

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
being Schedule B to the Energy Competition Act, 1998, S.O.
1998, c.15;

AND IN THE MATTER OF an Application by Hydro
Ottawa Limited (“Hydro Ottawa”) to the Ontario Energy
Board for an Order or Orders approving or fixing just and
reasonable rates and other charges for the distribution of
electricity effective January 1, 2026.

**REVISED FINAL ARGUMENT OF THE
SCHOOL ENERGY COALITION**

February 26, 2026

Shepherd Rubenstein P.C.
120 Eglinton Ave. East
Suite 1000
Toronto, Ontario M4P 1E2

Mark Rubenstein
Tel: 647-483-0113
mark@shepherdrubenstein.com

Counsel for the School Energy Coalition

TABLE OF CONTENTS

1 OVERVIEW	3
1.1 SUMMARY	3
2 OM&A	5
2.1 OVERVIEW	5
2.2 PRELIMINARY MATTERS	5
2.3 HEADCOUNT	7
2.4 COMPENSATION	13
2.5 OVERTIME	20
2.6 PROACTIVE DISTRIBUTION MAINTENANCE.....	21
2.7 CORPORATE COST ALLOCATION AND SHARED SERVICES.....	22
2.8 SHARED SERVICES METHODOLOGY	23
2.9 IT SPENDING.....	23
2.10 LACK OF PRODUCTIVITY AND EFFICIENCY SAVINGS	26
2.11 APPROPRIATE 2026 OM&A BUDGET	28
3 OTHER ISSUES	30
3.1 NET METERING.....	30
3.2 SHARED SAVINGS MECHANISM	31

1 OVERVIEW

1.1 Summary

1.1.1 On April 15, 2025, the Applicant, Hydro Ottawa Limited (“Hydro Ottawa” or the “company”) filed a Custom Incentive Rate-setting (“CIR”) Application to set just and reasonable rates for the distribution of electricity for 2026-2030. A substantial settlement was reached on all but three issues, a) the 2026 Operating, Maintenance & Administration (“OM&A”) costs, and related to that the shared services methodology, b) the elimination of the Net Metering Charge, and c) the proposed Shared Savings Mechanism (“SSM”) for a proposed Non-Wires Solution (“NWS”) project. The Ontario Energy Board (“OEB”) approved the Settlement Proposal as part of the Oral Hearing on January 14, 2026.¹

1.1.2 This is the Final Argument of the School Energy Coalition (“SEC”).

1.1.3 SEC’s argument addresses each of the unsettled issues in detail, and can be summarized as follows:

- (a) **2026 OM&A.** SEC recommends that the OEB approve a 2026 OM&A budget of \$119.4M, a reduction of \$20.6M. Hydro Ottawa's forecast would almost certainly lead to rates that are neither just nor reasonable as it represents a 33.5% increase over the OEB's approved OM&A budget for 2025. Hydro Ottawa's proposal includes adding too many positions in 2026, and its level of compensation is too high. For programs that are rising more than others, such as Information Technology ("IT"), Maintenance, Inspection and Testing, and corporate allocations, the increases have not been adequately supported, and overall, there is a lack of productivity and efficiency savings built into the budget.
- (b) **Shared Services Methodology** SEC recommends that the OEB should require Hydro Ottawa to update the study supporting its corporate cost allocation for its next rebasing or Custom IR application.
- (c) **Net Metering Charge.** SEC does not oppose Hydro Ottawa’s proposal to eliminate its Net Metering Charge. If the charge is to be maintained, it should apply to all net metering customers.
- (d) **SSM.** SEC recommends that the OEB deny the proposed SSM for the Non-Wires Customer Solution Program. The program addresses a real capacity need in the Kanata North region, but because there is no viable traditional infrastructure alternative being deferred, there is nothing to incent and no savings for customers. Additionally, the flaws in Hydro Ottawa's BCA identified by OEB

¹ Tr.1, p.60

Staff, with whom SEC generally agrees, means the OEB cannot have confidence that the net benefits test has been accurately met.

2 OM&A

2.1 Overview

- 2.1.1 Hydro Ottawa is requesting approval of a 2026 OM&A amount of approximately \$140M.² This represents a staggering 33.5% increase of its approved 2025 OM&A of \$104.9M.³ Even comparing against its 2025 forecast OM&A spending, which represents spending significantly above what was approved, the request for 2026 is a 16% increase.⁴ The 2025 approved amount, which included amounts reflecting growth, and annual updates to reflect the OEB's inflation factor, leads to just and reasonable rates.⁵
- 2.1.2 Hydro Ottawa has provided extensive evidence to explain why it believes that each individual expense, increased headcount and program funding is justified. SEC disagrees that this is the case, but regardless, Hydro Ottawa's approach fundamentally misses the larger issue. Even if every individual expenditure may be justified in isolation, at the aggregate level they are not. The OM&A expenses, and its impact on overall rates must also be reasonable.
- 2.1.3 The large increase in OM&A is the primary driver of the forecasted bill impacts presented by Hydro Ottawa, even after considering the impact of the approved settlement.⁶ Before the settlement, the increase in OM&A was responsible for 60% of the revenue deficiency⁷ and is even higher now as the revenue deficiency has decreased.⁸ The bill increases, including for the classes that include schools, are on their face unreasonable, with 2026 distribution bill increases of 12.58% for General Service ("GS") <50 kW and 20.76% for GS >50 kW customers.⁹
- 2.1.4 These bill increases are not sustainable and a large driver of that is the proposed OM&A costs.

2.2 Preliminary Matters

Customer Engagement Does Not Support Proposed OM&A Budget

- 2.2.1 Hydro Ottawa's reliance on its customer engagement to support its planned expenditures is both misleading and incomplete, and needs to be considered in the context of a process and set of information driven by Hydro Ottawa.¹⁰ For example, customers were not

² Undertaking JT2.16(A), Appendix 2-JA

³ Ex. 6-1-1, p.4, Table 3 ([K1.3](#), p.7); Tr.1, p.82-83

⁴ Undertaking JT2.16(A), Appendix 2-JA

⁵ Tr.1, p.81; Ex. 6-1-1, p.4, Table 3 ([K1.3](#), p.7)

⁶ Approved Settlement Proposal, December 19, 2025, Table 3

⁷ Tr.1, p. 85-86

⁸ Approved Settlement Proposal, December 19, 2025, Table 2

⁹ Approved Settlement Proposal, December 19, 2025, HOL Attachment 12

¹⁰ Argument-in-Chief, para. 97c; Tr.1, p.74

provided with information regarding the company's below average productivity based on the OEB's annual benchmarking, the spending increases over the previously approved amounts, or a host of other information that would allow them to accurately assess the requested amounts.¹¹

2.2.2 The question regarding overall support itself was fundamentally flawed. It included three potential answers that the company considers are a show of support and only one that would reflect a dissenting view.¹² Even Hydro Ottawa's interpretation of the results is questionable. Hydro Ottawa has chosen to interpret agreement to the statement "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" to mean that the respondent does "support the plan while recognizing that the costs are going to increase", and that this gives Hydro Ottawa support for the bill increases.¹³ A more likely interpretation is that customers are saying they agree that the grid needs to be maintained but they do not agree with the bill increase. When the percentage of respondents who chose that option is added to the only dissenting option, it reflects a majority (52%). SEC submits that a more appropriate interpretation of the survey would be that a majority of customers are not actually supportive of Hydro Ottawa's plan.

2.2.3 When questioned about the unbalanced distribution of response options, Hydro Ottawa appeared to defend the survey design by citing customers' ability to provide additional context through open-ended comments.¹⁴ A review of the limited sample of comments included in the evidence reveals significant customer concerns, not only about rate increases, but about the survey itself. As customers correctly observed, "[t]his survey seems biased towards getting people to agree that a 50% increase in the cost on bills for the Ottawa Hydro portion is justified."¹⁵ Another respondent noted that "it felt like you were trying to make me part of your plan for large increases."¹⁶ Even a customer who may have supported the proposed increase appeared to misunderstand its implications, asking whether "[a]fter post-2030, will customers see a decrease in their bills?"¹⁷

Settled OM&A Adjustment Formula Not an Appropriate Basis to Decide 2026 Base OM&A

2.2.4 In both its Argument-in-Chief¹⁸ and during the oral hearing¹⁹, Hydro Ottawa raised the fact that it had agreed as part of the settlement proposal to a reduction in the OM&A adjustment

¹¹ Tr.1, p.82

¹² Ex. 1-4-2, p.10

¹³ Tr.2, p.105

¹⁴ Tr.2, p.107

¹⁵ Ex. 1-4-2, Attachment A, p.337

¹⁶ Ex. 1-4-2, Attachment A, p.499

¹⁷ Ex. 1-4-2, Attachment A, p.337

¹⁸ Argument-in-Chief, para. 8, 63, 125-126

¹⁹ Tr.1, p.201; Tr.2, p.113; Tr.3, p.44

formula (known as the Custom Revenue OM&A Factor in the Settlement Proposal²⁰), or what it is now calling the escalator, for 2027-2030, presenting this as justification for its proposed 2026 OM&A budget. Relying on the settlement in this way is entirely inappropriate. The OM&A adjustment formula applies only to 2027 through 2030 and is separate from the 2026 base year OM&A, which was explicitly left unsettled.

- 2.2.5 Hydro Ottawa's argument assumes the agreed-upon adjustment formula is some kind of concession from the company that requires compensation somewhere else, when in fact it is a settlement between parties. If the adjustment formula had remained unsettled, intervenors would likely be arguing that a more reasonable formula would be lower than what was agreed to, an amount that is already materially higher than what was approved in Hydro Ottawa's previous rate framework.²¹ The agreed adjustment is a settlement and is as much a concession from intervenors as it is from Hydro Ottawa, and SEC is not suggesting that is a reason for a reduction in the 2026 OM&A budget.

2.3 **Headcount**

- 2.3.1 One of the largest drivers of the OM&A increase is Hydro Ottawa's proposal to add 81 new positions in 2026, after adding 50 positions in 2024, representing an increase of 22.4% from the approved number of 611 in 2021.²² For a number of reasons, the proposed increase in Full Time Equivalents ("FTEs") is unreasonable and the costs associated with it should not be approved.

Headcount Must Be Reduced Due to the Impact of the Settlement

- 2.3.2 Hydro Ottawa's OM&A request, including its proposed number of FTEs, was developed in conjunction with its proposed capital plan. Hydro Ottawa's evidence is clear that the "increased headcount is primarily driven by.... [a] near doubling of capital investment necessitates a substantial increase in skilled trades and technical staff to execute projects related to growth and electrification, infrastructure renewal, grid modernization, and resilience."²³ Many of these positions reflect work that, while supporting capital projects, is not capitalized and therefore represents OM&A costs.²⁴ In some areas, such as grid modernization, it is not even the direct capital work that is driving increased positions and workload, but rather the need to maintain the projects that will be constructed.
- 2.3.3 As part of the approved settlement, Hydro Ottawa agreed to reduce its capital expenditures by approximately \$214M over the 2026-2030 rate term, from approximately \$1.233B as

²⁰ Approved Settlement Proposal, December 19, 2025, p.18

²¹ Compare Custom Revenue OM&A Factor with current approved framework (Ex.1-3-1, p.5).

²² 4-CCC-52, p.3, Table A ([K1.3](#), p.10)

²³ Ex.2-5-1, p.91

²⁴ Tr.1, p.101-102

proposed to \$1.019B²⁵, a reduction of 17%.²⁶ On a percentage basis, the reductions are the same each year, reflecting a \$40.6M reduction in 2026 alone.²⁷

- 2.3.4 When asked about the effect on OM&A, and in particular its plans to hire additional staff, Hydro Ottawa agreed there was an impact, but that “we do expect that there may be adjustments that are required from 2027 and beyond.”²⁸ SEC does not accept Hydro Ottawa's argument that there is no impact on 2026 OM&A as a result of reducing capital. It is not credible for a utility to cite capital as a major driver of its substantial increase in the need for an increase in headcount and then, when capital is reduced in 2026, claim that there is no impact in the need for positions in 2026.
- 2.3.5 Moreover, Hydro Ottawa cannot on the one hand claim, in support of its 2026 OM&A request, that it "needs 81 additional positions in the 2026 Test Year" to “enable the effective planning and execution of a capital program that is doubling in size”, and then maintain that a reduction in the capital budget underpinning those 81 positions has no impact on the number of positions it needs to hire in 2026.²⁹
- 2.3.6 SEC accepts that the relationship between the capital reduction and the number of positions is not linear. A 17% reduction in capital expenditures should not necessarily translate to a 17% reduction in positions. However, there is undeniably a connection between the two, that cannot be ignored as it relates to the 2026 OM&A budget.

Increase Is Unreasonable

- 2.3.7 Aside from the impact of the approved settlement, the growth in headcount is unreasonable for a number of reasons.
- 2.3.8 First, adding so many new positions in such a short period is unreasonable. With cost and bill increases as high as they are, including those related to capital expenditures, it is incumbent on Hydro Ottawa to consider its required headcount through the lens of absolute ‘must haves’, not ‘nice to haves’. The company's approach reflects the latter. While Hydro Ottawa may have provided evidence to justify individual management and non-labour positions, just as costs must be examined in aggregate, so too must the total number of proposed positions. When viewed that way, Hydro Ottawa has not justified adding anything close to its proposal of 81 new positions in 2026.
- 2.3.9 At both the oral hearing³⁰ and in its Argument-in-Chief³¹, Hydro Ottawa pointed to the company reducing its final request for new positions by 11.5% (over the 2026-2030 period)

²⁵ Approved Settlement Proposal, December 19, 2025, p.23

²⁶ Approved Settlement Proposal, December 19, 2025, p.23

²⁷ Approved Settlement Proposal, December 19, 2025, p.24

²⁸ Tr.1, p.104

²⁹ Argument-in-Chief, para. 58

³⁰ Tr.1, p.74; Tr.3, p.28

³¹ Argument-in-Chief, para. 95-96

as a demonstration that the requested positions are reasonable. SEC disagrees. The reduction came after “program leaders and subject matter experts” provided what was essentially their wish list in terms of new positions to support the then proposed overall work plan.³² This is the definition of a bottom-up focused planning exercise. Only after some internal pushback did the company reduce the proposed new positions, and even then, the reduction amounted to barely more than a tenth of the original request.³³ Additionally, the initial internal proposal was in support of what was, incredibly, an even larger potential capital plan.³⁴

- 2.3.10** Second, SEC has serious concerns with the underlying approach to determining the number of new positions. When asked how Hydro Ottawa determined that 81 positions were needed for 2026, it described a process that was “...both bottom up and top down...”³⁵ The bottom-up process for unionized trade positions (what Hydro Ottawa calls direct labour) appears to be based on a complex formula that analyzes labour needs.³⁶ Unfortunately, when asked to provide the inputs and outputs of this formula, Hydro Ottawa was unable to do so and acknowledged that the process was subjectively qualitative.³⁷
- 2.3.11** For the top-down approach, Hydro Ottawa relied on its Supplemental Industry Benchmarking Analysis³⁸, which includes statistics such as FTEs per 1,000 customers.³⁹ Hydro Ottawa claims that its “... five-year average is closely aligned with its peer group and well below the industry average, demonstrating that staffing is appropriately sized.”⁴⁰ This statement refers only to the 2019-2023 period. It provides no comparison for 2024 and 2025, when 146 FTEs were added, or for 2026, when 76 FTEs are proposed to be added.⁴¹ The benchmarking analysis is therefore silent on precisely the period when Hydro Ottawa dramatically expanded its workforce.
- 2.3.12** In its Argument-in-Chief, Hydro Ottawa provided updated numbers for 2024 to 2026.⁴² As a preliminary matter, it is ironic that Hydro Ottawa would introduce new and untested information in its Argument-in-Chief after objecting strenuously to SEC's compensation

³² Argument-in-Chief, para. 94-95

³³ 4-CCC-53

³⁴ See for example, 1-CCC-13, Attachment A, p.20

³⁵ Tr.3, p.53

³⁶ See 4-Staff-159(a)(i) ([K1.3](#), p.23) “Labour Supply Surplus/Gap = (Current and Planned Journeypersons - Forecasted Attrition) + (Current and Planned Apprentices) + (Forecasted Internal Overtime Utilization) + (Planned External Contracted Resources) - (Forecasted Labour Demand)”

³⁷ Technical Conference Tr.1, p. 75

³⁸ Ex.1-3-3, Attachment D

³⁹ Ex.1-3-3, Attachment D, Figure 6

⁴⁰ Ex.1-3-3, Attachment D, p.8

⁴¹ Undertaking JT2.16(A), Appendix 2-K

⁴² Argument-in-Chief, Figure G

analysis at the oral hearing, which unlike now, was being provided so the company has an opportunity to address.

- 2.3.13** In any event, the updated information is of limited value. No peer group data for the relevant years is provided, so no meaningful comparison can be drawn. Hydro Ottawa has also provided new information on OM&A per \$1M of gross capital additions and FTEs per \$1M of capital additions⁴³, but again without corresponding peer group data for recent years. This is not benchmarking. Additionally, SEC questions the value of these capital-based metrics since utilities have different approaches to capital execution. Different distributors rely more on internal labour than others for capital execution and certain planning activity, making such comparisons not particularly useful without further analysis to normalize internal versus contractor resource mix.
- 2.3.14** Third, even if the OEB were to accept that the company needs all the new positions it is requesting, the company should pace the increase in headcount over the rate term, rather than implementing a dramatic increase in new employees starting in 2026. The company's evidence shows that after the 81 new positions in 2026, it proposes to add 37 new positions in 2027, followed by 6 new positions in 2028, 1 in 2029, and 2 in 2030.⁴⁴ A more appropriate approach would be to spread the total of 127 new positions more evenly over the rate term (approximately 25 per year), if not gradually increasing them each year to reflect anticipated growth. The OEB has in the past emphasized the need to “[s]cheduling incremental staff hires more evenly over the planning horizon.”⁴⁵ Hydro Ottawa's plan is the opposite of that.
- 2.3.15** Fourth, SEC questions whether Hydro Ottawa possesses the organizational capacity to hire and integrate such a substantial workforce expansion in a single year. The company's own recent experience demonstrates this. After adding 50 new positions in 2024, Hydro Ottawa added none in 2025, requiring that entire year to absorb and stabilize its workforce following the previous year's expansion.⁴⁶ Having demonstrated that 50 new hires necessitated, in part, a full stabilization year, Hydro Ottawa now proposes to add 81 new positions in 2026 (62% more).
- 2.3.16** One of two outcomes is inevitable. Either Hydro Ottawa will attempt to hire all 81 positions and fail to integrate them effectively, resulting in new employees who cannot deliver the promised value to Hydro Ottawa, let alone, customers, or the company will fail to fill a large portion of these positions during the test year. In either scenario, customers should not be required to fund all of the proposed positions. While Hydro Ottawa may have made

⁴³ Argument-in-Chief, Figures H and I

⁴⁴ Ex.4-1-3, p.5; Table 1; 4-Staff-171, Table (K1.3, p.17)

⁴⁵ [Decision and Order \(EB-2015-0089\), July 18, 2016](#), p.29

⁴⁶ Tr.1, p.96; 4-VECC-47b

changes to better onboard and train the new employees⁴⁷, that may allow it to be able to absorb the level of new positions it added in 2024, not what it proposes for 2026.

- 2.3.17 Fifth, even looking at the evidence that has been provided, there are a number of positions that are not justified on their own merits. SEC has had an opportunity to review the draft submissions of the Consumers Council of Canada, which has provided a granular analysis of the new positions by program and identified areas where the evidence demonstrates that the level of additional headcount is not required. SEC agrees with much of that analysis.
- 2.3.18 Finally, the headcount figures do not include the 23 FTEs allocated to Hydro Ottawa from Hydro Ottawa Holding Inc., which are not reflected in Appendix 2-K.⁴⁸ These employees include the senior executive team and other corporate staff. The FTEs allocated to Hydro Ottawa from the holding company have grown 35% since 2021, when only 17 FTEs were allocated.⁴⁹

Vacancy Rate

- 2.3.19 For the purposes of its 2026 budget, Hydro Ottawa applied a vacancy rate to the proposed total number of 2026 full-time positions (748) to arrive at the number included in Appendix 2-K used to determine the compensation budget (716 FTEs).⁵⁰ A vacancy rate comprises two components: normal attrition due to churn and the time required to fill new or vacant positions.⁵¹ Hydro Ottawa has forecast a vacancy rate of 8% for 2026, compared to an actual vacancy rate of 11-12% observed between 2022 and 2024.⁵² The result is that in addition to the absolute number of positions being added in 2026 compared to 2024 and 2025, the proportionate number of FTEs being added is also higher because the company is applying a lower vacancy rate than it experienced in recent years.
- 2.3.20 Hydro Ottawa has assumed a January 1st start date for all 81 new positions to be hired in 2026 for budget purposes⁵³, and as noted in its Argument-in-Chief, “because of the vacancy rate assumptions that Hydro Ottawa built into the 2026 compensation budget the 2026 Test Year includes only partial funding for this new headcount”.⁵⁴ As part of Undertaking J2.3, Hydro Ottawa has split out the vacancy rate between existing and new positions. It forecasts a 4% vacancy rate, the pre-pandemic vacancy level, for all existing positions and a 41% vacancy rate for new positions.⁵⁵

⁴⁷ Tr.1, p.98

⁴⁸ 4-VECC-40, Tr.1, p.86-88. While there is allocation from Hydro Ottawa back to the affiliates (\$1.6) the amount is significantly lower than the total costs charged by the affiliate to Hydro Ottawa (\$7.7M).

⁴⁹ 4-VECC-40

⁵⁰ 4-CCC-52, p.3, Table A ([K1.3](#), p.10)

⁵¹ Tr.1, p.108

⁵² 4-CCC-52, p.3, Table A ([K1.3](#), p.10)

⁵³ Tr.1, p.108

⁵⁴ Argument-in-Chief para. 59

⁵⁵ Undertaking J2.3, p.20

2.3.21 The 4% vacancy rate for existing positions is not credible and appears to have been reverse-engineered to, in part, justify an unreasonably low overall 8% vacancy rate. The company forecasted 8% for 2025, a year in which it was adding no new positions whatsoever, and as of June 30th, actuals were at 9%.⁵⁶ At the oral hearing, Ms. Collier stated she expected the vacancy rate to come in at “[b]etween 7 and 8” percent and that “we forecast the vacancy rate to start to go back to hopefully the 4 percent in the future.”⁵⁷ This was itself inconsistent with the company's written evidence, which forecast an overall vacancy rate of 6% in 2029 and 2030, years in which it would be adding only 1 and 2 positions respectively.⁵⁸

2.3.22 A more realistic vacancy rate for 2026 is 12.6% based on the proposed number of positions. This is closer to the historic vacancy rate and more accurately reflects an appropriate blended approach, an 8% for existing positions, and 50% for all new positions.⁵⁹ The 50% figure is more reasonable than the 41% presented in Undertaking J3.2 and reflects a half-year approach to the new positions. This alone results in an incremental reduction of 33.9 FTEs.⁶⁰ If the OEB reduces the number of positions, then a corresponding adjustment can be made.

Proposed Reduction

2.3.23 SEC submits that the OEB should reduce the number of new positions approved for 2026 from 81 to 22 and reduce the number of corresponding FTEs from 716 to 652.6, incorporating both the reduction in new positions and the increased vacancy rate. Twenty-two new positions represent 1/5th of the total new positions Hydro Ottawa is planning to add in the rate period, plus a further reduction to reflect the reduced capital budget. It also includes a revised vacancy rate based on the approach discussed above but applied to the number of new positions added in 2026.

	Table 1- Vacancy Adjustment		
	Hydro Ottawa Proposal (4-CCC-52)	SEC Proposal (Vacancy Rate Adj. Only)	SEC Proposal (FTE and Vacancy Rate Adj.)
Number of Positions	748	748	689
Vacancy Rate	8%	12.6%	9.3%
Vacancy Assumption translated into FTEs	-60	-93.9	-64.4
Temps and Part Time	28	28	28
Number of FTEs	716	682.1	652.6

2.3.24 A reduction of 63.4 (716-652.6) FTEs would translate to a \$6.4M (8.85%) reduction in the 2026 compensation allocated to OM&A.⁶¹

⁵⁶ 4-VECC-42 (K1.3, p.41)

⁵⁷ Tr.1, p.110

⁵⁸ 4-CCC-52, p.3, Table A (K1.3, p.10)

⁵⁹ Blended vacancy rate= [(667 existing positions × 8%) + (81 new positions × 50%)] divided by 748 FT positions = 12.5%

⁶⁰ 33.9 = (748 FT positions x 12.6%) - (748 FT positions x 8%)

⁶¹ Average compensation/FTE = \$104M/716 = \$145k, \$145k x 63.4 = \$9.2M; 69% allocated to OM&A = \$6.4M

2.4 Compensation

2.4.1 Another area of concern regarding Hydro Ottawa’s workforce related OM&A costs is not just the number of employees, but also the level of compensation they receive. Hydro Ottawa filed a benchmarking study that it commissioned Mercer Canada (Mercer) to prepare, comparing the company’s compensation against both Ontario utilities and the broader market (the “Mercer Study”). Regardless of how it is calculated, the evidence shows that Hydro Ottawa’s compensation is materially above the market median (P50). The above-market premium should not be borne by Hydro Ottawa customers.

Compensation Costs Above the P50 Market Median Should Not Be Borne by Customers

2.4.2 The OEB has consistently rejected the inclusion of compensation costs above P50 market median.⁶² Such reductions reflect the OEB's role as a market proxy, which it explained in a similar situation involving Ontario Power Generation's (“OPG”) attempt to pass on above-median compensation costs to customers:

One of the Board’s important functions is to act as a market proxy. Regulation exists to prevent the abuse of monopoly power. Absent regulation, monopoly service providers would be able to pass on any cost to its captive consumers, and there would be little incentive for the provider to exercise cost control or seek efficiencies. The Board finds that it would not be reasonable to pass all of OPG’s compensation costs on to ratepayers.⁶³

2.4.3 In keeping with its analysis in OPG, and confirmed by the Supreme Court of Canada, the OEB must refuse to allow unreasonable compensation levels to be included in rates.⁶⁴

2.4.4 Similar reductions of the premium above the P50 have been made in other rates proceedings where the benchmarking evidence demonstrates it. The OEB rejected the entirety of the compensation costs of Hydro One in excess of the market median finding “no compelling reason for the ratepayers to continue to be burdened with this unreasonable compensation level.”⁶⁵

2.4.5 The market median is not a stretch goal, but a baseline standard. As the OEB observed in Toronto Hydro's 2020-2024 rate application, “[f]or compensation, the OEB notes that Mercer concluded that Toronto Hydro's compensation is generally competitive against or below the 50th percentile. The OEB finds that this is the minimum expectation.”⁶⁶ [emphasis added]

⁶² See for example: [Decision and Order \(EB-2019-0082\)](#), April 23, 2020, p.142-143; [Decision and Order \(EB-2017-0049\)](#), March 7, 2019, p.94, 110-111; [Decision and Order \(EB-2016-0152\)](#), March 28, 2017, p.80-84; [Decision and Order \(EB-2016-0160\)](#), October 11, 2017, p.57-60; [Decision with Reasons \(EB-2013-0321\)](#), November 20, 2014, p.80-82;

⁶³ [Decision with Reasons \(EB-2013-0321\)](#), November 20, 2014, p.80

⁶⁴ [Ontario \(Energy Board\) v. Ontario Power Generation Inc.](#) 2015 SCC 44, para. 120

⁶⁵ [Decision and Order \(EB-2017-0049\)](#), March 7, 2019, p.111

⁶⁶ [Decision and Order \(EB-2018-0165\)](#), December 19, 2019, p.143

Compensation Study Results

- 2.4.6 The Mercer Study compares 20 Hydro Ottawa positions on both base salary and total target cash compensation (“TTC”) against similar positions in two peer groups: Ontario distribution utilities (MEARIE survey data) and the broader market (Mercer National Database or MBD, all organizations except mining and retail).⁶⁷ The results show each Hydro Ottawa position compared against the benchmark position in each database, where available, against the P50.
- 2.4.7 Unlike every other compensation benchmarking study commissioned by a utility for the purposes of a rate application⁶⁸, the Mercer Study does not include any aggregation of its individual position results.
- 2.4.8 SEC undertook an analysis to do just that, which at the oral hearing was the subject of much procedural debate. Even after correcting for the two minor typographical errors in the preparation of the underlying data, the results show that whichever way you aggregate the individual position findings, either by simple average, weighted average, and combination of database you use, Hydro Ottawa compensation is in excess of the market median (full calculations included in the attached Excel file, which is based on the attachment to Hydro Ottawa Undertaking J2.3⁶⁹).

Table 4 - 2026 Hydro Ottawa Compensation Variance From P50

50/50 (MBD/MEARIE)

Disaggregated Approach (Management, Non-Union/Union)	\$4,293,964
Aggregated Approach (Total Only)	\$4,652,884

MBD if available, MEARIE if not

Disaggregated Approach (Management, Non-Union/Union)	\$5,841,196
Aggregated Approach (Total Only)	\$6,038,408

- 2.4.9 In Undertaking J2.3, Hydro Ottawa spends considerable effort trying to convince the OEB that the entire exercise is inappropriate, in essence arguing that the study it commissioned to assess the reasonableness of its compensation costs cannot be used for that purpose. SEC disagrees. There are undoubtedly limitations in the study, but they must be construed in favour of ratepayers. It is Hydro Ottawa, one of the largest and most sophisticated Ontario distributors, that commissioned the study for the purpose of supporting its proposed compensation costs. It should not now be permitted to minimize the relevance of its own study because an analysis of the results reaches a conclusion it does not like.

⁶⁷ Ex.1-3-3, Attachment F, p.4 (K1.3, p.4)

⁶⁸ Undertaking J2.3, p.6

⁶⁹ See SEC_HydroOttawa_FinalArgument_Appendix _A_Rev_20260226.xls

- 2.4.10 Using the results of the Mercer Study to calculate a reduction to the 2026 compensation costs is entirely appropriate. SEC has reviewed the response to Undertaking J2.3 and can agree with some of Hydro Ottawa's views on how it should be done, but strongly disagrees with others. We also note that Hydro Ottawa has made a number of unsupported generalizations in its alternative calculations which must be corrected.
- 2.4.11 ***The +/-10% Competitive Range.*** Hydro Ottawa argues that the point of comparison is not its compensation relative to the P50, but whether it falls within the +/-10% range that Mercer considers market competitive given natural market fluctuations and data variability.⁷⁰ The OEB has consistently compared utility compensation against the P50. In EB-2017-0049, Hydro One made the same argument as Hydro Ottawa that its compensation premium should be reduced by the size of the deadband (in that case +/-5%). The OEB found this approach invalid, noting that the deadband is symmetrical and applies equally to the benchmarking results themselves.⁷¹ The measured premium could just as easily understate the true premium as overstate it. As the OEB observed, “[o]ne should not look at only the favourable side of the symmetric deadband.”⁷² Here, the overall 7% premium could just as easily be 17%.
- 2.4.12 Hydro Ottawa and Mercer also claim that the study lacks the statistical significance required to assess market competitiveness of Hydro Ottawa's compensation. This is an extraordinary concession from a utility and its expert who prepared the very study described in its evidence as a “comprehensive review of its employee compensation packages” with a sample aimed at “encompass[ing] a range of positions essential to Hydro Ottawa's operations, including core operational positions, as well as technical, professional, and para-professional roles that support the business.”⁷³ Hydro Ottawa cannot on one hand claim that it “views the results of Mercer's benchmarking analysis as a general validation of the utility's approach to managing compensation costs”⁷⁴ and then claim that the study “lacks the statistical significance required to assess the market competitiveness of Hydro Ottawa's 2026 total compensation.”⁷⁵
- 2.4.13 Mercer further claims that the intent of the study was as a “trend report relative to the previous Mercer study undertaken in 2019 with a similar sample size.”⁷⁶ This would come as a surprise to readers of both Hydro Ottawa's evidence and the Mercer Study itself, which makes no reference to the 2019 study, its results, how Hydro Ottawa's positioning has changed over time, or any other trend analysis.

⁷⁰ Undertaking J2.3, p.3,7

⁷¹ [Decision and Order \(EB-2017-0049\), March 7, 2019](#), p.110

⁷² [Decision and Order \(EB-2017-0049\), March 7, 2019](#), p.110

⁷³ Ex. 1-3-3, p.20-21 ([K1.3](#), p.35-36)

⁷⁴ Ex. 1-3-3, p.22 ([K1.3](#), p.37)

⁷⁵ Undertaking J2.3, p.2

⁷⁶ Undertaking J2.3, p. 4

- 2.4.14 SEC does agree with Hydro Ottawa that the number of positions is relatively small. Only 20 positions, representing 203.9 FTEs across the company.⁷⁷ However, this is the evidence that Hydro Ottawa filed, and it is the best available on the record. The way to address the small sample size is the complete opposite of what Hydro Ottawa and Mercer have done. In their alternative analysis, they further segregated the information by employee group, separating non-union from union, which if anything, makes the data even less statistically significant.
- 2.4.15 A small sample size calls for aggregating the results to an overall level, not breaking them down further by employee group. This is especially the case for union and non-union employees which SEC had combined, consistent with how Hydro Ottawa itself presents compensation data in its evidence including Appendix 2-K. There are only 2 non-union positions in the study, comprising 6.36 FTEs⁷⁸ and representing just 6.8% of total non-union FTEs in 2024, by far the lowest coverage of any category compared to 12.2% for management and 46.8% for union.⁷⁹ Hydro Ottawa has done the opposite, almost certainly because segregation makes the results look better as non-union is the one employee category where the company is below the market median.
- 2.4.16 A more appropriate approach is to combine all categories and look at the total results without segmentation. In the revised SEC analysis detailed below, SEC has provided the proposed reductions both on a combined non-union/union basis and on an overall total basis.

SEC Revised Analysis

- 2.4.17 In Undertaking J2.3, Hydro Ottawa has provided an alternative methodology for applying the results of the study to determine total 2026 compensation above the P50, meant to address concerns with the higher-level analysis provided by SEC at the oral hearing. SEC has reviewed the undertaking response and the accompanying attachments. To assist the OEB, we can accept some of Hydro Ottawa's refinements, often for the purpose of narrowing the dispute, but there are many others that are not appropriate.
- 2.4.18 ***Weighing Data Sources Equally.*** Hydro Ottawa and Mercer believe that where data exists in both surveys (MBD and MEARIE) they should be equally weighted.⁸⁰ SEC submits that this is one reasonable approach, but it is just as reasonable to compare Hydro Ottawa positions against the broader market where that data exists (e.g. Network Administrator, Accountant, GIS/CAD Technician, and Customer Contact Agent) and use MEARIE data only where MBD data is unavailable (e.g. Manager and Supervisor Distribution Operations, System Operator, and Powerline Technician). SEC believes this may be more

⁷⁷ Undertaking J2.3, p.2; 1-SEC-23 (K1.3, p.63-64)

⁷⁸ 1-SEC-23c, p.2, Table A (K1.3, p.64)

⁷⁹ Comparing 2024 FTE in 1-SEC-23c, Table A (K1.3, p.64), to 2024 FTE by category included in 4-CCC-52(A)

⁸⁰ Undertaking J2.3, p.2, 7

appropriate as it avoids, as much as possible, the circular nature of using Ontario utility data, and better reflects the broader pool of employees for positions that are not utility specific. SEC has presented both options in its analysis.

2.4.19 2024 Data. Hydro Ottawa and Mercer believe that since the survey is based on 2024 data, the reduction should be applied against 2024 compensation costs rather than the proposed 2026 amount.⁸¹ SEC strongly disagrees. Hydro Ottawa is applying for 2026 rates and has included 2026 compensation costs in its forecast budget. While the study was based on 2024 actual data, Hydro Ottawa has not suggested, let alone provided any evidence, that the differential between its compensation costs and the market median has changed since then. Following Hydro Ottawa's logic, one could never use a compensation benchmarking study to assess forecast costs included in an application, as by its very nature such a study involves a review of actual paid compensation. The study would also be incapable of doing what Hydro Ottawa itself claims it does, providing a “validation of the utility's approach to managing compensation costs.”⁸²

2.4.20 OM&A Allocation. To allocate total compensation costs to OM&A, SEC originally used 75.39%, which reflects the amount set out in Appendix 2-K.⁸³ Hydro Ottawa has pointed out that this is not correct since it includes only direct labour capitalization, and that there are further amounts of labour capitalized through burdens not accounted for in that analysis.⁸⁴ SEC agrees. That said, Hydro Ottawa's “approximately 66%” number⁸⁵, for which it did not provide any underlying numerical support, is also incorrect. Based on the information in Appendix 2-D and Appendix 2-K, the correct number based on the evidence is 69%.

Table 3 - Total Labour Included in OM&A

a	Total OM&A Before Capitalization	\$179,011,622
b	Total OM&A Before Capitalization minus Direct Labour Capitalized	\$153,313,730
c	Total Labour in OM&A	\$78,735,234
d=c/b	Labour in Total OM&A Before Capitalization minus Direct Labour Capitalized	51%
e	Burdens - Capitalized OM&A (Excluding Direct Labour)	\$13,303,351
f= e x d	Labour in Burdent	\$6,832,020
g	Total Labour in OM&A minus Labour in Burdens	\$71,903,214
h	Total Compensation	\$104,433,126
I = g/h	(Total Labour in OM&A - Labour in Burdens)/Total Compensation	69%

Source: 1-Staff-1(A), Appendix 2-D, 2-K

⁸¹ Undertaking J2.3, p.2, 8, 11

⁸² Ex.1-3-3, p.22 (K1.3, p.48)

⁸³ K1.3, p.75; 1-Staff-1(A), Appendix 2-K (K1.3, p.5)

⁸⁴ Undertaking J2.3, p.14

⁸⁵ Undertaking J2.3, p.14

- 2.4.21 **Using Base Salaries or TTC.** Hydro Ottawa believes that the differential in base salary, as opposed to total target cash compensation, should be used since the TTC data covers a much smaller sample, as not all positions had available TTC data.⁸⁶ For the purposes of this refined analysis, SEC will accept this approach for calculating the impact of above-market compensation included in the 2026 OM&A budget. However, as detailed later, an adjustment will need to be made to reflect that a number of positions do have incentive pay, and the results of the TTC benchmarking included in the Mercer Study show that Hydro Ottawa's compensation is even further from the market median.
- 2.4.22 Regardless, SEC does not agree that one can only apply the variance from P50 to only base salary compensation. Customers are being asked to pay all forms of compensation, including overtime, incentives, and benefits, which make up a significant portion of overall compensation costs. With the exception of certain aspects of benefits discussed below, they are all directly tied to an employee's base salary.
- 2.4.23 **Impact on Benefits.** In the initial SEC analysis, Hydro Ottawa's differential from P50 was applied to the total compensation amounts (including benefits) in Appendix 2-K allocated to OM&A. Hydro Ottawa has raised the concern that this overstates the impact, since only approximately 40% of benefit costs, being pension and life insurance, are tied to the level of compensation and therefore affected by any finding that the company pays above the market median.⁸⁷
- 2.4.24 SEC accepts that not all benefit costs are salary driven. Yet, Hydro Ottawa materially understated the proportion of benefits that are driven by the level of compensation. The 40% figure, which was provided with no supporting calculations, is almost certainly materially below the true salary-driven level.
- 2.4.25 For example, premiums paid for Ontario Employer Health Tax are calculated as a straight 1.95% of total payroll for an employer of Hydro Ottawa's size⁸⁸, and so scale entirely with the level of compensation, including not just base salary but also overtime and incentive pay. This alone represents approximately 7% of total benefit costs.⁸⁹ Similarly, long-term disability premiums are almost certainly calculated as a percentage of an employee's base salary, since the benefit itself is usually determined by reference to the employee's salary level.
- 2.4.26 Further, with respect to pensions, which Hydro Ottawa includes in its 40%, the relationship between salary level and pension cost is not merely proportional but actually accelerates. As Hydro Ottawa demonstrated in Undertaking J1.1, the OMERS pension plan uses a tiered

⁸⁶ Undertaking J2.3, p.3, 10

⁸⁷ Undertaking J2.3, p.13

⁸⁸ See the link included in Undertaking J2.3, ft 3. The rate is 1.95% on a company with a total payroll of \$400,000.

⁸⁹ $(\text{Total Salary and Wages (including overtime and incentive pay} \times 1.95\%) \text{ divided by Total benefits } ((81,503,640 \times 1.95\%) / 22,029,486) = 6.9\%$. Data from 1-Staff-1(A), Appendix 2-K

contribution formula, in which the contribution rate on earnings above the Yearly Maximum Pensionable Earnings is significantly higher than the rate on earnings below it.⁹⁰ A 50% increase in salary produces a 70% increase in the employer pension contribution. Hydro Ottawa's model appears to apply the P50 variance uniformly to the salary-driven benefits, but the actual pension cost of above-market salaries is disproportionately higher than a straight proportional calculation would suggest.⁹¹

2.4.27 A figure of at least 60% is a more reasonable estimate of total benefit costs that are driven by the level of compensation.

2.4.28 **Job Matching.** Hydro Ottawa further argues that the study results should be discounted because the company needs to attract and retain specialized talent, and that in some cases its roles differ from those in other industries.⁹² Every employer in every industry believes its roles have unique demands. Hydro Ottawa and the electricity sector are not exceptional in this regard, and Hydro Ottawa should not be permitted to require customers to pay a premium above what other companies in the broader market, or even other Ontario utilities, are paying for comparable talent.

2.4.29 To the extent Hydro Ottawa contends that certain of its positions are fundamentally different from the benchmark roles, that is an indictment of the study's job matching, not a justification for above-market pay. Mercer, as the appendices to the study show, carefully matched each Hydro Ottawa position against its database with detailed role descriptions and comparators.⁹³

Compensation Reduction

2.4.30 Based on the revised analysis, which uses much of Hydro Ottawa's own methodology and tables provided in Undertaking J2.3⁹⁴, an appropriate reduction to the forecast compensation costs included in the proposed 2026 OM&A budget, to reflect the market median (P50), is in the range of \$4.3M to \$6.0M depending on the specific approach discussed above.

⁹⁰ Undertaking J1.1

⁹¹ Undertaking J1.1

⁹² Undertaking J2.3, p.18

⁹³ Ex. 1-3-3, Attachment F, p.14-20 ([K1.3](#), p.55-61)

⁹⁴ The full calculations are included in SEC_HydroOttawa_FinalArgument_Appendix_Rev_20260226.xls

Table 4 - 2026 Hydro Ottawa Compensation Variance From P50

50/50 (MBD/MEARIE)	
Disaggregated Approach (Management, Non-Union/Union)	\$4,293,964
Aggregated Approach (Total Only)	\$4,652,884
MBD if available, MEARIE if not	
Disaggregated Approach (Management, Non-Union/Union)	\$5,544,216
Aggregated Approach (Total Only)	\$6,038,408

- 2.4.31 Each approach represents a reasonable basis for the reduction, but is likely conservative, as the variance from P50 is measured using base salary data only. The TTC benchmarking data included in the Mercer Study shows that Hydro Ottawa's above-market positioning is even greater when measured on a total target cash basis. The OEB should make a further upward adjustment to the proposed reduction to compensate.
- 2.4.32 A further reduction is required to account for compensation costs not captured in the above analysis. As discussed, Appendix 2-K does not include the cost of the 23 FTEs allocated to Hydro Ottawa from the holding company. Since Hydro Ottawa has not provided a breakdown of those costs, the exact amount is not known, although the evidence does show that \$5.2M in compensation costs are forecast to be included in the corporate cost allocations.⁹⁵
- 2.4.33 These are among the highest-paid employees, with some of the largest incentive compensation, and would therefore be materially impacted by TTC adjustments. SEC believes that an additional reduction of \$750k to account for both factors is appropriate.

2.5 Overtime

- 2.5.1 Hydro Ottawa is forecasting a 17.4% increase in overtime costs in 2026.⁹⁶ This increase comes despite the addition of 21 non-executive FTEs in 2025 and a further 74 non-executive FTEs planned for 2026, who are eligible for overtime.⁹⁷ When asked why overtime was increasing at the same time as the workforce available to perform that work was growing substantially, Hydro Ottawa responded that “overtime is a percentage of compensation”⁹⁸ and attempted to explain that increases in capital work meant more work needed to be done after hours. Hydro Ottawa did acknowledge that it would “see more overtime efficiency as new staff are brought on, trained, and then, hopefully, it will relieve

⁹⁵ Total Forecast 2026 Shared Corporate Services Received by Hydro Ottawa \$7.712M (Ex.4-2-1, Table 3) x Proportion that are Labor related 67% (4-VECC-40b, Table B)

⁹⁶ Undertaking J2.2(A) Updated

⁹⁷ Undertaking J2.2(A) Updated

⁹⁸ Tr.2, p.111

some of the pressures that we are seeing currently”⁹⁹, but claimed this would not occur until 2027-2030.

2.5.2 It is unreasonable for overtime costs to increase in 2026 when both headcount and FTEs are increasing, even with the proposed FTE reductions. This is particularly the case given the reductions to the proposed capital plan agreed to in the approved settlement, which reduce the volume of after-hours capital work that Hydro Ottawa relied on to justify the overtime increase. Additionally, Hydro Ottawa's position that the efficiency benefits of new staff as it relates to overtime costs will not materialize until 2027-2030 is symptomatic of much of its approach in this application, customers are asked to pay in 2026 but are told they will not see any of the benefits until sometime later in the rate term. The OEB should reduce overtime expense in 2026 from the current 5.8% of total salary and wages to under 5% or by at least 25% or \$750k.

2.6 **Proactive Distribution Maintenance**

2.6.1 Hydro Ottawa's planned increase in proactive distribution maintenance contributes an additional \$6.1M to its 2026 OM&A budget¹⁰⁰, and includes the integration and maintenance of NWS, drone inspections, and enhancements to maintenance, inspection, and testing programs. Hydro Ottawa has stated that despite its capital spending nearly doubling¹⁰¹, it needs to increase these programs to prevent further deterioration of the asset base from both an age and condition perspective.¹⁰² The proposed level of increase is unreasonable when considered against the company's actual reliability performance and the substantial increase in system renewal capital spending, increasing by 53% for the 2026-2030 period over 2021-2025, even after the approved settlement.¹⁰³

2.6.2 Hydro Ottawa's own evidence confirms that its reliability has been strong. The company acknowledges that it has “consistently delivered on one of the priority outcomes valued by customers, by achieving best-in-class levels of system reliability relative to its sector peers.”¹⁰⁴ The 2023 OEB scorecard recognized this strong performance, attributing it to strategic changes including better coordination of protective devices, sectioning longer power lines into smaller segments, and a more comprehensive vegetation management program.¹⁰⁵ At the oral hearing, Hydro Ottawa acknowledged to Commissioner Dodds that 2024 “was a good year for performance for reliability.”¹⁰⁶ This is borne out in the 2024

⁹⁹ Tr.2, p.113

¹⁰⁰ Undertaking JT1.11, Table A; 4-Staff-134, Table A. The number may have increased to \$6.7M (Undertaking JT2.16(A), when comparing 2025 to 2026 Testing, Inspection and Maintenance Program expenditures.

¹⁰¹ Argument-in-Chief, para. 1

¹⁰² Argument-in-Chief, para. 73

¹⁰³ System Renewal Capex: \$232M 21-25, Ex.2-5-1 Table 5 to \$356M 26-30, Approved Settlement Proposal, December 19, 2025, Table 7

¹⁰⁴ Ex.1-2-3, p.7

¹⁰⁵ [Hydro Ottawa 2023 OEB Scorecard](#)

¹⁰⁶ Tr.3, p.51

reliability statistics, which show that SAIFI and the number of interruptions due to equipment failure were the lowest in six years.¹⁰⁷

- 2.6.3 Hydro Ottawa's Ms. Heuff described the purpose of enhancing its distribution maintenance with respect to equipment failure, "...so what we are trying to do is detect these types of things before they actually fail so that we can get in and intervene in a timely and planned manner so that we can minimize the disruption to our customers."¹⁰⁸
- 2.6.4 SEC is supportive of Hydro Ottawa's improved maintenance and inspection plans and agrees that proactively detecting equipment issues before failure is an important goal. It is not prudent, nonetheless, to significantly increase spending on maintenance, inspection, and testing and simultaneously nearly doubling capital expenditures to improve reliability that is already strong, particularly given the other cost drivers and the considerable bill impacts facing customers.
- 2.6.5 The increased spending should be phased in at a slower pace. An appropriate reduction for this program is 20%, or \$1.2M. As a portion of the increase is attributable to additional staff, SEC has applied a reduction of \$1M to avoid double counting with the proposed FTE reductions.

2.7 Corporate Cost Allocation and Shared Services

- 2.7.1 Hydro Ottawa both receives and provides services from its affiliates. Net allocations have increased from \$0.24M in 2021 to \$2.93M in 2026.¹⁰⁹ A major contributor to this increase is a substantial jump in corporate cost allocations from Hydro Ottawa Holding Inc. to the utility. Hydro Ottawa explained that a large part of the \$3.9M increase from 2021 approved levels was due to "significant weather events that occurred in 2022 and 2023, along with the 84-day-strike in 2023."¹¹⁰ When asked why these elevated costs continue into 2026, Hydro Ottawa explained that these costs have continued as "the demand for executive management time has also increased due to broader strategic imperatives."¹¹¹
- 2.7.2 Hydro Ottawa has not provided sufficient evidence to support the continued need for these elevated corporate service allocations. That additional executive management time was required during extraordinary events such as severe weather and a prolonged strike, which is understandable, but those events are over. Hydro Ottawa has not demonstrated why the costs they generated should be permanently embedded in the base year OM&A. Vague references to "broader strategic imperatives" do not constitute the kind of evidence required to justify a permanent increase in affiliate charges to customers.

¹⁰⁷ 2-SEC-32, Tables A-C

¹⁰⁸ Tr.2, p.78

¹⁰⁹ 4-VECC-40, Tables 3 and 4

¹¹⁰ 4-Staff-173a

¹¹¹ 4-Staff-156

2.7.3 A reasonable method of determining the appropriate reduction to corporate cost allocations is to normalize the costs¹¹² for 2022 and 2023 by reducing each year by \$500k, then applying Hydro Ottawa’s actual annual percentage increase each year to 2026.

Table 5 - Corporate Costs to Hydro Ottawa

	2021	2022	2023	2024	2025	2026
From Hydro Ottawa Holdings Inc. (\$000)	\$4,017	\$5,018	\$6,433	\$6,893	\$7,436	\$7,712
% Increase				7.15%	7.88%	3.71%
Normalize 2022 and 2023		\$4,518	\$5,433	\$5,433	\$5,861	\$6,079
Variance From Proposed						\$1,633
Proposed Reduction						\$544

Source: 4-VECC-40

2.7.4 SEC submits that a reasonable reduction is 1/3 of that amount or \$544K in 2026.

2.8 Shared Services Methodology

2.8.1 Hydro Ottawa explained how it had determined the allocation percentages for corporate costs from the Holding Company to the Distribution Company. This involved a “time cost study” that was done before the last rate application¹¹³, followed by annual conversations to ensure that the allocations were still aligned.¹¹⁴ Given this study was last done in 2018¹¹⁵, and Hydro Ottawa cannot produce the study¹¹⁶, it is difficult to rely upon the results.

2.8.2 The OEB should require Hydro Ottawa to update the study supporting its allocation percentage for its next rebasing or custom IR application.

2.9 IT Spending

2.9.1 Hydro Ottawa is proposing a 73% increase in IT spending from the 2021 OEB approved amount,¹¹⁷ in order to move towards digital, cloud-based, and Artificial Intelligence (AI)-driven operating technology and information technology systems to optimize grid operations and support the energy transition. Based on information provided in Hydro Ottawa’s Argument-in-Chief this represents a \$7.85M increase in software and technology (not including inflation and increased workforce) from the 2024 approved amount.¹¹⁸

2.9.2 Included in this \$7.85M increase are costs to continue to support cloud-based solutions which were implemented in the previous rate term, a new Enterprise Asset Management (“EAM”), and Customer Relationship Management (“CRM”) system. Hydro Ottawa states

¹¹² 4-VECC-40, Table 4

¹¹³ Tr.2, p.19

¹¹⁴ Tr.2, p.20

¹¹⁵ Tr.3, p.77

¹¹⁶ Tr.2, p.20-21

¹¹⁷ 1-Staff-1(A), Appendix 2-JC (K1.3, p.3)

¹¹⁸ \$1.75M + \$6.1M as shown in Argument-in-Chief, Figures A and E

that although the costs of the EAM and CRM in 2026 are implementation costs, a programmatic cloud-based budget will be required throughout the whole rate term for further cloud-based solutions.¹¹⁹

- 2.9.3 SEC accepts that many of these cloud-based solutions are required for Hydro Ottawa to perform its work and hopefully to become more efficient, but it is not realistic for Hydro Ottawa to believe it can do everything now. There is a need to pace the implementation of new cloud-based programs and other IT upgrades.
- 2.9.4 Hydro Ottawa attempted to justify both its approach and level of IT spending through the filing of an IT benchmarking study “aimed to assess the reasonableness of Hydro Ottawa's IT expenditures.”¹²⁰ The study is significantly flawed. At best it can be said to be useless for the OEB’s role in assessing the company’s proposed IT costs, and at worst, demonstrates poor cost performance.

Gartner Study

- 2.9.5 Hydro Ottawa commissioned Gartner to benchmark the company's IT spending against two peer groups, a custom peer group of nine utilities and Gartner's broader utility database (the IT Key Metrics Data).¹²¹
- 2.9.6 Unfortunately, Gartner has refused to provide the names of the peer group companies. As a result, neither intervenors, the OEB, nor even Hydro Ottawa itself knows which companies Hydro Ottawa is being compared against.¹²²
- 2.9.7 This alone should be fatal to any reliance on the study. Hydro Ottawa cannot file a benchmarking study as evidence of the reasonableness of its costs and then be unable to identify the companies against which it is being compared. The OEB has specifically addressed this issue, ordering production in the context of a similar dispute regarding benchmarking information filed by Hydro One and observing that “those studies are almost useless to the Board if we are only able to see Hydro One's individual results against an average, when we don't even know the identity of the other participants.”¹²³ Hydro Ottawa has a legal obligation as a matter of fairness to produce foundational information underlying its expert evidence, which almost certainly includes the identity of the peer companies.¹²⁴ If a utility does not have this information, as is the case here, it should not be permitted to rely on the study.

¹¹⁹ Argument-in-Chief, para. 87

¹²⁰ Ex. 1-3-3, p.18 ([K1.3](#), p.34)

¹²¹ Ex. 1-3-3, p.18 ([K1.3](#), p.34)

¹²² 1-SEC-22a ([K1.3](#), p.167)

¹²³ [Motion Hearing Transcript \(EB-2012-0031\), October 23, 2012](#), p.28

¹²⁴ [BIE Health Products v. Attorney General \(Canada\)](#), 2018 ONSC 2142, para. 19

- 2.9.8** What limited information is available regarding the custom peer group only reinforces these concerns. Only 3 of the 9 utilities are distribution-only utilities like Hydro Ottawa.¹²⁵ The remaining 6 are vertically integrated in whole or in part. The IT needs of a generation company are likely to differ materially from those of a distribution utility.¹²⁶ Further, the sample includes companies not only in Canada and the United States, but also in Europe and New Zealand.¹²⁷ We do not know how many from each, which countries in Europe, or any other details, but there are almost certainly significant regulatory and operational differences for utilities in those jurisdictions compared to the Canadian, or even the US environment, in which Hydro Ottawa operates. Gartner refused to provide even this level of detail for its broader IT Key Metrics Data peer group.¹²⁸
- 2.9.9** This is not the first time a utility has filed a Gartner study, and the same problems have arisen. SEC requests that the OEB direct Hydro Ottawa, and other utilities going forward, that without this foundational information such studies will not be given weight. Utilities should stop spending their money, and ultimately their customers' money, on what is an expensive exercise that produces evidence the OEB cannot meaningfully test.
- 2.9.10** Even setting aside these foundational problems, two of the five metrics that Hydro Ottawa highlights in its evidence are fundamentally flawed as applied to Hydro Ottawa. Gartner measures IT spending as a percentage of revenue and as a percentage of operating expenses.¹²⁹ For Hydro Ottawa, both revenue and operating expenses as used in the study include pass-through commodity and other costs.¹³⁰ These are not minor amounts, pass-through revenue represents approximately 80% of Hydro Ottawa's total revenue¹³¹, and an even greater percentage of operating costs as classified on its financial statements.¹³² Gartner does not use distribution revenue or OM&A costs as the denominator.
- 2.9.11** Since the peer group companies are unknown, it is impossible to determine whether other distribution utilities in the sample have the same accounting treatment, and vertically integrated utilities by their very nature have no comparable pass-through commodity and transmission costs. The result is that Hydro Ottawa's IT spending appears artificially low as a percentage of revenue and operating costs, not because its IT costs are low, but because the denominator is inflated by costs that have nothing to do with the company's own operations.

¹²⁵ 1-SEC-22b ([K1.3](#), p.167-168)

¹²⁶ 1-SEC-22b ([K1.3](#), p.167-168)

¹²⁷ 1-SEC-22b ([K1.3](#), p.167-168)

¹²⁸ 1-SEC-22b ([K1.3](#), p.167-168)

¹²⁹ Tr.1, p.160; Tr.1, p.163; 1-SEC-22d

¹³⁰ Tr.1, p.160; Tr.1, p.163; 1-SEC-22d ([K1.3](#), p.168)

¹³¹ Tr.1, p.160

¹³² Tr.1, p.163

- 2.9.12 When asked about the relationship between pass-through commodity costs and IT spending, Hydro Ottawa attempted to justify this obvious deficiency by suggesting that changes in commodity rates affect IT costs because system testing is required. This may be the case, but it is entirely beside the point. Any such testing would be required regardless of whether commodity costs go up or down and bears no rational relationship to the magnitude of the pass-through costs that inflate the denominator.
- 2.9.13 Faced with these problems, Hydro Ottawa's Mr. Willis resorted to a 'trust Gartner' approach, pointing to the firm's experience and its mature framework.¹³³ Thankfully that is not how the OEB regulatory process works. Evidence must be testable, and foundational assumptions must be transparent. Mr. Willis went so far as to suggest that "[l]ooking purely at distribution companies in Canada would not facilitate an apples-to-apples comparison", a remarkable position for a distribution utility seeking to benchmark its IT costs. At least Ms. Collier acknowledged that what is before the OEB is "not fully apples-to-apples."¹³⁴
- 2.9.14 On the three metrics relied upon by Hydro Ottawa in its evidence, the company performed poorly. On IT Spend per Employee, Hydro Ottawa was 16% above the peer average and IT Allocation to Growth/Transformation, it was 100% above, double the peer average.¹³⁵ Moreover, these results are based on 2023 actual data, before Hydro Ottawa's substantial ramp-up of IT spending leading into and during the 2026 test year. The current results would almost certainly be worse.

Proposed Reduction

- 2.9.15 IT spending will be affected by the FTE reductions proposed above, as Hydro Ottawa plans to add 8 IT positions across the organization in 2026.¹³⁶ In light of the absence of any legitimate IT spending benchmarking, a further reduction of 10% of the total IT spending of \$16.8M¹³⁷ (amounting to \$1.7M) would be reasonable.

2.10 Lack of Productivity and Efficiency Savings

- 2.10.1 Hydro Ottawa has failed to adequately incorporate new productivity and efficiency initiatives in planning its 2026 OM&A spending.
- 2.10.2 Hydro Ottawa identifies \$3.2M in savings for 2026 and provides a listing of contributing initiatives.¹³⁸ For a rebasing year, SEC would expect a utility to have incorporated ongoing productivity and efficiency savings into its base budget, then layered upon that any new initiatives planned for the test year. Of the \$3.2M identified, only \$0.4M is attributable to

¹³³ Tr.1, p.153-55

¹³⁴ Tr.1, p.162

¹³⁵ Ex.1-3-3, Attachment E, p.19-20 ([K1.3](#), p.117-118)

¹³⁶ Argument-in-Chief, para. 67

¹³⁷ Undertaking JT2.16(A), Appendix 2-JC

¹³⁸ 1-SEC-24, p.17-19, Table D, updated September 22, 2025 ([K1.3](#), p.91-93)

measures that are new in 2026 (fleet pooling, net metering automation, and satellite imaging for vegetation management).¹³⁹

- 2.10.3** Even the \$3.2M figure is overstated. It includes savings from initiatives that began during the last rate term, and some that began even earlier.¹⁴⁰ On this flawed basis of calculation, the evidence demonstrates, at best, that Hydro Ottawa's forecast efficiency and productivity savings are only slightly higher than in 2025¹⁴¹, a year in which it forecasts to spend considerably less than what it seeks approval for in 2026.
- 2.10.4** In its Argument-in-Chief, Hydro Ottawa states that its reported efficiency measures for 2026 and beyond include only those efficiencies it could quantify with a high degree of certainty, representing only a fraction of the efficiencies built into its budget.¹⁴² It then provides qualitative evidence of additional efficiency and productivity.
- 2.10.5** One example is implementation of the new EAM system starting in 2026, with identified benefits including optimized asset performance, reduced operational and maintenance costs, and improved regulatory compliance. Hydro Ottawa's evidence is that the Supply Chain program kept its headcount flat as a result of EAM and that fewer maintenance and reliability engineers are needed because of EAM investments.¹⁴³ This directly contradicts evidence previously provided. When asked about the EAM, Hydro Ottawa stated, “savings have not yet been quantified and incorporated into this application.”¹⁴⁴
- 2.10.6** It is nearly impossible to incorporate efficiency and productivity into a budget when the savings have not been quantified, and yet that is precisely what Hydro Ottawa now claims to have done.
- 2.10.7** Hydro Ottawa also points to the fact that the original budget was \$20M higher when first developed as evidence of productivity and efficiency built into the OM&A budget.¹⁴⁵ Hydro Ottawa has provided no evidence of the directions given to program leaders, beyond general exhortations toward cost-effective delivery, that would allow the OEB to determine whether these represent real savings from efficiency and productivity initiatives.
- 2.10.8** For the magnitude of spending being forecast, particularly on new initiatives, customers should expect greater quantifiable productivity. Hydro Ottawa acknowledges that the productivity built into its 2026 budget of \$140M is “quite conservative.”¹⁴⁶ A more

¹³⁹ Tr.3, p.3; Tr.1, p.166

¹⁴⁰ Undertaking JT 2.20 ([K1.3](#), p.76-77); Tr.1, p.174-176

¹⁴¹ This is comparing all savings on a non-incremental basis. 2025 (\$5.3M per Tr.1, p.168) and 2026 (\$6M per Tr.3, p.4)

¹⁴² Argument-in-Chief, para. 114, 116

¹⁴³ Argument-in-Chief, para. 114

¹⁴⁴ 4-Staff-133(d)

¹⁴⁵ Argument-in-Chief, para. 95

¹⁴⁶ Tr.3, p.30

aggressive productivity target of \$2M for new initiatives should be incorporated into the 2026 OM&A budget, resulting in a further reduction of \$1.6M.

2.10.9 If the company seeks increased funding from customers, customers should expect that the company first demonstrate it is undertaking significant productivity initiatives. Hydro Ottawa has not done so. The Board should incorporate this expectation in determining any approved 2026 OM&A amount.

2.11 Appropriate 2026 OM&A Budget

2.11.1 A better approach to setting the 2026 OM&A budget is to use the last OEB-approved amount (2025) as a starting point, adjust it to reflect inflation, growth, and productivity, and then provide an additional increase to recognize certain costs that were not contemplated when the 2025 OM&A was approved due to changes in the regulatory and policy environment. These include costs related to Non-Wires Solutions, cloud computing migration, and increased locate costs resulting from the *Getting Ontario Connected Act* (costs that last term were recovered through a variance account¹⁴⁷), as well as an amount to reflect costs driven by the higher-than-expected growth.

2.11.2 The OEB has taken this type of approach before¹⁴⁸, noting that “[t]he development of a guide in the form of an envelope approach to the budget helps provide a yardstick that avoids micromanagement of the regulated utility and helps the regulator cope with any asymmetries of information that can be present.”¹⁴⁹

2.11.3 Applying this approach, SEC believes an appropriate increase is in the order of 14% from the 2025 OEB-approved amount, resulting in a 2026 OM&A expense of approximately \$119M. This reflects an increase of 4.2% (for inflation, growth, and stretch)¹⁵⁰, plus a generous 9.8% to account for other increases. The benefit of this approach is that it properly recognizes that the onus is on Hydro Ottawa, not just at the individual line-item level but also at the aggregate level, to justify its proposed costs. It is not up to intervenors to identify the specific items that may not be reasonable.

2.11.4 The reasonableness of this approach can also be assessed against the specific issues raised in this argument, which in aggregate result in a proposed reduction of \$17.8M. There are likely other areas that could be reduced on a line-by-line basis, but due to the inherent asymmetry of information are unknown or cannot easily be quantified. SEC has provided proposed reductions for each of the specific areas identified both in isolation and in an integrated way that eliminates double counting (e.g. reduction in the proposed number of

¹⁴⁷ Ex. 9-1-3, p.40

¹⁴⁸ [Decision and Order \(EB-2018-0056\), April 11, 2019](#), p.10-12

¹⁴⁹ [Decision and Order \(EB-2018-0056\), April 11, 2019](#), p.10

¹⁵⁰ 4.2% (3.7% 2026 OEB Inflation Factor + 0.95% Growth Factor agreed upon in the approved settlement – 0.45% stretch factor as agreed in the approved settlement)

FTEs reduces the total compensation over the P50 and total amount of unreasonable overtime), as shown in the following table.

Table 6 - Bottom-Up Reductions

	Isolated Reductions	Integrated Reductions
FTE Reduction (Including Vacancy Rate)	\$6,376,605	\$6,376,605
Compensation Reduction to P50 (1)(2)	\$5,132,368	\$4,678,153
Corporate Cost Compension/TTC Impact	\$750,000	\$750,000
25% Reduction in Overtime Costs (2)	\$820,000	\$747,430
IT Costs	\$1,700,000	\$1,700,000
Maintenance Reductions	\$1,000,000	\$1,000,000
Increased Productivity/Efficiency	\$2,000,000	\$2,000,000
Corporate Cost Allocation/Shared Services	\$544,000	\$544,000
Total	\$18,322,973	\$17,796,188

2.11.5 SEC recognizes that the proposed reduction is higher than the 2025 actuals. However, it is important to note that a material portion of the reduction relates to over-market median compensation. Those are costs that were just as high and unreasonable in 2025 (and in years before) as they are in 2026, and are costs that should be borne by the shareholders, not customers.

3 OTHER ISSUES

3.1 Net Metering

- 3.1.1 Hydro Ottawa has proposed to remove its Net Metering Charge, which is a charge intended to cover the additional costs of net metering billing activities. This charge was previously approved for 2021-2025 in Hydro Ottawa's last rate application¹⁵¹, although as of November 2021 Hydro Ottawa has chosen not to apply the charge on a temporary basis in order to review the charge.¹⁵²
- 3.1.2 SEC does not oppose Hydro Ottawa's proposal to remove its Net Metering Charge, as the annual revenue from such a charge is forecasted to be non-material¹⁵³, and many other distributors do not have a similar charge.¹⁵⁴
- 3.1.3 Should the OEB order Hydro Ottawa to continue the charge, SEC is of the opinion that it should apply to all customers with net metering and not just those customers in the GS > 50 kW class, given that GS > 50 kW customers only make up a small percentage of the net metering customers.¹⁵⁵
- 3.1.4 Hydro Ottawa explained that the purpose of the charge was to cover the costs of monitoring the generation and they have automated this work for residential and small commercial customers.¹⁵⁶ At the oral hearing, one intervenor posited the suggestion that because the process was not automated for GS > 50 kW customers, maybe only that class should receive the charge.¹⁵⁷ SEC disagrees with such an approach as it would be discriminatory. Hydro Ottawa explained that it intended to automate the process for GS > 50 kW customers, but this work had been delayed.¹⁵⁸
- 3.1.5 Net metering customers in the GS > 50 kW class should not be treated any differently than net metering customers in other classes. In addition, the costs of the technological upgrades that Hydro Ottawa has made to allow for automation of the monitoring work for residential and small commercial customers are being borne by all customers as they are not directly allocated to the residential and GS<50 customer class. It would be unfair to have all customers pay for the very technology that would allow only a subset of customers not to be charged the Net Metering Charge.

¹⁵¹ EB-2019-0261, Ex. 8-7-1, Table 2, May 5, 2020

¹⁵² Tr.2, p.148-149; Ex.8-4-2, p.3

¹⁵³ See [Decision and Rate Order \(EB-2021-2026\), January 7, 2021](#), Schedule B, p.13, 51, 69

¹⁵⁴ Undertaking JT3.8, Table B

¹⁵⁵ Tr.1, p.187

¹⁵⁶ Undertaking JT2.15

¹⁵⁷ Tr.2, p.159

¹⁵⁸ Tr.2, p.160

3.2 Shared Savings Mechanism

- 3.2.1 Hydro Ottawa seeks approval for a SSM for its proposed Non-Wires Customer Solution Program (the "NWCS Program") over the rate term.¹⁵⁹ The proposed SSM relates to the aspect of the NWCS Program addressing capacity constraints in Hydro Ottawa's Kanata North region. The evidence is that the transformer station serving the area is reaching its capacity limits. A new station is being constructed but will not be in-service until 2028, resulting in a likely capacity shortfall until that time.¹⁶⁰ The NWCS Program, which comprises a number of demand-side management initiatives, is intended to bridge the capacity gap during the 2026 to 2028 period, and then continue through the end of the rate term in 2030.¹⁶¹
- 3.2.2 SEC's concern is not with the NWCS Program itself, but with the SSM. SEC has had an opportunity to review the submissions of OEB Staff, and generally agrees with their analysis and conclusion. The NWCS Program does address a system need, but does not actually result in any cancellation or deferral of capital assets, and therefore does not produce any savings to customers.
- 3.2.3 The intent of the OEB's policy, regarding SSMs and broader incentive payments for NWS programs, is to provide a financial incentive to avoid or delay what would otherwise be a more costly, often over the longer term, traditional infrastructure solution. That is not what is happening here. As part of its initial Benefits Cost Analysis ("BCA"), Hydro Ottawa stated that "[t]here is no further feasible wire solution capable of addressing this region's needs prior to station energization."¹⁶² In response to a question, the company acknowledged that there was a "technically viable solution" that would have been to bring an incremental 30 MVA of capacity from another municipal transformation station, via two dedicated feeders, at a cost of \$68.5M, a solution that would have provided the necessary capacity only up to 2028.¹⁶³
- 3.2.4 While technically viable, this is such an unreasonable traditional solution that Hydro Ottawa never even attempted to use it as the reference scenario for its BCA.¹⁶⁴ Why should customers pay Hydro Ottawa an incentive if there is nothing to incent? The answer is they should not, and that is consistent with the OEB's general approach to NWS incentives as set out in the various policies discussed in detail in OEB Staff's submission.
- 3.2.5 An additional problem, which OEB Staff itemizes, is the flaws in Hydro Ottawa's BCA¹⁶⁵. Hydro Ottawa has overstated the benefits and understated the costs. Since the SSM is

¹⁵⁹ SC-Staff-4, Attachment, p.22-25

¹⁶⁰ Ex.2-5-4, p.285-288

¹⁶¹ SC-Staff-4, Attachment; 2-Staff-67a

¹⁶² SC-Staff-4, Attachment, p.9

¹⁶³ SC-Staff-7

¹⁶⁴ Ex.2-5-8, p.5, 50

¹⁶⁵ OEB Staff Submissions, p. 20-22

calculated based on actual net benefits, getting the baseline, and its underlying methodology, correct is essential. SEC does not dispute that the benefits of the NWCS Program in addressing the localized capacity need in the Kanata North region are likely to outweigh the costs. However, the OEB's BCA Framework was not designed for this type of analysis, where the NWS is the only viable option to meet the system need. The BCA Framework itself recognizes this, providing guidance that where the NWS is the reference scenario, undertaking a “BCA might be neither appropriate, nor necessary.”¹⁶⁶ SEC agrees. Regardless, even if a BCA is appropriate here, the issues raised by OEB Staff cannot provide the OEB with any confidence that the net benefits test has been met, let alone met accurately.

All of which is respectfully submitted.

Mark Rubenstein
Counsel for the School Energy Coalition

¹⁶⁶ [Benefit-Cost Analysis Framework for Addressing Electricity System Needs](#), p.16