



March 10, 2026

Ontario Energy Board
P.O. Box 2319 27th Floor
2300 Yonge Street Toronto,
Ontario M4P 1E4

Attention: Registrar
Re: Hearst Power Distribution Co. Ltd.
2026 Distribution Rate Application
OEB File Number: EB-2025-0033
Reply Submission:

Hearst Power Distribution Co. Ltd. (Hearst Power) respectfully provides the following reply to submission in response to OEB staff's February 20, 2026, submission.

Hearst Power appreciates staff's review of the application and their acknowledgement that the replacement of the digger derrick truck is necessary and that the project satisfies the materiality, need and prudence criteria for Incremental Capital Module (ICM) funding.

Should the board have questions regarding this matter please contact Jessy Richard at the information below.

Respectfully Submitted,

Jessy Richard
General Manager

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Replacement of the Digger Truck

As noted by OEB staff, the digger derrick truck is a critical operational asset. Hearst Power relies on this vehicle to perform pole setting, transformer installation, overhead line work and emergency response activities across its service territory. As a small utility with only one such vehicle in its fleet, the reliability of this equipment is essential to maintaining safe and dependable service for customers in Hearst.

The existing digger derrick truck entered service in 2000 and has now been in operation for approximately 25 years. The vehicle is fully depreciated and well beyond its expected service life. Hearst Power has continued to maintain the unit in order to keep it operational; however, maintenance costs have exceeded \$55,000 over the past five years and the risk of failure has increased as the equipment ages.

Hearst Power also notes that specialized utility vehicles such as digger derrick trucks now involve significantly longer manufacturing and delivery lead times than in the past. As a result, utilities must plan replacements in advance rather than waiting for critical equipment to fail. For a small distributor that relies on a single digger derrick truck, ensuring the continued availability of this equipment is an important part of operational planning.

Before proceeding with the replacement, Hearst Power evaluated several alternatives, including continued repairs to the existing vehicle and the purchase of used units. Used units were available but offered limited remaining service life and presented reliability concerns. Hearst Power ultimately issued a Request for Quotation and selected the Freightliner/Wajax unit through a competitive procurement process in accordance with its purchasing policy. The selected unit represented the lowest compliant bid and provides full warranty support and long-term operational reliability.

The Replacement Truck is a Single Integrated Asset

While OEB staff supports the ICM request, staff proposes reducing the eligible amount from \$510,475 to \$383,175 by excluding the \$127,300 chassis cost incurred in 2025. Hearst Power respectfully submits that the chassis should not be considered separately from the rest of the project.

The chassis was recorded as construction work in progress and is not used and useful on its own. The digger derrick truck will only become operational once the boom and utility body are installed and the vehicle is commissioned in 2026. In practical terms, the chassis, boom and utility body together form a single integrated asset that will enter service in 2026. For this reason, Hearst Power submits that the full cost of the truck should be considered when determining the eligible ICM amount.

The 2024 ROE Was Temporary

Hearst Power notes that OEB staff recognizes that the higher return on equity achieved in 2024 was driven by temporary subcontracting activity related to locate services following changes to the Ontario Underground Infrastructure Notification System Act. Staff further acknowledges that Hearst Power's preliminary achieved ROE for 2025 is expected to fall within the normal deadband range. In Hearst Power's view, these findings support the conclusion that the 2024 result was an outlier and should not be relied upon to reduce recovery of a critical capital investment required to maintain safe and reliable operations.

Hearst Power also notes that the temporary increase in revenues in 2024 was not intended to fund or offset specific capital investments such as the digger derrick truck. Rather, those revenues arose from short-term subcontracting activity and were absorbed within the utility's overall operations.

As a very small distributor operating in a remote northern service territory, Hearst Power faces operational challenges related to geography, climate and the day-to-day realities of operating a distribution system in northern Ontario. In Hearst Power's view, it would not be appropriate to treat a temporary revenue fluctuation as a source of funding for a major capital asset required to safely and reliably operate the distribution system.

Disposition of the Retired Truck

Once the replacement truck is commissioned, the existing digger derrick truck will be retired and sold. As indicated in the evidence, Hearst Power expects salvage proceeds in the range of \$25,000 to \$50,000, and the full amount of any gain on disposition will be returned to customers through a deferral account mechanism to be addressed in Hearst Power's next rebasing application. This treatment will help mitigate the rate impact associated with the replacement asset.

Conclusion

In light of OEB staff's findings that the project satisfies the materiality, need and prudence criteria, and recognizing that the digger derrick truck represents a single integrated asset that will enter service in 2026, Hearst Power respectfully submits that approval of the full ICM amount of \$510,475 would be consistent with the evidence on the record in this proceeding.

All of which is respectfully submitted.