

VIA RESS and EMAIL

February 25, 2026

Ritchie Murray
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, Ontario M4P 1E4

Dear Ritchie Murray:

**Re: Hydro Ottawa Limited (Hydro Ottawa)
Custom Incentive Rate-Setting (Custom IR) Application for 2026-2030
Consumers Council of Canada (CCC) Submission on Unsettled Issues
OEB File No. EB-2024-0115**

In accordance with Procedural Order No. 7, dated January 20, 2026, please find attached CCC's submission with respect to the unsettled issues in Hydro Ottawa's 2026-2030 Custom IR proceeding.

Yours truly,



Lawrie Gluck
Consultant for the Consumers Council of Canada

cc: All parties in EB-2024-0115

Hydro Ottawa Limited

2026-2030 Custom Incentive Rate-Setting

EB-2024-0115

Consumers Council of Canada Submission

February 25, 2026

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1.0. Introduction

Hydro Ottawa Limited (Hydro Ottawa or the Company) filed a custom incentive rate-setting application, dated April 15, 2025, seeking OEB approval to change its rates effective January 1, 2026.

A settlement proposal was filed with the OEB on December 19, 2025 that reflected settlement on most issues in the current proceeding. The settlement proposal was approved by the OEB at the oral hearing on January 14, 2026.

There are three issues that remain unsettled in the proceeding: (i) the proposed 2026 operating, maintenance & administration (OM&A) budget (including the allocation of shared services); (ii) the proposed elimination of the net metering charge; and (iii) the proposed shared savings mechanism (SSM).

The Consumers Council of Canada's (CCC) submissions with respect to the unsettled issues are set out in the sections that follow.

2.0. CCC Submission Summary

CCC's submission is exclusively focused on Hydro Ottawa's proposed 2026 OM&A budget of \$140 million.

CCC submits that the proposed 2026 OM&A budget is excessive. The budget does not appropriately reflect affordability considerations and drives very significant bill impacts for residential customers over the Custom IR term (2026-2030). The 2026 OM&A budget also does not properly reflect the material reduction to the capital expenditure budget (17%) that forms part of the OEB-approved settlement proposal.¹ In addition, the OM&A budget reflects compensation at levels that are beyond the market median and, as the OEB has determined in other proceedings², above market compensation costs are not recoverable from ratepayers.

For the reasons that are discussed in detail later in the submission, **CCC submits that a reduction to the 2026 OM&A budget of \$17.3 million is appropriate.** In our view, this

¹ Settlement Proposal, p. 23.

² For example: EB-2016-0152, Ontario Power Generation Inc., 2017-2021 Rates, [Decision and Order](#), December 28, 2017, pp. 80-84; and EB-2019-0082, Hydro One Networks Inc., 2020-2022 Transmission Rates, [Decision and Order](#), April 23, 2020, pp. 142-143.

reduction is necessary to align the OM&A budget with the settled capital expenditure budget, explicitly disallow the recovery of compensation above the market median, and safeguard affordability for Hydro Ottawa’s customers.

With respect to the unsettled issue regarding the net metering charge, we support the detailed and principled submissions of the Vulnerable Energy Consumers Coalition (VECC).³ We agree that the OEB should approve a net metering charge of \$8 per month for the reasons set out in VECC’s submission.

In regard to the proposed shared savings mechanism (SSM), we support the detailed submissions of OEB staff. We agree that the proposed SSM is inconsistent with OEB and government policy direction for the reasons provided by OEB staff.⁴

3.0. Affordability

The monthly residential bill impacts for the 2026-2030 period based on the OEB-approved settlement and Hydro Ottawa’s proposed 2026 OM&A budget (\$140 million) are set out in the table below. These figures are provided on a distribution only basis.

Table 1 – Residential Bill Impacts⁵

(750 kWh)	2025	2026	2027	2028	2029	2030	Total
Distribution Charges ⁶	\$34.51	\$40.04	\$42.64	\$45.47	\$46.98	\$48.36	
Change in Distribution Charges		\$5.53	\$2.60	\$2.83	\$1.51	\$1.38	\$13.85
% Change in Distribution Charges		16.02%	6.49%	6.64%	3.32%	2.94%	40.13%

Bill impacts of \$5.53 per month (\$66.36 per year, or 16%) between 2025 and 2026, and \$13.85 per month (\$166.20 per year, or 40.1%) over five years, will have a material impact on affordability. These increases reflect cost escalation far exceeding any reasonable expectation of inflation, and they are clearly unaffordable for Hydro Ottawa’s customers.

³ VECC Submission, February 25, 2026.

⁴ OEB Staff Submission, February 18, 2026, pp. 15-22.

⁵ Settlement Proposal, Attachment 12.

⁶ Includes the monthly service charge and distribution-related deferral and variance account disposition riders.

The 2026 OM&A budget is driving approximately 60% of the revenue requirement increase between 2025 and 2026.⁷ Therefore, this remaining unsettled issue has a very significant impact on the bill impacts that will be experienced by Hydro Ottawa’s customers in the test year and over the entire Custom IR term.

In its Argument-in-Chief, Hydro Ottawa states that its application (including the 2026 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.”⁸ Hydro Ottawa relies on its customer engagement survey in support of this statement. Hydro Ottawa says that “87% of customers surveyed accepted the plan and associated rate increase, or one that does even more to advance key outcomes.”⁹

CCC submits that the customer engagement survey design is flawed. The survey provided participants with four potential answers with regards to their support of the investment plan. Three of those answers are varying degrees of support for the plan with only one answer in opposition of the plan.¹⁰ This is not an appropriate survey design and operates to artificially increase deemed support (or social permission) of the plan. CCC submits that a proper survey design would have offered more options for non-support of the plan (at a minimum, providing an equal number of options to support or oppose the plan).

When you consider the answer that reflects the lowest level of “support” for the plan¹¹ as non-supportive, the results of the survey shift significantly to non-supportive (i.e., on average across all customer types, 52% of respondents are non-supportive of the plan).¹² This is a more reasonable interpretation of the results.

⁷ Exhibit 6, Tab 1, Schedule 1, p. 6. Based on the pre-filed evidence, the total revenue requirement increase was approximately \$58 million. The OM&A budget increase is \$35.1 million of the total increase (i.e., \$140 million proposed 2026 OM&A budget minus \$104.9 million OEB-approved 2025 OM&A budget). The OEB-approved settlement operates to reduce the capital-related revenue requirement relative to the pre-filed evidence. Therefore, the relative impact on revenue requirement (and bill impacts) of the proposed OM&A budget is higher now than what is set out in the pre-filed evidence and as referenced here.

⁸ Argument-in-Chief, p. 45.

⁹ Argument-in-Chief, p. 46.

¹⁰ Exhibit 1, Tab 4, Schedule 2, p. 10.

¹¹ Exhibit 1, Tab 4, Schedule 2, p. 10. The response reflecting the lowest level of support is “I don’t like the proposed bill increase, but I think it’s necessary to maintain the grid to a reasonable standard and prepare for the future.”

¹² Average of the total participants that agreed to the third and fourth response in Table 2 at Exhibit 1, Tab 4, Schedule 2, p. 10.

Hydro Ottawa defends the survey design with reference to the allowance for survey participants to elaborate on their views with written comments.¹³ CCC notes that the sample of residential customer written responses provided in the evidence are largely very negative. The responses question Hydro Ottawa’s executive compensation and advise that the bill impacts resulting from the plan are not affordable.¹⁴

Overall, CCC submits that the results from Hydro Ottawa’s customer engagement should not be taken at face value. The design is flawed and the outcome of the flawed design is inflated support for the plan. CCC submits that the OEB should directly consider the implications of the proposed 2026 OM&A budget on customers’ bills (and affordability), which, on a distribution basis, are proposed to rise by 16% in a single year and by 40% over 5-years, in its deliberations on this issue. This level of increase is not affordable for Hydro Ottawa’s customers.

4.0. Implications of the Settled Capital Expenditure Budget on the 2026 OM&A Budget

The OEB-approved settlement proposal reflects an approximate 17% decrease to the capital expenditure budget as shown in the table below.

Table 2 – Proposed and Settled Net Capital Expenditures (by Year)¹⁵

	2026	2027	2028	2029	2030	Total
Proposed	\$ 259,139	\$ 282,206	\$ 248,467	\$ 240,207	\$ 203,411	\$1,233,429
Settled	\$ 218,590	\$ 237,344	\$ 199,460	\$ 196,203	\$ 167,402	\$1,019,000
Total Change (\$)	(\$ 40,549)	(\$ 44,862)	(\$ 49,007)	(\$ 44,003)	(\$ 36,009)	(\$ 214,429)
Total Change (%)	-15.6%	-15.9%	-19.7%	-18.3%	-17.7%	-17.4%

As seen in the table above, the settled reductions to the capital plan are similar in each year of the Custom IR term. Hydro Ottawa also confirmed that it does not intend to “back-end” the settled capital expenditure reduction and will apply the agreed-to capital expenditure reductions in the test year along with all the other years of the Custom IR term.¹⁶

¹³ Oral Hearing Transcripts, Vol. 2, p. 107.

¹⁴ Exhibit 1, Tab 4, Schedule 2, Attachment 1, p. 323.

¹⁵ Settlement Proposal, p. 24.

¹⁶ Oral Hearing Transcripts, Vol. 2, p. 137.

At the oral hearing, CCC sought information to better understand the implications of the settled 17% reduction on Hydro Ottawa’s 2026 (test year) hiring plan, which represents a very significant portion of the overall 2026 OM&A budget. We had the following exchange at the oral hearing which summarizes Hydro Ottawa’s position:

L. GLUCK: And now we are seeing a 17 percent reduction -- an agreed-to 17 percent reduction to capital expenditures, and you're saying regardless of that, there will be no test year change to the hiring plan?

L. HEUFF: That's correct.¹⁷

Hydro Ottawa appears to believe that the connection between the capital plan and the hiring plan begins after the test year (i.e., 2027-2030). At the oral hearing, in response to a question from SEC regarding the impact of the capital plan on the hiring plan, Hydro Ottawa stated, “[s]o I am not saying there is no impact. I am saying there is no impact to the 2026 hiring plan. The 2027 and beyond, we do expect that there may be adjustments that are required from 2027 and beyond.”¹⁸

CCC submits that Hydro Ottawa’s position regarding the impact of a 17% average reduction to capital expenditures on the 2026 hiring plan (and the overall 2026 OM&A budget) is untenable and completely defies logic. The Company prepared its workforce staffing proposal on the basis of its as-filed capital plan (and the overall business plan).¹⁹ Hydro Ottawa’s workforce supports the capital plan. Therefore, with a smaller capital plan in each year of the Custom IR term (including the test year), a smaller workforce is needed to support that plan.

The evidence with respect to workforce staffing is replete with references to the connection between the need for incremental resources and the expansion of the capital plan. Hydro Ottawa states, with respect to the 110 new distribution operations, engineering & design and metering positions planned to be added over the 2026-2030 period, that the need for these resources is driven by:

- Expanding grid capacity to serve a growing community
- Upgrading and replacing deteriorating assets
- Modernizing the grid to enable the energy transition

¹⁷ Oral Hearing Transcripts, Vol. 2, p. 139.

¹⁸ Oral Hearing Transcripts, Vol. 1, pp. 103-104.

¹⁹ Oral Hearing Transcripts, Vol. 2, p. 139.

- Incremental contractor management and oversight due to expanding capital and maintenance programs
- Incremental project execution planning to address the increasing volume of capital projects and maintenance activities.²⁰

With respect to the seven new positions over the Custom IR term in the information management & technology, customer billing and customer relations teams, Hydro Ottawa’s evidence states that these roles will support the grid modernization plan.²¹

Hydro Ottawa’s Argument-in-Chief also draws the connection between the capital plan and workforce capacity noting that “[t]o 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...”²²

While we are not suggesting that there is a precise one-to-one impact of a reduction to capital and the necessary number of FTEs to complete the work, Hydro Ottawa’s evidence, as briefly summarized above, highlights the obvious connection between capital expenditures and the staffing required to support the expenditures. Therefore, in the same way that Hydro Ottawa required the proposed level of FTEs to complete the as-filed capital plan, the Company will now need (post-settlement) less FTEs to complete a capital plan that was reduced by 17% on average over the Custom IR term.

Our specific recommendation for reductions to the proposed number of FTEs associated with the settled capital budget are set out later in the submission.

5.0. 2026 OM&A Budget

Hydro Ottawa’s proposed 2026 OM&A budget of \$140 million reflects an increase of \$24.9 million (or 22%) relative to 2024 actuals.²³ The increase relative to the 2025 OEB-approved OM&A budget is \$35.1 million (or 33%).²⁴ CCC submits that the proposed increase to the 2026 OM&A budget is unwarranted.

²⁰ Exhibit 4, Tab 1, Schedule 3, pp. 6-7.

²¹ Exhibit 4, Tab 1, Schedule 3, p. 8.

²² Argument-in-Chief, p. 25.

²³ Undertaking JT2.16, Updated Appendix 2-JA.

²⁴ Exhibit 6, Tab 1, Schedule 1, p. 6.

For the detailed reasons provided in the sub-sections below, CCC believes that the following reductions should be made to the proposed 2026 OM&A budget:

- Workforce Staffing - \$6.4 million
- Overtime Costs - \$0.8 million
- Training Costs - \$0.1 million
- Vacancy Assumption - \$2.1 million
- Above Market Compensation - \$6.0 million
- Allocated Corporate Costs - \$0.6 million
- Testing, Inspection and Maintenance Program Enhancements - \$0.9 million
- Vegetation Management Program - \$0.4 million

CCC submits that, in total, a reduction of \$17.3 million (or 12.4%) to the proposed \$140 million OM&A budget is necessary. This results in a 2026 OM&A budget of \$122.7 million, which is \$7.6 million (6.6%) higher than the 2024 actual OM&A cost and \$17.8 million (16.9%) higher than the 2025 OEB-approved OM&A budget.²⁵

We note that the recommended \$6.0 million reduction to the compensation costs reflected in the 2026 OM&A budget due to above market employee compensation does not directly impact Hydro Ottawa's ability to complete operational work in the test year. Hydro Ottawa's payment of above market compensation for its employees should be funded by the shareholder (instead of ratepayers).

5.1. Workforce Staffing

CCC submits that Hydro Ottawa's proposed increase to its workforce in 2026 is excessive. The Company intends to add 92 FTEs between 2024 and 2026, which reflects an increase of 14.7%. Between 2021 and 2026, based on the Company's proposal, the FTE count would increase by 131 (or 22.4%).²⁶ The proposed increase to the workforce is one of the most significant drivers of the revenue requirement increase between 2024 and 2026.²⁷

CCC submits that the workforce plan has not been properly adjusted to reflect the settled capital budget, which was reduced by 17% on average over the Custom IR term. In addition, we have specific concerns with the IT-related staffing proposal and the proposal

²⁵ Undertaking JT2.16, Updated Appendix 2-JA.

²⁶ Undertaking J2.2(A).

²⁷ Argument-in-Chief, p. 25.

to add incremental positions in the Safety, Environment and Business Continuity business unit.

As discussed in detail in section 4.0, there is a clear impact on the workforce plan of a reduced capital budget. We do not believe that the impact is precisely one-to-one (i.e., for every percentage decrease in the capital plan there would be a 1% decrease to the workforce requirement). However, a material portion of the work anticipated under the original capital plan is now unnecessary, and corresponding reductions to the workforce complement are therefore required. These reductions are properly applied to the proposed FTEs in the Distribution Operations, Metering and Engineering & Design programs for which Hydro Ottawa has described the positions as “largely trades and project management roles that being added to support execution and oversight of the capital program...”²⁸

We also believe that the increase in Information Management & Technology staffing resources is far beyond what is necessary to efficiently manage the Company’s technology plan. Hydro Ottawa proposes to add 3 FTEs between 2024 and 2026 (7%) when the Company has already added 7 FTEs (20%) between 2021 and 2024.²⁹ In addition, we note that the implementation of a cloud-based software infrastructure, which comes at a higher cost due to the subscription-based licensing model, provides Hydro Ottawa with significant technical support from the software supplier. As Hydro Ottawa noted with respect to cloud-based software, “Hydro Ottawa will pay a recurring fee (monthly or annually) for access to the software. Support is almost always bundled into the subscription fee. This is a significant advantage, as it ensures continuous updates, maintenance, and support as part of the service.”³⁰ Therefore, due to the transition to cloud-based solutions, more work will be completed by Hydro Ottawa’s software providers than was the case in the past.

In addition, there are two new positions³¹ in the Safety, Environment and Business Continuity team that are expected to support the Hydro Ottawa’s environmental sustainability efforts.³² It is unclear why incremental resources are necessary for these activities. Hydro Ottawa filed expansive evidence regarding its existing work towards achieving environmental goals. For example, Hydro Ottawa received a designation as a Sustainable Electricity Company, has been recognized consistently as one of Canada’s

²⁸ Argument-in-Chief, p. 27.

²⁹ 4-CCC-50, p. 3.

³⁰ 4-CCC-47(c).

³¹ 4-CCC-52(d). 2 positions are equivalent to approximately 1.8 FTEs based on Hydro Ottawa’s proposed vacancy rate of 8%.

³² Argument-in-Chief, p. 31.

Greenest Employers, and has already worked on a number of projects to reduce the company's own emissions (including changes to its fleet and facilities).³³

Finally, with respect to the two new HR positions, a key driver for these additional staff is to address the need for incremental recruitment and onboarding.³⁴ In the context of the reduced need for staff as argued above, the associated recruitment and onboarding activities will also be reduced. Therefore, the need for additional HR staff is diminished.

We acknowledge Hydro Ottawa's evidence that the Company performed a headcount rationalization exercise to reduce staffing relative to its initial set of budgets.³⁵ However, the workforce plan, as rationalized and filed in its application, was intended to support a larger capital plan than the plan that was eventually agreed to by all parties. Therefore, this rationalization process in no way alleviates CCC's concern that the proposed staffing complement exceeds what is needed to support what is now a smaller capital plan.

For the reasons set out above, CCC submits the proposed 2026 FTE count of 716 should be reduced by approximately 64 FTEs (or 8.9%) to 652 FTEs. The recommended reduction was determined based on specific adjustments to the FTE counts in certain OM&A program. The table below shows Hydro Ottawa's historical, 2026 proposed FTEs and a forecast of FTEs over the latter years of the Custom IR term (i.e. 2027-2030).

³³ Exhibit 4, Tab 1, Schedule 3, Attachment E, pp. 16-19.

³⁴ Oral Hearing Transcripts, Vol. 2, p. 140.

³⁵ 4-CCC-53(b).

Table 3 - 2021-2030 FTEs by OM&A Program³⁶

	Historical Years				Bridge Years	Test Years				
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Collections	9	7	5	8	8	8	8	8	8	8
Customer Billing	30	28	25	33	27	28	29	37	29	29
Corporate Costs	3	3	3	3	3	3	3	3	3	3
Customer & Community Relations	40	44	32	36	41	42	43	43	43	43
Distribution Operations	265	266	204	272	269	310	336	337	337	337
Engineering & Design	83	87	82	103	121	142	158	162	158	160
Facilities	6	7	7	8	6	6	7	7	7	7
Finance	31	29	29	29	29	29	31	32	33	33
Human Resources	26	29	26	26	25	28	28	28	28	28
Information Management & Technology	35	37	35	42	40	45	46	46	46	46
Metering	20	18	14	24	23	26	28	28	28	28
Regulatory Affairs	8	9	7	10	14	9	10	10	10	10
Safety, Environment & Business Continuity	12	12	11	15	16	20	21	22	22	22
Supply Chain	20	18	13	16	17	18	18	18	18	18
Total	585	595	494	624	641	716	766	780	769	771

CCC submits that the 478 FTEs in the Distribution Operations, Engineering & Design and Metering programs should be reduced by 57 FTEs (or 11.9%). It is the labour resources in these programs that are the most responsible for the execution of the capital plan.³⁷ We believe that a 12% FTE reduction is reasonable in the context of the decreased workload resulting from a 17% reduction to the capital plan.

The FTEs in the Information Management & Technology program should be reduced by 3 (7%), which brings the FTE count back to 2024 levels, to reflect the shift to cloud computing and the associated incremental technical support provided under this technology model.

Finally, the two new sustainability positions (1.8 FTEs) and two HR positions (1.8 FTEs) should be eliminated for the reasons described above. With respect to the HR positions, CCC notes that the total number of HR positions relative to total FTEs remains reasonably aligned with 2024 and 2025 actuals as shown in the table below.

³⁶ 4-CCC-50, p. 3.

³⁷ Argument-in-Chief, p. 27.

Table 4 – Hydro Ottawa Total FTEs Per HR FTE (CCC Adjusted)³⁸

	2021	2022	2023	2024	2025	2026 Proposed	2026 CCC Adjusted
Hydro Ottawa FTEs	585	595	494	624	641	716	652
HR FTEs	26	29	26	26	25	28	26
Employees per HR FTE	23	21	19	24	26	26	25

CCC estimates that the total 2026 OM&A budget would be reduced by approximately \$6.4 million due to the recommended 64 FTE elimination. This has been calculated based on the average total compensation per employee as shown in Appendix 2-K and a 69% allocation of compensation costs to OM&A.³⁹

CCC notes that Hydro Ottawa presented an estimated 66% allocation factor of compensation costs to OM&A in an oral hearing undertaking response.⁴⁰ This allocation factor was not properly supported by Hydro Ottawa as no derivation of the 66% figure was provided.⁴¹ We have had the opportunity to review SEC’s more detailed calculation of the OM&A allocation factor relevant to compensation costs and we are of the view that SEC’s calculation is accurate and supported by the evidence in this proceeding.⁴²

5.2. Overtime Budget

Hydro Ottawa forecasts an overtime budget of \$4.75 million for 2026. This reflects an increase of 19.9% relative to 2024 actual.⁴³ The table below highlights the total overtime cost and overtime as a percentage of salary for the historical period and the test year.

³⁸ Argument-in-Chief, p. 32 with new adjusted column reflecting CCC’s proposed reduction to total FTEs and HR FTEs.

³⁹ Undertaking J2.2(A); and SEC Submission, February 25, 2026. The proposed 2026 compensation is \$104.4 million. The proposed average compensation per FTE is approximately \$146,000. Based on this average, the total compensation reduction is \$9.3 million ($\$146,000 \times 64$). The total \$9.3 million is then applied a 69% OM&A allocation, which equals approximately \$6.4 million.

⁴⁰ Undertaking J2.3, p.14.

⁴¹ Undertaking J2.3, p.14. The undertaking response simply states that the appropriate allocation factor is approximately 66% once the Appendix 2-D capital burdens are added to the direct labour allocation in Appendix 2-K.

⁴² SEC Submission, February 25, 2026.

⁴³ Undertaking J2.2(A).

Table 5 - 2021-2026 Overtime⁴⁴

	Last Rebasing Year (2021 Actual)	2022 Actual	2023 Actual	2024 Actual	2025 Bridge Year	2026 Test Year
Total Salary	\$ 57,627,561	\$ 61,430,837	\$ 56,876,423	\$ 67,278,148	\$ 71,184,090	\$ 81,504,640
Total Overtime	\$ 3,501,928	\$ 5,970,000	\$ 6,245,816	\$ 3,965,146	\$ 4,047,681	\$ 4,752,821
Overtime as a Percentage of Salary	6.1%	9.7%	11.0%	5.9%	5.7%	5.8%

The overtime budget as a percentage salary is essentially flat between 2024 and 2026. In light of the additional workforce complement proposed by the Company (and even with the reduced number of FTEs recommended by CCC, which is still well above 2024 staffing levels), it is likely that less overtime will be required per FTE. The work is being spread across more employees thus the need for overtime will be reduced.

Hydro Ottawa does not agree that additional headcount will result in reduced overtime costs in the test year. However, the Company does acknowledge that it expects to see a reduction to the overtime as a percentage of salary in the 2027-2030 period.⁴⁵ We disagree that the impact of a larger workforce will only be experienced after the test year. The impact of additional staff will, at least partially, be experienced immediately after hiring. We note that not all of the benefit of additional staff will accrue in the test year as new employees will be hired throughout the year (and will not be in place for the full year in 2026). Therefore, a reduction to overtime costs that reflect only a partial year of the benefit of incremental staffing is appropriate.

On this basis, we believe that a modest reduction to the proposed 2026 overtime as a percentage of salary (5.8%) to 4.5% is necessary to properly reflect the partial year benefit of the incremental staff that will be employed by Hydro Ottawa in 2026. We estimate that this will reduce the 2026 OM&A budget by approximately \$0.8 million.⁴⁶

⁴⁴ Undertaking J2.2(A).

⁴⁵ Oral Hearing Transcripts, Vol. 2, p. 113 as follows, “[p]art of our 2026 test year is stabilizing the workforce and, hopefully, reducing the overtime percentage, and that’s why the percentage does drop slightly. But we are -- we are going to see, I think, more of that impact in the 2027 to 2030 year, and as you know from the settlement, we reduced that OM&A envelope by almost 40 million in that period.”

⁴⁶ Undertaking J2.2(A). Reducing the overtime as a percentage of salary figure from 5.8% to 4.5% decreases overtime costs by \$1.1 million. Applying the corrected 69% OM&A allocator (SEC Submission, February 25, 2026) to this amount results in an OM&A impact of the overtime percentage change of \$0.76 million. This reduction would be offset to some extent by decreased 2026 compensation amounts in the scenario that the OEB approves a reduction to the workforce staffing plan.

5.3. Training Budget

Hydro Ottawa’s 2025 training budget is \$1.25 million.⁴⁷ At the oral hearing, Hydro Ottawa agreed that the training budget is correlated with the number of FTEs that are employed by the Company.⁴⁸

CCC submits that to the extent that the OEB agrees that there should be an 8.9% reduction to the total number of 2026 FTEs, the test year training budget should also be reduced by 8.9% (or \$0.1 million).

5.4. Vacancy Rate Assumption

Hydro Ottawa applied an 8% vacancy rate to the 748 full-time permanent positions proposed for 2026. The application of an 8% vacancy rate to these full time positions results in the 716 FTEs that underpin the 2026 compensation budget.⁴⁹ The historical and forecast vacancy rates (and associated calculations) are set out in the table below.

Table 6 – Hydro Ottawa Historical and Proposed Vacancy Rate⁵⁰

	OEB Approved	Historical Years				Bridge Year	Test Year
	2021	2021	2022	2023	2024	2025	2026
Number of Full-Time Permanent Positions	611	617	617	617	667	667	748
Vacancy Rate	4%	10%	12%	12%	11%	8%	8%
Vacancy Assumption translated into FTEs	(24)	(62)	(74)	(74)	(73)	(56)	(60)
Temps and Part Time	28	25	28	26	36	30	28
Other FTE Adjustment		5	24	(75)	(6)		
Number of FTEs (Appendix 2K)	616	585	595	494	624	641	716

CCC submits that the proposed 8% vacancy rate is far below the average actual historical vacancy rate of 11.25% between 2021-2024.⁵¹ We acknowledge that 2021 to 2023 are not appropriate comparators for the purpose of evaluating the reasonableness of the proposed 2026 vacancy rate. However, 2024 is very comparable for the reasons that follow.

⁴⁷ Undertaking J2.4, p. 2.

⁴⁸ Oral Hearing Transcripts, Vol. 2, p. 43.

⁴⁹ 4-CCC-52(d). There are 28 temporary and part-time positions that are also reflected in the number of FTEs used for determining test year compensation.

⁵⁰ 4-CCC-52(d). The 2025 vacancy rate in this table was not updated for the mid-year information available, which shows the 2025 vacancy rate at 9%.

⁵¹ 4-CCC-52(d).

Hydro Ottawa advised that 2024 reflected a return to normal operations for the Company.⁵² In addition, Hydro Ottawa filled 50 new positions in 2024.⁵³ CCC submits that 2024 is very similar to 2026 in terms of the need to fill new positions, which has implications for the vacancy rate (as new employees do not all start on January 1 of the test year).

We note that the vacancy rate was lower in 2025 at 9% as of June 30, 2025.⁵⁴ However, 2025 was a year with significantly reduced hiring. The Company noted that on a planned basis for 2025 there was not expected to be any hiring. However, on an actual basis there were some positions added but, overall, it was a stabilization year due to the significant hiring in 2024.⁵⁵ Therefore, in the context of the significant difference between hiring levels in 2025 and proposed for 2026, we do not believe that 2025 reflects a reasonable comparator for the purposes of determining the vacancy rate. We note that even with CCC's recommended reduction to the number of 2026 FTEs, there will still be significant hiring for new positions required in 2026 (as the total 2026 FTEs that we have recommended are still much higher (30 FTEs) than 2024 actuals).

On this basis, CCC submits that the 2024 actual vacancy rate of 11%⁵⁶ should be applied as the 2026 vacancy rate. We estimate that the impact of a 3% increase to the vacancy rate is an approximate \$2.1 million reduction to the 2026 OM&A budget.⁵⁷

5.5. Above Market Compensation

We have reviewed SEC's submission with respect to Hydro Ottawa's proposed compensation levels. We support SEC's analysis which shows that, depending on the specific approach applied, Hydro Ottawa's proposed compensation, as included in the 2026 OM&A budget, is between \$4.3 million and \$6 million above the market median.⁵⁸ We note that SEC provided four approaches to determining the level of compensation that is

⁵² Argument-in-Chief, p. 12.

⁵³ Oral Hearing Transcripts, Vol. 1, p. 94.

⁵⁴ 4-SEC-73, p. 2.

⁵⁵ Oral Hearing Transcripts, Vol. 1, pp. 94-96.

⁵⁶ 4-SEC-73, p. 2.

⁵⁷ 4-CCC-52(h) shows that each percentage increase to the vacancy rate decreases compensation costs by \$1 million. Applying the corrected 69% OM&A allocator (SEC Submission, February 25, 2026) to \$3 million results in an OM&A impact of the vacancy rate change of \$2.1 million. This reduction would be offset to some extent by decreased 2026 compensation amounts in the scenario that the OEB approves a reduction to the workforce staffing plan.

⁵⁸ SEC Submission, February 25, 2026.

above the market median.⁵⁹ We believe that each of these approaches is valid. CCC notes that the average amount of above market compensation that is reflected in the 2026 OM&A budget, based on SEC’s four estimates, is approximately \$5.1 million.

We submit that SEC’s estimates of above market compensation reflected in the 2026 OM&A budget are conservative. SEC developed these estimates using only a comparison of base salary between Hydro Ottawa and the market comparators. However, the target total cash (TTC) benchmarking results show that Hydro Ottawa’s compensation is even further above the market median.⁶⁰ Therefore, an escalator to reflect that SEC’s estimates reflect only base salary variances (instead of TTC variances) should be applied. It is not easy to calculate the adjustment that is required to reflect that Hydro Ottawa’s TTC is even further above the market median than the base salary comparison suggests. In this circumstance, we believe that a reasonable solution is to apply SEC’s highest estimate of compensation that is above the market median as a disallowance to the 2026 OM&A budget.

On this basis, we submit that the OEB should disallow the recovery of \$6 million of compensation costs that are reflected in the proposed 2026 OM&A budget to ensure that above market compensation costs are not recovered from ratepayers. Instead, these amounts are properly borne by the shareholder.

Below, CCC provides its submissions on Hydro Ottawa’s position on the use of its compensation study, the OEB’s historical treatment of above market compensation, and the methodology used to determine the quantum of above market compensation that is reflected in the 2026 OM&A budget.

Hydro Ottawa Compensation Study

In its pre-filed evidence, Hydro Ottawa states that it “conducted external benchmarking studies, which analyze the utility’s cost performance for IT and Compensation relative to industry peers.”⁶¹ Hydro Ottawa also states, in the pre-filed evidence, that the “study reviewed 20 jobs, including those core to the business, as well as technical, professional, and para-professional roles that support the business. The jobs included in the study are representative of both groups of positions/employees (management and non-

⁵⁹ SEC Submission, February 25, 2026.

⁶⁰ Exhibit 1, Tab 3, Schedule 3, Attachment F, pp. 8-11.

⁶¹ Exhibit 1, Tab 3, Schedule 1, p. 12.

management).”⁶² The Company now describes the 2024 Mercer compensation benchmarking study⁶³ as a “limited-scope” study.⁶⁴ Hydro Ottawa goes on to say that the results of the study cannot be extrapolated in the manner applied by SEC as it “lacks the statistical significance to assess the market competitiveness of Hydro Ottawa’s 2026 total compensation.”⁶⁵

CCC submits that Hydro Ottawa’s attempt, in Undertaking J2.3, to limit the use of its own compensation study to evaluate the reasonableness of its compensation levels⁶⁶ relative to the market median should be dismissed. The purpose of filing these types of compensation studies with the OEB is to allow the regulator to measure whether a company is over (or under) compensating its employees relative to its peers. If Hydro Ottawa does not believe that the study properly represents the full range of its positions/employees (or the sample size was simply too small even if the positions are generally representative of the positions/employees working for the Company), it should have included more positions in the benchmarking study.⁶⁷ Instead, the Company is, at the very end of the proceeding, downplaying the importance and usability of its own study because it does not like the results. This is entirely inappropriate.

CCC submits that the extrapolation of compensation benchmarking results to the total compensation budget is normal practice.⁶⁸ The type of analysis that SEC provided in its oral hearing compendium⁶⁹ and adjusted in its submission in response to Undertaking J2.3⁷⁰ is entirely consistent with analysis completed and relied on by the OEB in previous proceedings.

⁶² Exhibit 4, Tab 1, Schedule 3, p. 1.

⁶³ Exhibit 1, Tab 3, Schedule 3, Attachment F.

⁶⁴ Undertaking J2.3, p. 2.

⁶⁵ Undertaking J2.3, p. 2.

⁶⁶ Undertaking J2.3, p. 2.

⁶⁷ Exhibit 4, Tab 1, Schedule 3, p. 1. CCC submits that the Company, at the time it filed its application, did not actually believe there was any such problem with its study. As noted by Hydro Ottawa in its pre-filed evidence, “[t]he jobs included in the study are representative of both groups of positions/employees (management and non-management).”

⁶⁸ For example: EB-2016-0152, Ontario Power Generation Inc., 2017-2021 Payment Amounts, [Decision and Order](#), December 28, 2017, pp. 80-84; and EB-2019-0082, Hydro One Networks Inc., 2020-2022 Transmission Rates, [Decision and Order](#), April 23, 2020, pp. 142-143.

⁶⁹ SEC Oral Hearing Compendium, pp. 74-75.

⁷⁰ SEC Submission, February 25, 2026.

While the 2024 Mercer compensation benchmarking study⁷¹ is not perfect in terms of sample size⁷², it is the only evidence that is available to the OEB to complete a compensation benchmarking exercise. Therefore, the OEB should use the best methodologies available, as applied by SEC (including the aggregation of data beyond employee groups), to interpret the benchmarking results.

OEB's Historical Treatment of Above Market Compensation

We agree with SEC's summary of the OEB's previous decisions that have addressed the appropriate treatment of above market compensation. More specifically, we agree that the OEB has consistently found that above market compensation costs are not eligible for recovery from ratepayers. The OEB has made these findings across numerous Ontario Power Generation (OPG) and Hydro One Networks Inc. (Hydro One) proceedings.⁷³ The key principle underlying the OEB's rationale in the previous decisions, which have disallowed the recovery of above market compensation costs from ratepayers, is related to the OEB's role as a market proxy.⁷⁴ We note that in the absence of the OEB's oversight, excessive compensation costs would be passed entirely onto ratepayers and utilities would have no incentive to reduce compensation costs to market levels. Nothing has changed in this regard since the OEB last disallowed the recovery of above market compensation.

The OEB has also consistently measured the level of above market compensation to the market median (P50). The OEB has expressly rejected the idea that a deadband (i.e., +/- 10% of P50) should be applied in the consideration of whether compensation is above (or below) market.⁷⁵ CCC submits that there is no basis in this proceeding to apply a deadband in the determination of whether compensation is above (or below) market. The market median (P50) is the demarcation point between below and above market compensation. To apply a 10% deadband, as proposed by Hydro Ottawa⁷⁶, by definition, means that Hydro Ottawa's compensation is no longer benchmarked to the market median.

⁷¹ Exhibit 1, Tab 3, Schedule 3, Attachment F.

⁷² Undertaking J2.3, p. 2.

⁷³ Including but not limited to, EB-2016-0152, Ontario Power Generation Inc., 2017-2021 Payment Amounts, [Decision and Order](#), December 28, 2017, pp. 80-84; and EB-2019-0082, Hydro One Networks Inc., 2020-2022 Transmission Rates, [Decision and Order](#), April 23, 2020, pp. 142-143.

⁷⁴ See, for example, EB-2013-0321, Ontario Power Generation Inc., 2014-2015 Payment Amounts, [Decision with Reasons](#), November 20, 2014, p. 80.

⁷⁵ EB-2017-0049, Hydro One Networks Inc., 2018-2022 Distribution Rates, [Decision and Order](#), March 7, 2019, p. 110.

⁷⁶ Undertaking J2.3, p. 3.

Methodology to Determine Above Market Compensation in the 2026 OM&A Budget

CCC submits that SEC’s methodology used to determine each of the four estimates that form the range of above market compensation (\$4.3 million to \$6 million) reflected in the 2026 OM&A budget is reasonable and is markedly more accurate than the approach set out by Hydro Ottawa in Undertaking J2.3.⁷⁷ As noted previously, SEC’s estimates are conservative as they do not incorporate the variances between Hydro Ottawa’s target total cash compensation and the market median.

We have provided our comments on the key methodological issues below.

First, we believe that the most appropriate technique to address the limited sample of positions (and related FTEs) reflected in Hydro Ottawa’s compensation study is to aggregate the data. This approach increases the statistical significance of the analysis. SEC, in its recommendation, shows two approaches to data aggregation. One of these approaches is to aggregate the benchmarking comparison at the total level (i.e., all positions). The other approach is to combine Union and Non-Union positions together with management separated in the analysis.⁷⁸ Either of these two approaches is significantly more appropriate than further segregation by employee group (i.e., management, Union and Non-Union) as suggested by Hydro Ottawa.⁷⁹ Hydro Ottawa’s approach exacerbates the issue with the sample size.

Second, CCC believes that both the approach suggested by Hydro Ottawa (i.e., weighting the Mercer Benchmarking Database (MBD) and the MEARIE data equally)⁸⁰ and alternatively applied by SEC (i.e., using the MBD when that data exists and MEARIE when the MBD data is unavailable)⁸¹ are valid. The equal weighting approach ensures there is a larger data set to apply for the benchmarking exercise. While the approach that relies more greatly on the MBD ensures that Hydro Ottawa is, where possible, compared to a larger group of employers for roles that are not specific to the utility industry. This ensures that Hydro Ottawa’s compensation is properly compared to its broader industry peers where it is actually competing for those resources. Therefore, both approaches set out by SEC in its submission are valid.

⁷⁷ Undertaking J2.3, p. 11.

⁷⁸ SEC Submission, February 25, 2026.

⁷⁹ Undertaking J2.3, p. 2.

⁸⁰ Undertaking J2.3, pp. 2, 7.

⁸¹ SEC Submission, February 25, 2026.

Third, Hydro Ottawa’s position that any calculation of above market compensation must be based on 2024 compensation costs⁸² is entirely incorrect. This type of benchmarking analysis is always premised on actual compensation. Therefore, the data used in the benchmarking comparison must be historical. The Company has provided no evidence that it has narrowed the gap between its compensation and the market median between 2024 and 2026. Hydro Ottawa’s compensation study is the best available information to evaluate the Company’s 2026 compensation budget and it is entirely appropriate to apply the results of the study to the proposed budget as SEC has done in its analysis.

Fourth, as we noted previously, the appropriate allocation of compensation costs to OM&A is 69% as set out in SEC’s submission. SEC provided a detailed calculation, supported by the evidence on the record, showing the determination of the allocation factor.⁸³ In contrast, Hydro Ottawa presented an estimated 66% allocation factor of compensation costs to OM&A.⁸⁴ This allocation factor was not properly supported by Hydro Ottawa as no derivation of the 66% figure was provided.⁸⁵

Finally, Hydro Ottawa has underestimated the percentage of benefit costs that are correlated with salary. Hydro Ottawa estimated that 40% of benefit costs are associated with salary levels.⁸⁶ The Company, in its estimate of benefit costs tied to compensation, appears to have only reflected pension and life insurance costs.⁸⁷ SEC correctly notes that the employer pension contribution is a higher percentage of salary for the portion of each individuals’ salary that is above the Yearly Maximum Pensionable Earnings (YPME) (\$74,600).⁸⁸ When considering compensation costs that are in excess of the market median, we are almost entirely referring to wages that are above the YPME.⁸⁹ Therefore, the impact on pension costs of a disallowance associated with above market salaries is higher than the amount estimated by Hydro Ottawa.

⁸² Undertaking J2.3, pp. 2, 8.

⁸³ SEC Submission, February 25, 2026.

⁸⁴ Undertaking J2.3, p.14.

⁸⁵ Undertaking J2.3, p.14. The undertaking response simply states that the appropriate allocation factor is approximately 66% once the Appendix 2-D capital burdens are added to the direct labour allocation in Appendix 2-K.

⁸⁶ Undertaking J2.3, p. 13.

⁸⁷ Undertaking J2.3, p. 13.

⁸⁸ Undertaking J1.1. The Yearly Maximum Pensionable Earnings (YPME) is set at \$74,600 and the tiered contribution formula for the OMERS pension plan reflects a 9.0% contribution rate for salary under the YPME and 14.6% for salary above the YPME.

⁸⁹ Exhibit 1, Tab 3, Schedule 3, Attachment F, pp. 8-11. CCC notes that only four of positions reflected in the compensation study have actual salaries that are near the YPME (in a range of \$75,000 to \$78,000). The remainder are well above that level.

In addition, as noted by SEC, it appears that Hydro Ottawa did not include the costs associated with the Ontario Employer Health Tax and long-term disability payments in its determination of the benefit costs that are correlated to compensation.

For these reasons, we believe that the percentage of benefit costs that are correlated with compensation levels is well above the 40% estimated by Hydro Ottawa and agree that SEC's estimate of 60% is more reasonable.

5.6. Corporate Costs

The allocation of corporate costs from Hydro Ottawa Holdings Inc. (HOHI) to Hydro Ottawa increased by \$3.7 million (or 92%) between 2021 actual and 2026 proposed. Between 2024 actual and 2026 proposed the corporate costs allocated to Hydro Ottawa increased by approximately \$0.9 million (or 12.7%).⁹⁰ The increase in allocated corporate costs is excessive and is a driver of material bill impacts for consumers.

Similar to our position with respect to Hydro Ottawa's internal staffing complement, we believe that reductions to the allocated corporate costs are necessary to reflect the settled 17% reduction to the capital plan and an increase to the vacancy rate estimated for HOHI labour.

In the same way that the reduced capital plan resulting from the OEB-approved settlement impacts the need for internal labour, it also impacts the need for resources allocated from HOHI. Hydro Ottawa states with respect to the increase of HOHI's costs allocated to Hydro Ottawa that, "[t]his increase stems from several key factors including the demand for executive management time which has significantly increased... Additionally, Hydro Ottawa's capital plans, increased headcount and lessons learned from the 84-day strike in 2023 have increased the demand for executive management time."⁹¹ There is a clear connection between HOHI support and Hydro Ottawa's capital plan.

In addition, there is a connection between the demand for executive management time and the total headcount at the regulated utility. To the extent that the OEB reduces internal staffing, a reduction to the costs of executive management resources allocated to Hydro Ottawa is appropriate.

⁹⁰ Appendix 2-N.

⁹¹ Exhibit 4, Tab 2, Schedule 1, p. 6.

Hydro Ottawa estimated a 5% vacancy rate for HOHI employees. This is apparently based on “historical trends at the holding company.”⁹² There is no evidence to support this vacancy rate, and it is significantly lower than the actual 2024 vacancy rate (11%) for Hydro Ottawa.⁹³ We believe that the vacancy rate is understated for HOHI, which operates to overstate the allocated costs to the regulated utility.

Finally, our position that above market compensation should not be recoverable from ratepayers is also applicable to the FTEs that are allocated from the parent company to Hydro Ottawa. There is no reason to believe that the above market compensation that is being paid to Hydro Ottawa’s employees is not also being paid to the executive and management staff that are employed by HOHI.⁹⁴

For the above reasons, we submit that the corporate costs should be reduced by \$0.6 million. This reflects a disallowance associated with above market compensation and a reduction to the corporate FTE’s allocated to the regulated business.

5.7. Other Program Level Adjustments

Testing, Inspection and Maintenance Program

Hydro Ottawa proposes to increase the Testing, Inspection and Maintenance Program budget by approximately \$6.7 million (or 300%) between 2024 and 2026.⁹⁵ The majority of this increase (\$5.6 million) relates to certain program enhancements that are planned to be implemented in 2026.⁹⁶

A portion of the program enhancement costs (\$1.8 million) is associated with the exploration of automation and artificial intelligence (AI) solutions to refine condition assessment and improve overall asset management.⁹⁷ The table below provides a more detailed breakdown of the automation and AI enhancement costs reflected in the 2026 OM&A budget.

⁹² Undertaking J2.1, p. 2.

⁹³ 4-SEC-73, p. 2.

⁹⁴ Undertaking J2.1 shows that most of the 23.3 FTEs that have costs allocated from HOHI to Hydro Ottawa are management and executives.

⁹⁵ Undertaking JT2.16(A).

⁹⁶ 4-Staff-134 (a).

⁹⁷ Undertaking JT1.12.

Table 7 – 2026 Automation and AI Enhancement Costs⁹⁸

Initiative	Activity	Cost
Image Recognition and Machine Learning for Anomaly Detection and Failure Trend Analysis	Core Algorithms & Processing	\$890
	Infrastructure & Data Management	\$195
	Support Activities	\$25
	Initiative Total	\$1,110
Automated Station Inspections	Inspection Execution & Scope	\$370
	Reporting & Support	\$35
	Initiative Total	\$405
Real-Time Condition Assessment	Data Prep & Core Algorithm	\$225
	Result Validation, Reporting & Support	\$60
	Initiative Total	\$285
Grand Total		\$1,800

The costs of the initiatives listed above include subscription fees, integration costs, and compute fees.⁹⁹ The Company plans to train models to support anomaly detection, failure trend analysis and for real-time condition assessment of its assets.¹⁰⁰ It also plans to implement an automated approach to completing station inspections that costs more than the previous manual approach.¹⁰¹

While there may be merit in the further exploration of new tools to support the asset management plan, we believe that this aspect of the Testing, Inspection and Maintenance Program can be significantly pared back in the test year. Hydro Ottawa can apply a slower pace to implementing these approaches, which are clearly very expensive with subscriptions / licensing fees to access the necessary algorithms and processing fees to train the models at a cost of almost \$1 million annually.¹⁰² Therefore, CCC submits that the \$1.8 million test year cost related to these activities should be reduced by 50% (\$0.9 million).

⁹⁸ Undertaking JT1.12, p. 2.

⁹⁹ Oral Hearing Transcripts, Vol. 2, p. 129.

¹⁰⁰ Oral Hearing Transcripts, Vol. 2, p. 130.

¹⁰¹ Oral Hearing Transcripts, Vol. 2, p. 133.

¹⁰² Undertaking JT1.12, p. 2.

Vegetation Management Program

The Vegetation Management Program reflects \$3.9 million in costs associated with planned trimming activities in 2026.¹⁰³ The Company provided a table highlighting the tree trimming cycle by geographic region.¹⁰⁴ With the exception of one region (VMC03), all the regions follow a predictable cycle for tree trimming (over two, three or four year periods). However, VMC03 has planned vegetation management in each of 2025 and 2026. At the oral hearing, Hydro Ottawa confirmed that the costs associated with the planned 2026 vegetation management for this region are included in the test year budget.¹⁰⁵ The Company also did not have any information regarding why this region was slated for tree trimming two years in a row.¹⁰⁶

CCC submits that the planned vegetation management budget should be reduced by 10% (\$0.4 million) to reflect that the VMC03 area is unlikely to require tree trimming activity in 2026 given the same location was already completed in 2025.

~ All of which is respectfully submitted ~

¹⁰³ 4-Staff-139(e).

¹⁰⁴ 4-CCC-38(c).

¹⁰⁵ Oral Hearing Transcripts, Vol. 2, p. 135.

¹⁰⁶ Oral Hearing Transcripts, Vol. 2, pp. 134-135.