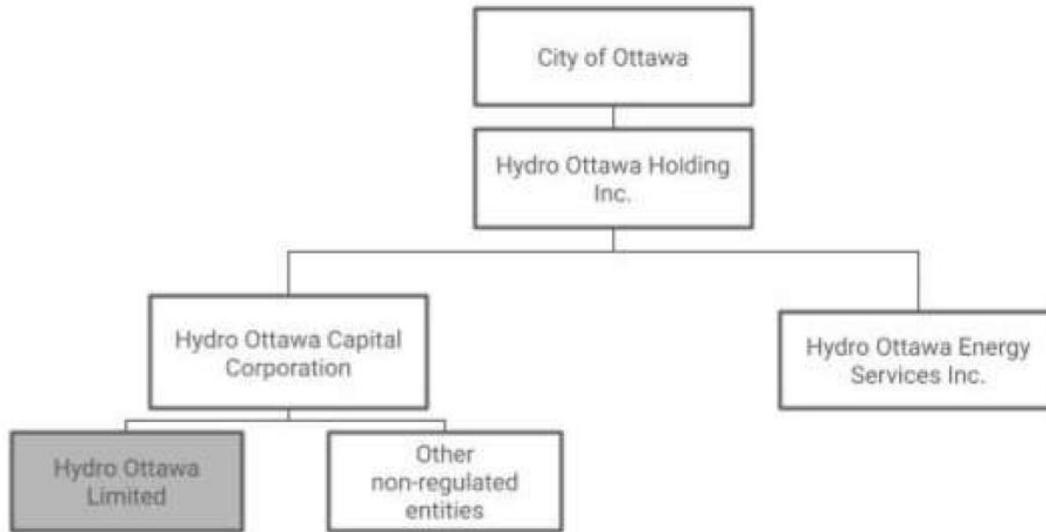
The complexity and lack of transparency of the corporate structure makes it complicated to make apples to apples comparisons, particularly in relation to FTEs and related cost allocations. Placing FTEs that have a primary utility role in affiliates and then charging Hydro Ottawa for those fully allocated costs could be increasing the costs that ratepayers would otherwise pay for the same services. Affiliate services are not conducted on a competitive procurement process and there has been no formal or third-party assessment of the value and fairness of those affiliate transactions. The holding company structure was only put in place over the current rate term and done to enable better financing rates²⁷. It is unclear what net benefits (if any) Hydro Ottawa is getting from the new corporate structure and allocation methodology. The intermixing of regulated monopoly and unregulated services using the same employees can also impede the enablement of community energy solutions that are urgently needed to enhance local DERs benefits and clean energy supply.

²⁶ HOL_Settlement Proposal_Refiled_20260116, page 24, Table 8.

²⁷ OEB_EB-2024-0115_20260115_VOL2_89498, page 7 line 24 to page 8, line 9.

Hydro Ottawa provided a copy of the current corporate structure and relationship between affiliates, per Figure 1 below²⁸.

Figure 1 – Corporate Entities Relationship Chart



The entity that represents the regulated utility is Hydro Ottawa Limited (HOL or also referred to as Hydro Ottawa) which does not have an independent Board of Directors²⁹. Hydro Ottawa indicated that this meets the minimum requirement of having one independent Board member. The employees in the regulated utility report up to management that are located in the holding company, Hydro Ottawa Holding Inc. (HOHI) and these positions allocate time and costs to Hydro Ottawa. Each layer of the corporate structure comes with overhead costs³⁰ and these cost are allocated to Hydro Ottawa on the basis of the fully allocated costs allocations from affiliates to Hydro Ottawa³¹. When the majority of an employee’s time and costs are allocated to Hydro Ottawa, it appears that it would be more cost effective to place them in Hydro Ottawa directly. If there are incremental benefits being generated by the new corporate structure, they should be objectively assessed and identified so that they can be appropriate allocated to Hydro Ottawa and its customers. This is recommended to be part of the third party review of corporate governance and affiliate cost/benefit allocation.

²⁸ Exhibit 1, Tab 6, Schedule 1, Figure 1.

²⁹ 1-CO1b, Table B.

³⁰ OEB_EB-2024-0115_20260115_VOL2_89498, page 7 lines 10-16.

³¹ OEB_EB-2024-0115_20260115_VOL2_89498, page 18, lines 4-8; and page 7 line 24 to page 9, line 24 to page 10, line 1; and HOL_Argument_In_Chief_20260202, page 57, paragraph 127 and related references included.

As noted, the additional holding company structure was added during the current rate term for the purposes of reducing financing costs³². The allocation of FTEs from the holding company to Hydro Ottawa is shown in Table A, below³³.

Table A - 2021-2026 FTEs Working for Hydro Ottawa

Provided By	Provided To	Historical Years			Bridge Years		Test Year
		2021	2022	2023	2024	2025	2026
Hydro Ottawa Holding Inc.	Hydro Ottawa	17	20	22	22	23	23
Total number of FTEs in HOHI		31	32	34	36	38	38
% allocated to HOL		54%	61%	65%	61%	60%	61%

The allocation of FTEs from HOHI to Hydro Ottawa for every year is consistently above 50%, which represents a high allocation rate to the utility. From 2021 to 2026, there is an increase in HOHI staff of 7 FTEs and 6 of those 7 are allocated to Hydro Ottawa. This represents approximately 86% of the HOHI FTEs added that are doing utility work. Hydro Ottawa indicated that one of the 7 FTE positions added was vacant³⁴, but even if this calculation was reduced by one FTE, it would result in 5 out of 6 FTEs, or 83% of the new HOHI FTEs with allocation to Hydro Ottawa.

The vast majority of HOHI executive time is allocated to Hydro Ottawa³⁵. In fact, when considering the full number of HOHI FTEs allocated to Hydro Ottawa, the vast majority of all those positions costs are allocated to Hydro Ottawa³⁶. It is not clear why all those positions were moved over to HOHI during the current rate term and why new positions are being added that primarily support Hydro Ottawa. This should also be an element reviewed during the third-party review that is recommended.

It seems that the actual FTEs allocated within Hydro Ottawa over the current rate term should have gone down once HOHI was established and those utility employees were moved from HOL to HOHI. Conversely, the trend of FTEs within the utility increased, despite utility FTEs being transferred to HOHI and charged back to the utility³⁷. In addition, staff under distribution leadership that was transferred from HOL to HOHI

³² OEB_EB-2024-0115_20260115_VOL2_89498, page 7 line 24 to page 8, line 9.

³³ 4-VECC-40a, Table A and confirmed in OEB_EB-2024-0115_20260115_VOL2_89498, page 10 line 23 to page 11, line 7.

³⁴ OEB_EB-2024-0115_20260115_VOL2_89498, page 12 lines 9-25.

³⁵ J2.1, Table A.

³⁶ J2.1, Table B.

³⁷ HOL FTEs shown in 4-CCC-52d, Table A.

starting in 2025³⁸, which should have impacted the FTEs within HOL. The reductions in HOL employees due to transfers to HOHI does not seem to have occurred, which means that they may be double counted between HOHI and HOL numbers when comparing apples to apples for historical FTEs.

Hydro Ottawa is currently lacking current, transparent and replicable protocol for determining accurate cost allocation from its affiliates to Hydro Ottawa. Staff do not use timesheets or similar time tracking processes that represent industry best practice³⁹. There has been no external study of the approach and actual cost allocation used for affiliate FTEs and the estimate used by Hydro Ottawa is currently based on a high level assessment of calendars⁴⁰. As noted by OEB Staff, Shared Corporate Services received by Hydro Ottawa have risen from \$3.8 million in 2021 to a forecast of \$7.7 million in 2026,³² a \$3.9 million (102%) increase. The increase represents a 15.0% compound annual growth rate⁴¹. The adjusted corporate structure, creation of HOHI and movement of utility staff to HOHI does not appear to have led to any benefits or cost saving for the regulated utility or its ratepayers.

The governance related to the cost allocation processes should be updated, examined and improved. It is recommended that the OEB require Hydro Ottawa to undertake a detailed third-party objective review of the corporate structure, costs and allocation of benefits. The review should include a review of the process and procedures for allocation of affiliate time and costs to Hydro Ottawa and any improvements requires to align with industry best practices. The review should also include an assessment of whether the use of common employees for regulated and non-regulated activities could be creating any disadvantage for third party community energy solutions compared to those delivered by Hydro Ottawa and its affiliates. It is recommended that the report and related actions taken or proposed, be included in the next Cost of Service filing.

To be clear, a further reduction to the requested 2026 OM&A based on the potential impacts related to affiliate costs and benefits has not been calculated or proposed in this submission. It appears that Hydro Ottawa may be attracting greater net costs than reasonable, but it is proposed that this be a specific item for Hydro Ottawa to address in its next Cost of Service application.

It is reasonable to expect that Hydro Ottawa will include details on all the progress it has made over the rate term in its next Cost of Service application and the expected

³⁸ OEB_EB-2024-0115_20260115_VOL2_89498, page 19 lines 5-16.

³⁹ OEB_EB-2024-0115_20260115_VOL2_89498, page 19 lines 18-25.

⁴⁰ OEB_EB-2024-0115_20260115_VOL2_89498, page 19 lines 18 to page 22, line 18.

⁴¹ OEB_Staff_Submission HOL, page 10.

efficiencies will hopefully result in identifiable reduced costs for the next rate term. It is recommended that the OEB note this expectation in its Decision.

Net Metering Charge

Issue 7.2 was settled except for the Net Metering Charge. The following relates to the net metering charge.

Environmental Defence coordinated in advance and included certain common issues related to the net metering charge in a draft copy of their submission that was shared. Those elements supporting Hydro Ottawa's proposal are supported and we have attempted to avoid duplication below.

Hydro Ottawa concludes based on the request and evidence put forward that the elimination of the net metering charge is fair and justified. This also aligns with current practice not to charge a net metering charge to Hydro Ottawa customers. Both Pollution Probe and CAFES Ottawa support Hydro Ottawa's request to remove the net metering charge from the schedule of charges. The information and rationale put forward by Hydro Ottawa in support of this recommendation align with an efficient, fair and modern approach, and also aligns with current policy to remove barriers and enable local DERs. It also aligns with real customer feedback received. Empowering customers to participate in the energy system through DERs is an explicit objective of the Ontario government. The policy references in support of local DERs and enabling customer energy options are too numerous to list, but two examples include:

"...with respect to the Government of Ontario's objective of making energy affordable and empowering customers to participate in the energy system through distributed energy resources (DER)..." [[Minister of Energy and Mines' Integrated Energy Plan Implementation Directive for the IESO](#)]

"These tools (DERs) give Ontarians more control over their energy use, helping to lower bills, boost reliability, and make homes and businesses part of a more modern and efficient electricity system..." [[Energy for Generations: Ontario's Integrated Plan to Power the Strongest Economy in the G7](#)]

DERs provide substantial value to the distribution system and grid in general, especially when integrated with storage. Upgrading infrastructure is very expensive and DERs can defer or avoid the need to make upgrades in the face of rising electricity consumption. DERs tend to produce energy at times of day when it's in demand, are sited close to loads, and, if battery storage or a capable EV is present, can support the grid even more effectively at on-peak times.

As outlined by Hydro Ottawa, the efficiencies put in place for the vast majority (i.e. more than 95%⁴²) of net metering customer has resulted in no need to recover incremental cost beyond the monthly charge they already pay. DERs can provide broader grid benefits, including to customers not on net metering⁴³. This aligns with information shared with CAFES Ottawa, where Ottawa Hydro customers on net metering are contributing net grid benefits, particularly during critical peak system days. Customers providing these net benefits to the grid are not being currently compensated by Hydro Ottawa and it is not logical to propose charging those customers an additional net metering charge that is not warranted or required. Retaining a charge on a schedule that is not used or required is inefficient. The energy transition in alignment with policy direction will not happen in Ontario if incremental barriers to DERs are put in place to discourage customers. Creating additional barriers is the antithesis of current initiatives being undertaken by the OEB to support these local resources. This foundation will be even more important as utilities like Hydro Ottawa expand distribution system operator capabilities.

It is recommended that the OEB approve Hydro Ottawa's request to remove the net metering charge from the schedule.

Shared Savings Mechanism (SSM) Incentive Proposal

It is appreciated that OEB Staff was able to make its submissions on the SSM Incentive proposal in advance of intervenors since this is a new area for the OEB and it is helpful for parties to understand OEB Staff's current internal understanding of this policy. It is very likely that the understanding and application of an SSM incentive for Non-Wires Solutions (NWSs) will mature as more proposals are brought forward and assessed by the OEB.

The Filing Guidelines for Incentives for Electricity Distributors to Use Third-Party DERs as Non-Wires Alternatives advise distributors to use the OEB's *Benefit-Cost Analysis (BCA) Framework for Addressing Electricity System Needs* (BCA Framework) to complete the detailed benefit-cost calculation⁴⁴. The OEB is in the process of updating this framework to more adequately identify the benefits for DERs and there is a new version under review⁴⁵ and proposed to be implemented in 2026. This has the potential to impact the analysis conducted by Hydro Ottawa.

⁴² OEB_EB-2024-0115_20260115_VOL2_89498, page 158 lines 17-26.

⁴³ OEB_EB-2024-0115_20260115_VOL2_89498, page 56 lines 21-25.

⁴⁴ OEB, *Filing Guidelines for Incentives for Electricity Distributors to Use Third-Party DERs as Non-Wires Alternatives*, March 2023, p. 7.

⁴⁵ EB-2023-0125.

As noted, Hydro Ottawa applied for a shared savings mechanism (SSM) incentive related to its proposed Non-Wires Customer Solutions Program (NWCSP) in West 28kV North (“Kanata North”) over the 2026 to 2030 rate term. Approval of the NWCSP as well as a NWS Variance Account was included as part of the Settlement Proposal, leaving treatment of the proposed SSM incentive to written argument. There is unanimous support for Hydro Ottawa’s proposal to deploy the NWCSP in Kanata North, but there was some uncertainty whether the proposed SSM incentive aligned with OEB policy. There is no uncertainty related to the need for distributors to enable NWSs as part of their local distributed energy resources for the future and that Hydro Ottawa will proceed with the proposed initiative during the rate term.

There is a range of options available to distributors requesting an incentive to pursue NWSs. 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 NWCSP activities within the 2026 to 2030 rate application period. This approach to sharing program benefits is referred to as the SSM. A symmetrical variance account is approved as part of the settlement to track differences between NWCSP and OM&A expenditures included in base rates and actual program costs over the rate term, net of any external funding. Funding for the NWCSP will be recorded in the NWS Variance Account⁴⁶. Hydro Ottawa argues that the SSM is an appropriate, prudent and reasonable approach to remunerate Hydro Ottawa for deploying its NWCSP. It is consistent with and responsive to OEB policy, as articulated in the Framework for Energy Innovation (FEI) and the NWS Guidelines, and aligned with the broader policy objectives of the Ontario Ministry of Energy and Mines, as set out in the Integrated Energy Plan and subsequent directives to the OEB. In addition, the approach incorporates customer protections while enabling the advancement of NWSs and learning objectives, consistent with the FEI.

Pollution Probe supports incenting distributors to implement NWSs in lieu of traditional wires solutions. It is also clear that consideration of NWSs are an expectation. CAFES Ottawa also supports the concept and using incentives, but promotes leveraging local customer and community solutions, where possible.

OEB Staff note that no feasible wires alternative exists during the need window (2026 to 2028) in Kanata North, and this provides a challenge to calculate the net benefits between the NWS and what traditional wires solution would have otherwise occurred. That information would be needed to pursue the SSM incentive proposed by Hydro Ottawa at 50/50 sharing of the quantifiable and calculated net DST benefits, capped at DST costs.

⁴⁶ HOL_Argument_In_Chief_20260202, page 62, paragraph 142.

It is recommended that Hydro Ottawa be allowed to submit the program results to the OEB upon completion (as proposed) and submit all the actual information at that time, including the savings resulting from the deferral of traditional wises solutions. This would defer the OEB's final decision on the SSM until that time. Given that Hydro Ottawa is proceeding with the program regardless, that would be a fair approach that provides an opportunity for Hydro Ottawa to provide real results and information to support the SSM incentive. Based on the facts of this program, there does not appear to be a need to confirm or reject the SSM incentive at this time.