



February 25, 2026

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

Dear Mr. Murray,

**RE: EB-2024-0115 Hydro Ottawa Limited Rates Application
Argument Submissions of CCMBC**

Attached are the argument submissions of the Coalition of Concerned Manufacturers and Businesses of Canada (CCMBC) in the EB-2024-0115 Hydro Ottawa Limited Rates Application proceeding.

Respectfully submitted on behalf of CCMBC,

Tom Ladanyi
TL Energy Regulatory Consultants Inc.

cc. Catherine Swift (CCMBC)
Parties to the Proceeding

EB-2024-0115 Hydro Ottawa Limited

Argument Submissions of CCMBC

February 25, 2026

Executive Summary

CCMBC submits that Hydro Ottawa has not provided adequate reasons why it needs to increase its 2026 OM&A budget by \$19.4 million from the 2025 Forecast of \$120.6 million to \$140 million. CCMBC submits that the 2026 Budget should be no higher than the 2025 Forecast of \$120.6 million.

In this proceeding, CCMBC was represented by the same consultant as Energy Probe. To avoid duplication and to minimize regulatory costs, CCMBC has only prepared argument submissions on the matter of the 2026 OM&A. CCMBC supports the submissions of Energy Probe on the other two matters: the Net Metering Charge and the proposed Shared Savings Mechanism incentive for Non-Wires Customer Solutions Program.

Regulatory Background

Hydro Ottawa Limited (Hydro Ottawa) filed a custom incentive rate-setting application on April 15, 2025, seeking approval for changes to the rates that Hydro Ottawa charges for electricity distribution, beginning January 1, 2026.

A settlement conference was held between Hydro Ottawa and intervenors from November 4, 2025, to November 13, 2025. The settlement proposal was filed by Hydro Ottawa on December 19, 2025.

Procedural Order No. 6 issued December 30, 2025, provided for 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 to be heard through a written hearing. The oral hearing on unsettled issues was held from January 14 to January 16, 2026.

Submissions of CCMBC on the 2026 OM&A Budget

The matter of the 2026 OM&A covers two issues.

4.1 Are the proposed OM&A expenditures appropriate?

4.2 Is the proposed shared services cost allocation methodology and the quantum appropriate?

In its Argument in Chief¹, Hydro Ottawa claims that its OM&A *investment* of \$140 million in 2026 “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 maintain a safe, reliable, modern and resilient grid that meets customer expectations and supports economic growth over the 2026-2030 rate period.”

CCMBC submits that expenditures on OM&A are not investments but are an annual cost as every accountant knows. Investments are expenditures on capital assets that will provide service for many years. Hydro Ottawa is requesting approval of a \$140 million OM&A budget that will be used for setting rates. Pretending that it is an “investment” does not justify it.

The requested \$140 million 2026 OM&A budget is \$19.4 million higher than the \$120.6 million 2025 Forecast, which is \$5.5 million higher than the actual 2024 spend of \$115.1.² The total increase over the 2024 actual spend is \$24.9 million or 21.6%. CCMBC submits that this large increase is not appropriate.

Hydro Ottawa claims that the size of its capital plan necessitates increase in OM&A.³ It is not clear why the size of a capital plan is relevant. The costs of employees working on capital projects should be charged to capital accounts, not OM&A accounts. If Hydro Ottawa actually believed that OM&A spending correlates with capital spending it should have reduced OM&A when it agreed to a reduction in the capital budget in the Settlement Proposal,⁴ which it did not do.

In its evidence Hydro Ottawa lists four OM&A “themes”: deteriorating infrastructure, growth and electrification, extreme weather and technological innovation⁵ as justification for increased OM&A expenditures.

The first theme is *Deteriorating Infrastructure*. CCMBC submits that infrastructure has always deteriorated. Hydro Ottawa claims that infrastructure is deteriorating at a faster rate than in the past. It claims that infrastructure deteriorated faster than Hydro Ottawa expected at the time of its last rebasing.

If Hydro Ottawa management was unaware that infrastructure was deteriorating faster than expected, CCMBC submits that it was a fault of the management. If Hydro Ottawa management was aware that infrastructure was deteriorating faster than expected the management should have increased maintenance. Whatever it did was inadequate to slow down this deterioration. It is possible that Hydro Ottawa management deliberately deferred maintenance to maximize earnings and or to justify higher capital and OM&A expenditures at rebasing. Whatever the reason Hydro Ottawa management failed to do

¹ AIC, page 2

² Technical Conference Undertaking attachment JT2.16(A)

³ AIC, page 3

⁴ Settlement Proposal, p. 11

⁵ Exhibit 4, Tab 1, Schedule 1, page 7

its job of maintaining Hydro Ottawa's assets. The OEB should not reward Hydro Ottawa by approving higher OM&A expenditures.

Hydro Ottawa did not increase spending on Proactive Distribution Maintenance in the 2021 to 2024 period.⁶ If Hydro Ottawa's management knew that infrastructure was deteriorating faster than it expected, it should have increased spending on Proactive Distribution Maintenance. CCMBC submits that even if the OEB approves the additional \$5 million on Proactive Distribution Maintenance, it is unlikely that Hydro Ottawa will be able to stop infrastructure deterioration.

The costs of replacement of deteriorated assets such as poles and transformers would be charged to capital not maintenance.⁷ Capital spending to replace deteriorated assets can not be used as justification for the increase in OM&A as Hydro Ottawa is attempting.

The next theme is *Growth and Electrification*. Growth has two components: connection of new customers and additional load from existing customers. Electrification is the conversion of customers that use gas or oil for heating or gasoline or diesel fuel for transportation to electricity. CCMBC submits that the costs of these activities are primarily capital costs. Hydro Ottawa failed to explain why these activities would have a large impact on OM&A.⁸

Hydro Ottawa's next theme is *Extreme Weather* which is referred to as *Major Weather Events* elsewhere in evidence.⁹ Then in another exhibit Hydro Ottawa mentions *Severe Weather Events*.¹⁰ It is not clear if all three are the same.

Hydro Ottawa claims that "*Hydro Ottawa has faced a significant surge in severe weather events, establishing Ottawa as the "weather-alert capital of Canada"*". It references an Ottawa Citizen article¹¹. CCMBC submits that Ottawa Citizen should not be relied on as source of statistical analysis of the frequency and severity of weather events. Hydro Ottawa's evidence mentions three severe weather events. CCMBC submits that three events are not a statistically significant number.

Hydro Ottawa's evidence¹² shows that *Major Weather Events* increased OM&A costs in 2022 and 2023 by \$8 million each year. But there is nothing listed for major weather events in the 2026 cost drivers. So *Major Weather Events* is not a reason why 2026 OM&A costs are increasing.

⁶ Exhibit 4, Tab 1, Schedule 2, Page 3, Table 2.

⁷ Hearing Tr., Vol.2, pages 76-77

⁸ Ibid., page 73

⁹ Exhibit 4, Tab 1, Schedule 2, Page 3, Table 2.

¹⁰ Exhibit 4, Tab 1, Schedule 1, page 11

¹¹ Ibid., Footnote 2

¹² Exhibit 4, Tab 1, Schedule 2, Page 3, Table 2

Next theme is *Labour Strike* which increased costs by \$6 million in 2023. The current collective agreement does not expire in 2026. CCMBC submits that a labour strike in 2023 is not a reason for a cost increase in OM&A in 2026. CCMBC believes that electricity distributors in Ontario rarely experience labour strikes. The 2023 strike at Hydro Ottawa may be an indication of deeper management problems.

Hydro Ottawa presented a table of the 2021-2026 OM&A program costs.¹³ As can be seen in the table one of the programs with a large cost increase is the Engineering & Design program. It has a compound annual growth rate of 17.7 %. The largest increase is from the 2025 Bridge Year to the 2026 Test Year.

The reason for the increase in Engineering & Design is that Hydro Ottawa is hiring many new staff in 2026 and plans to hire more in subsequent years.¹⁴ Hydro Ottawa starts with 83 FTEs in 2021 and ends up with 160 FTEs in 2030. The largest increases are in 2024, 2025, 2026, 2027 and 2028. The number of FTEs for the 2026 base year is 142.

Hydro Ottawa's witnesses could not provide a credible reason why Hydro Ottawa needs so many new staff in Engineering & Design to work on OM&A projects.¹⁵ CCMBC believes that in most Ontario electricity distributors engineering and design staff spend more time on capital projects than on OM&A projects. Engineering and design staff move between Capital projects and OM&A programs in response to changes in workload. There is no reason why Hydro Ottawa should be different.

CCMBC submits that there is a possibility that 2026 base rates include the salaries of engineers working on OM&A projects while in 2027 or 2028 the salaries of some of the same engineers will be capitalized as they are assigned to work on Capital projects. CCMBC is concerned that there could be double recovery of the salaries of engineers when engineers move to work on capital projects, while the cost of their salaries is recovered in OM&A in base rates.

Included in the 2026 OM&A budget is an allocation of shared services that Hydro Ottawa receives from its parent company. This allocation has increased from \$3.8 million in 2021 to \$7.7 million in 2026.¹⁶ This is a large increase that is not justified by customer growth.¹⁷

CCMBC agrees with the submissions of OEB Staff regarding Hydro Ottawa's vacancy rate.¹⁸ It is unlikely that Hydro Ottawa will achieve a vacancy rate of 8% in 2026 which is below its historic vacancy rate.

¹³ Exhibit 4, Tab 1, Schedule 2, Page 9, Table 4, Summary of OM&A Program Costs 2021-2026

¹⁴ Interrogatory Response 4-CCC-50 page 3, Table FTEs by Appendix 2-JC OM&A Programs

¹⁵ Tr. Vol. Page

¹⁶ Exhibit 4, Tab 2, Schedule 1, p. 6

¹⁷ AIC Pages 57-58

¹⁸ OEB Staff Submissions, page 5

For the above reasons CCMBC submits that Hydro Ottawa has not provided credible reasons why it should increase its 2026 OM&A budget to \$140 million. CCMBC submits that the 2026 Budget should be no higher than the 2025 Forecast of \$120.6 million.