EB-2024-0115

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, Schedule B (the "Act");

AND IN THE MATTER OF an application by Hydro Ottawa Limited for an Order or Orders made pursuant to section 78 of the Act, approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2026 and for each following year through December 31, 2030.

HYDRO OTTAWA LIMITED

CUSTOM INCENTIVE RATE-SETTING APPLICATION FOR 2026-2030 DISTRIBUTION RATES AND CHARGES

REPLY ARGUMENT

Filed: March 23, 2026

TABLE OF CONTENTS

INTRODUCTION

1. Hydro Ottawa's Custom Incentive Rate-Setting (CIR) application for the 2026-2030 rate period is a comprehensive rate proposal comprised of several interlocking and interdependent components, including the proposed capital plan, the 2026 OM&A Test Year budget, the rate-setting framework, and a number of deferral and variance accounts. Together, these elements form a balanced and integrated plan designed to enable Hydro Ottawa to meet the needs of its growing customer base while maintaining safe, reliable and cost-effective distribution service over the five-year rate term.

2. Through the settlement process, the parties[1] successfully reached agreement on the vast majority of issues in the proceeding. As reflected in the Settlement Proposal filed on December 19, 2025, all but three areas of the case were settled. Achieving this outcome required Hydro Ottawa to make meaningful compromises across several significant elements of its original application, including aspects of the capital plan, the proposed deferral and variance accounts and the proposed rate framework. The resulting settlement reflects a carefully balanced outcome that recognizes both customer affordability and the investments required to maintain and operate a growing and increasingly complex electricity distribution system.

3. Despite these significant areas of agreement and compromise, the parties were unable to reach an agreement on three topics: (i) the 2026 OM&A Test Year budget; (ii) the proposal to remove the net metering specific service charge; and (iii) the proposed Shared Savings Mechanism (SSM) for the Non-Wires Customer Solutions Program (NWCSP). While these discrete approvals are now before the OEB, Hydro Ottawa submits they cannot be viewed in isolation of the settlement. Each area remains an integral component of the overall application, and must be considered within the broader context of the settled framework and commitments that underpin Hydro Ottawa's plan for the 2026-2030 period.

[1] The parties to the settlement process include Hydro Ottawa and the following participating intervenors: Building Owners and Managers Association (BOMA),Coalition of Concerned Manufacturers and Businesses of Canada (CCMBC),Community Action for Environmental Sustainability (CAFES), Consumers Council of Canada (CCC), Distributed Resource Coalition (DRC), Energy Probe Research Foundation (EP), Environmental Defence (ED), Pollution Probe (PP), School Energy Coalition (SEC) and Vulnerable Energy Consumers Coalition (VECC). OEB Staff was present in settlement discussions, but is not considered a "party" for these purposes.OEB Staff separately expressed support for the Settlement Proposal in its submission, filed January 7, 2026.

4. The 2026 OM&A Test Year budget is fundamental to Hydro Ottawa's ability to deliver the outcomes agreed upon in the settlement proposal that the OEB verbally approved at the outset of the oral hearing. The commitments reflected in the settled capital plan—and the service expectations embedded within it—are predicated on Hydro Ottawa having the operational resources necessary to plan, deliver, operate, and maintain the considerable infrastructure needs outlined in the application. Setting OM&A funding at or below 2025 actual levels, as suggested by some intervenors, would significantly undermine Hydro Ottawa's ability to deliver those commitments and impair its ability to execute the agreed-upon capital plan and deliver its outcomes.

5. Hydro Ottawa's current strong performance is the result of previous prudent and forward-looking investment decisions made over many years. Yet despite the clear consequences of this plan for future grid performance and customer outcomes, several intervenors suggest that near-term affordability considerations should outweigh the need for timely investment in operational capacity, cybersecurity protection, reliability, resilience and other critical priorities that customers and stakeholders value. Other parties suggest that required investments could simply be deferred or paced over the rate term, without failing to recognize that the OM&A funding escalator in the outer years of the plan only accounts for very modest customer growth. Altogether, these proposals effectively underfund the services that Hydro Ottawa is currently providing its customers, and place the utility on the path of performance deterioration over the 2026-2030 rate term. They lead to outcomes that do not serve the public interest, do not align with OEB and government policy objectives, and are not consistent with the customer priorities which informed the preparation of Hydro Ottawa's investment plan and rate application. To ensure the proposed investment plan remained grounded in actual consumer expectations, Hydro Ottawa structured its multi-phased engagement process to solicit specific customer feedback and perspectives across the following core investment themes, and customer responses indicate agreement that these are important priorities:

   a. Maintaining reliable electrical service

   b. Ensuring electrical capacity meets future demand

   c. Hardening the grid to withstand severe weather

d. Ensuring the safe operation of its infrastructure

e. Managing rising costs and affordability for customers

f. Investing in the workforce

6. Hydro Ottawa submits that its investment plan is prudent and necessary to address these priorities, and is critical to ensuring that the distribution system can support economic development in the Ottawa region and provide safe, affordable and reliable power to Hydro Ottawa's customers in the 2026-2030 rate term and beyond.

ISSUE 4.1: OM&A 2026 TEST YEAR

I. HYDRO OTTAWA'S 2026 TEST YEAR BUDGET IS PRUDENT AND REASONABLE

7. Hydro Ottawa's application proposes a 2026 Test Year OM&A budget of $140M, representing a $16.4M increase over 2024 actuals escalated by inflation.[2] The utility submits that this increase is prudent and necessary to serve a growing customer base, carry out Hydro's Ottawa's 2026-2030 capital plan, and achieve key performance objectives related to cyber security, reliability, resilience, sustainability and long-term efficiency outcomes.

8. With the exception of Staff, BOMA, DRC and ED, the intervenors argue for a 2026 Test Year OM&A budget that is below 2024 actuals adjusted for the OEB's inflation factor.[3] DRC and ED do not recommend a specific Test Year budget. Rather, DRC cautions against focusing on short-term rate impacts that risk undermining longer-term affordability and reliability objectives. Similarly, ED suggests promoting efficiency while flagging the "significant risk that excessive cuts to O&M spending could be counterproductive with respect to financial and climate interests to the extent that they undermine efforts to cost-effectively prepare for the energy transition or make the distribution system as efficient as possible."[4]

9. Table 1 below summarizes Staff and intervenors' proposed Test Year budgets and related disallowances.

[2] Hydro Ottawa's 2024 actuals escalated by inflation equals $123.6M.
[3] As noted previously, Hydro Ottawa's 2024 actuals adjusted for inflation equal $123.6M.
[4] Reply Submission of ED, p. 3.

Table 1 - Proposed Test Year Budget and Proposed Disallowance ($M)

Party[5]	2026 Test Year Budget	Proposed Disallowance	% Proposed Disallowance
Hydro Ottawa (Proposed)	$140.0	—	—
Staff	$133.0	$7.0	-5.0%
BOMA	$127.0	$13.0	-9.3%
CAFES/PP (Highest)[6]	$123.7	$16.3	-11.6%
CCC[7]	$122.7	$17.3	-12.4%
CCMBC/EP	$120.6	$19.4	-13.9%
SEC[8]	$119.4	$20.6	-14.7%
CAFES/PP (Lowest)	$118.2	$21.8	-15.6%
VECC	$116.0	$24.0	-17.1%

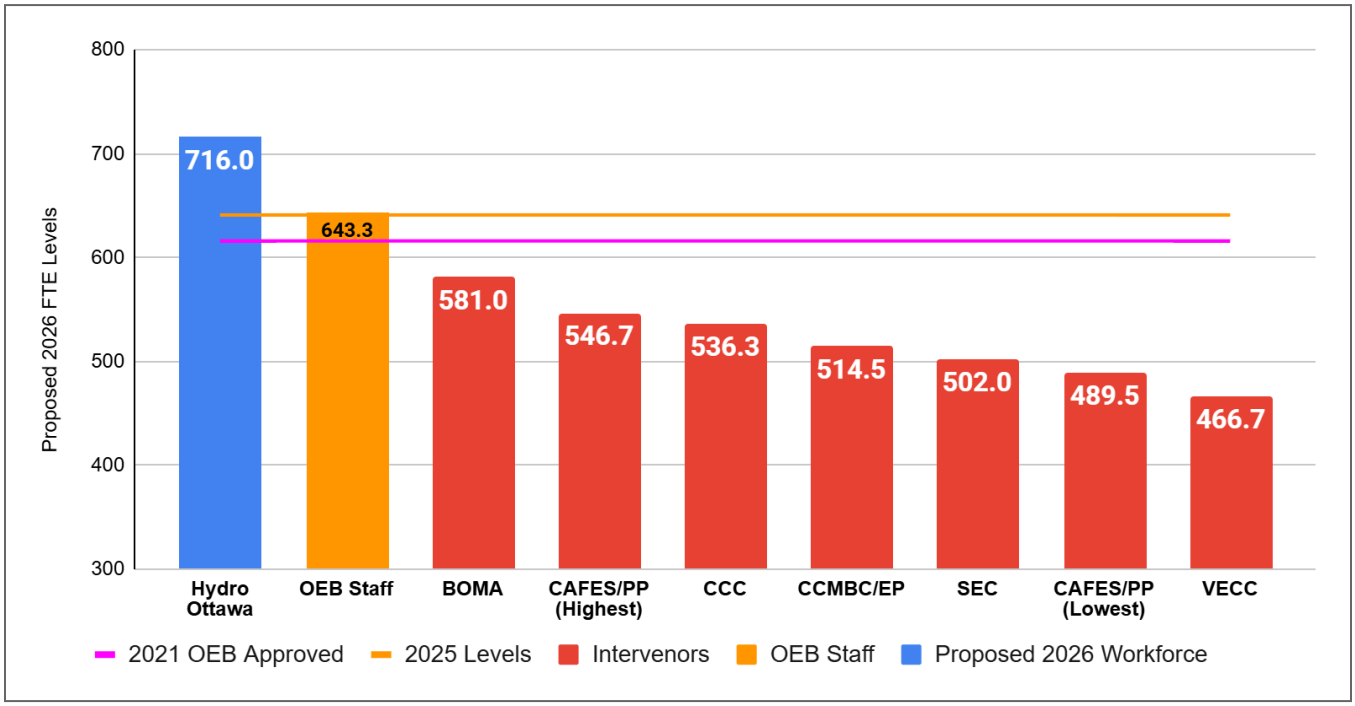
10. Most intervenors who advocate for reductions to the 2026 OM&A budget have proposed labour-centric adjustments. Whether targeting FTE increases, vacancy rates, compensation costs, shared services allocations or maintenance programs, the practical outcome of their submissions is a significant reduction of OM&A funding for labour. To illustrate the practical implications of the proposed disallowances, Figure A below translates the parties' proposed total OM&A reductions into their equivalent impact on FTEs. Having recently gone through a three-month labour strike where workload, health and safety pressures were key concerns, these potential FTE impacts are deeply concerning to Hydro Ottawa and the welfare of its employees.

11. As Figure A starkly illustrates, the practical implications of intervenors' proposed disallowances are fundamentally disconnected from Hydro Ottawa's operational realities. With the sole exception of OEB Staff, every intervenor's proposal reduces Hydro Ottawa's 2026 workforce to

[5] ED and DRC did not propose Test Year budgets or disallowances.
[6] CAFES/PP argue that a Test Year budget ranging from $118.2M to $123.7M would be appropriate.
[7] As discussed in further detail in paragraphs 130-134 below, CCC's proposed total disallowance double-counts certain proposed reductions and is methodologically flawed.
[8] SEC proposes a 2026 Test Year budget of $119.4M. However, SEC's bottom-up analysis only provides a basis for a reduction of $17.8M or a $122.2M Test Year budget. The extra $2.8M that SEC proposes disallowing in its top-down estimate is gratuitous and not even justified by SEC's own analysis. In addition, as discussed in further detail in paragraphs 162-182 below, SEC's proposal contains several mathematical errors that are described in further detail in Part IV (Compensation) and in regard to Issue 4.2 (Corporate Cost).

a level that is both below the 2025 levels required to stabilize the organization as well as below the 2021 workforce levels previously approved by the OEB. Since 2021, Hydro Ottawa's customer base has grown, its grid complexity has accelerated, and the utility is now tasked with executing a nearly doubled capital plan. To suggest that Hydro Ottawa can safely and reliably deliver on these expanded obligations with fewer resources than the OEB deemed necessary five years ago is, respectfully, an untenable proposition that would severely jeopardize the utility's ability to serve its customers.

Figure A - Implied 2026 Workforce (FTEs) Based On Disallowances Proposed[9]



12. For the reasons detailed in the Argument-In-Chief,[10] Hydro Ottawa submits that the 2024 Actuals adjusted for inflation represent the appropriate baseline against which the proposed 2026 Test Year should be evaluated.[11] Yet CCC, CCMBC, EP, SEC, CAFES, PP and VECC propose a 2026 OM&A budget that is below this 2024 baseline. Respectfully, their proposals are completely unreasonable in the context that Hydro Ottawa faces over the 2026-2030 rate term,

[9] This chart also illustrates both 2021 OEB Approved FTEs and 2025 FTEs as comparators. Parties' proposed disallowances were converted to FTE figures using the average cost per FTE in 2026 as calculated from Appendix 2-K and applying the 66% OM&A allocation. 2025 FTE figures are from 4-CCC-50. Resulting workforce size in 2026 if Staff or intervenors' proposed disallowances are converted into FTE figures.
[10] Hydro Ottawa Argument-in-Chief, filed February 2, 2026 (hereafter "Argument-in-Chief").
[11] Argument-In-Chief, pp. 7-24.

and should be rejected. To accept their recommendations, the OEB would need to conclude that inflation is the only cost driver for Hydro Ottawa's planned investments in the coming rate period, or that investments prior to 2024 were imprudent. The extensive record in this proceeding shows that neither is the case.

13. As the Argument-in-Chief outlined, and as will be further explained in the sections that follow, Hydro Ottawa's previous investments were necessary and prudent to address the challenges that the utility faced over the historical period (including stabilizing its workforce after the labour strike). From 2024 to 2026, the utility must invest in OM&A above the rate of inflation to address the following critical needs:

    a. **Serving a growing customer base** requires more resources. Keeping OM&A costs per customer in line with the OEB's inflation factor from 2024 to 2026 would yield a minimum 2026 OM&A budget of $127.3M, on top of which incremental requirements must be considered to enable Hydro Ottawa to execute the settled and approved capital plan.

    b. **Executing gross capital plan that is nearly doubling** requires resources across the organization to support the effective planning and execution of the settled capital plan and deliver the outcomes of this plan. However, due to accounting policies, these labour costs simply cannot be 100% capitalized, which means that there are OM&A expenses associated with adding these resources.

    c. **Investing in modern, secure technology solutions** that will yield sustainable affordability outcomes for the future, as well as support the development of a modernized and secure grid.

    d. **Safely managing an aging and deteriorating asset base**, with constrained levels of capital renewal relative to system needs, requires investments in enhanced maintenance, inspections and testing activities to manage reliability and safety outcomes of an aging and deteriorating grid.

14. By approving the settled capital plan, the OEB upheld the parties unanimous agreement that Hydro Ottawa must make significant incremental capital investments in the coming rate period. A 2026 OM&A Test Year budget equaling 2024 actuals escalated by inflation simply does not

provide sufficient funding to execute this expanded capital plan and deliver the outcomes that customers value. Hydro Ottawa must invest in people, technology and maintenance to be able to serve growing and more complex customer demand, deliver safe and reliable power, support economic development in the nation's capital, and prepare its grid and operations for the future in accordance with the government's priorities as articulated in the Integrated Energy Plan.

15. Despite these clear requirements, VECC and Pollution Probe each suggest that a "reasonable" approach would set the 2026 Test Year budget equal to the prior year's actuals increased by the rate of CPI inflation or a figure close to it. Respectfully, Hydro Ottawa submits that these proposals are on their face unreasonable because they completely fail to recognize the extensive evidence on the record in this proceeding regarding Hydro Ottawa's incremental OM&A investment needs in the coming rate period. These intervenors' proposed disallowances blatantly disregard Hydro Ottawa's actual labour experience through the 2021-2025 rate cycle and the customer growth within the utility's service territory over historical years and forecast period. These proposals are also incongruent with the undeniable energy transition that is driving unprecedented change in Hydro Ottawa's service territory, at the same time that IT solutions are increasingly shifting to OM&A due to cloud computing technology. In short, their proposals should be rejected because they do not serve the public interest nor align with the OEB's statutory objectives during this critical time of change, growth and economic development.

16. The implications of getting this wrong are significant for the economy, for Hydro Ottawa's customers, and its employees. As shown in Figure A above, if the OEB were to accept the intervenors' argument to set the 2026 OM&A budget at an amount that is lower than the 2024 inflation-adjusted baseline, Hydro Ottawa would be forced to significantly reduce its 2026 workforce complement. This would put Hydro Ottawa in a very precarious position in terms of being able to serve its customers and deliver its settled capital plan. It would also create tremendous work volume pressure, strain and create related working conditions on the remaining staff that are not dissimilar from what the organization experienced in the lead up to the 84-day labour strike in 2023, during a period in which workforce levels were kept historically-constrained, stretching Hydro Ottawa's operational capacity beyond sustainable limits.

17. Furthermore, reductions to Hydro Ottawa's technology investments in its Testing, Inspection and Maintenance and Information Management and Technology programs would undermine the utility's ability to operate safely and reliability, while modernizing its grid for the future. Without the planned testing and inspection enhancements, reliability performance is at risk of deterioration as the utility manages an aging and deteriorating asset base with capital renewal investment constraints. Investments in Hydro Ottawa's IT and OT infrastructure are necessary to build a resilient grid that is capable of supporting customer and load growth over the coming rate period while being able to withstand increasing digital threats from malicious actors, as changing geopolitical conditions of the world increase the perils of cyber security.

18. The $140M 2026 Test Year budget proposed in the application should be approved as filed. This funding level is reasonable and appropriate, ensuring Hydro Ottawa is safely and effectively resourced to manage the significant work volumes, growth, and complex challenges that will occur over the upcoming five-year rate term.

19. Hydro Ottawa respectfully submits that the parties' proposals to disallow varying amounts from the 2026 Test Year OM&A are incongruent with customer needs and the settled aspects of the application that the OM&A budget must support. For these reasons, and many others that will be discussed in more detail throughout this reply submission, the proposed 2026 OM&A budgets advanced by Staff, BOMA, CCC, CCMBC, EP, SEC, CAFES, PP, and VECC are unreasonable and should be rejected.

20. In the sections that follow, Hydro Ottawa explains in detail why the OEB should reject Staff and intervenors' arguments with respect to: (1) the 2024 baseline for this proceeding; (2) workforce planning and growth, (3) compensation levels, (4) IT expenditures, and (5) distribution operations expenditures; (6) customer engagement, (7) continuous improvement and productivity savings, (8) benchmarking evidence, and (9) the settled OM&A escalator.

II. THE APPROPRIATE BASELINE FOR THIS PROCEEDING IS 2024 ACTUALS

21. In its submission, Staff stated that it is "typical" to use the prior cost-based application test year actuals, in this case 2021 actuals, as the reference point.[12] Although that may be appropriate in

[12] Reply Submission of OEB Staff, p. 3.

the ordinary course, Hydro Ottawa submits that doing so is not appropriate here in light of the unique set of challenges that Hydro Ottawa experienced over the 2021-2023 period.

22. As thoroughly explained in the Argument-in-Chief, during the historical period, Hydro Ottawa experienced numerous unprecedented and unforeseen events—the COVID pandemic, the 2022 derecho storm and other extreme weather events, and an 84-day labour strike—which make the 2021-2023 period anomalous and not an appropriate baseline for the 2026 Test Year.[13] Instead, the appropriate reference point for this application is 2024, the first year in the current rate term that is reflective of a more typical and ordinary operating environment.

23. In 2024, Hydro Ottawa's actual OM&A expenditures were $115.1M.[14] Adjusted for inflation, that amount in 2026 equals $123.6M. In the Argument-in-Chief, Hydro Ottawa provided a thorough accounting of the drivers of this level of OM&A expenditures, explaining how a combination of significant customer growth, market-driven inflationary cost pressures in excess of the OEB's inflation factor, and regulatory changes necessitated this level of investment.[15]

24. BOMA and Pollution Probe argue that this 2024 baseline includes one-time costs from the major weather events in 2022 and 2023 and the 2023 labour strike.[16] However, as explained in interrogatory response 4-Staff-132, the costs from those historical events were not included in budgets from 2024 onward. In 2024, the costs from the major weather events and 2023 labor strike were removed from the OM&A budget and replaced with (a) increased compensation, recruitment, and training costs from the addition of new roles to stabilize the workforce, (b) increased distribution maintenance costs, largely stemming from reactive stations repair work, (c) increased technology and data centre costs, and (d) higher insurance premiums and OEB fees.[17] In short, the record shows that Hydro Ottawa's 2024 budget did not carry forward one-time costs from COVID, the extreme weather events, or the labour strike.

25. As outlined in the Argument-in-Chief, industry benchmarking shows that Hydro Ottawa's 2024 OM&A baseline is reasonable and appropriate in light of the customer growth that the utility had experienced to date. This is evidenced by the fact that in 2024, Hydro Ottawa's OM&A per

[13] Argument-in-Chief, pp. 7-12.
[14] Attachment JT2.16(A) - OM&A & Capital Expenditures 2025 Forecast.
[15] Argument-in-Chief, pp. 12-24.
[16] Reply Submission of BOMA, p. 2; Reply Submission of PP, p. 9.
[17] A more detailed breakdown of these costs can be found in IRR 4-Staff-132, Table A.

customer was comparable to that of its peer group and much lower than the industry average.[18] Evaluating the 2026 OM&A Test Year from this robust point of the 2024 actuals provides the OEB both clarity and confidence to assess the incremental investment needs that the utility must make to serve its customers, implement the settled capital plan and and deliver its performance objective over the 2026-2030 rate term.

III. HYDRO OTTAWA'S WORKFORCE PLAN IS REASONABLE AND PRUDENT

26. In the 2026 Test Year, Hydro Ottawa plans to add 81 positions, or 74.5 FTEs, in the Metering, Distribution Operations, Engineering & Design, Information Management & Technology, Safety, Environment & Business Continuity, Human Resources, Customer & Community Relations, and Customer Billing programs. Because one of the primary drivers for these 81 new positions is the delivery of the expanded capital plan, a large majority of their time and associated costs are capitalized. As a result, and as noted in the Argument-in-Chief, this incremental headcount in 2026 translates to approximately $5.5 million in OM&A expenses, representing approximately 22% of the requested increase between the 2024 Actual and the 2026 Test Year budget for OM&A.[19]

27. Intervenors and Staff oppose Hydro Ottawa's workforce levels for 2026, arguing that Hydro Ottawa's workforce plan adds too many resources too quickly. As shown by Table 2 below, SEC and CCC propose an approximate 9% reduction to the 2026 total workforce complement, which approximately represents an egregious 85% cut to the 2026 hiring plan. VECC proposes a $4 million disallowance to labour expenditures in the Test Year, representing a 73% cut to the 2026 hiring plan.[20] Staff,[21] BOMA,[22] CAFES and Pollution Probe[23] also challenge the workforce plan based on the reduction to the capital envelope agreed upon in the settlement, but do not propose specific FTE reductions.

[18] Argument-in-Chief, p. 16 & Figure B.
[19] Schedule 4-1-2 - Operations, Maintenance and Administration Program Costs, p. 6.
[20] Reply Submission of VECC, p. 5.
[21] Reply Submission of OEB Staff, p. 4.
[22] Reply Submission of BOMA, p. 2.
[23] Although CAFES and PP do not frame their challenge in terms of FTEs specifically, these intervenors argue that Hydro Ottawa's Test Year OM&A budget should be reduced because of the reductions to the settled capital plan. CAFES/PP Joint Submission, p. 11. Because of the similarity of this argument to those of the other arguments discussed in this section, Hydro Ottawa will address all of the arguments together in this part of the Reply.

Table 2 - SEC, CCC and VECC Proposed Workforce Disallowances by FTE

	Total FTE Proposed	Proposed FTE Reduction	Proposed New FTE Reduction
Hydro Ottawa 2026 Plan	716	–	–
SEC Proposal	652.6	63.4	85%
CCC Proposal	652	64	86%
VECC Proposal	661.8	54.2	73%
Hydro Ottawa 2025 Bridge	641	–	–

28. In the sections that follow, Hydro Ottawa will demonstrate that the FTE reductions and supporting arguments put forward by Staff and the intervenors are flawed and should be rejected because they: (i) fail to recognize that the additional positions that Hydro Ottawa added in 2024 were not added to support the growth of the 2026-2030 capital program, but rather to stabilize the workforce in light of historical work volumes that had become unmanageable; (ii) fail to recognize the incremental resources that Hydro Ottawa requires to deliver the settled capital plan and accommodate the customer growth that the parties have agreed upon; (iii) propose alternative pacing that is divorced from the operational needs driving workforce growth in the 2026 Test Year; and (iv) represent a fundamental misunderstanding of the five-year nature of the funding envelopes in this application and the impact of the reduced OM&A escalator on the total funding available relative to the settled capital plan.

29. In addition to these overarching FTE reduction arguments, CCC, CCMBC, VECC, SEC, and Staff challenge several specific aspects of the 2026 workforce plan, including: (a) the specific number of positions being added to each program,[24] (b) the planning process that Hydro Ottawa used to create the workforce plan,[25] and (c) the vacancy rate assumption embedded in the compensation budget.[26] Hydro Ottawa responds to each of these specific arguments in turn, after first responding to overarching workforce arguments.

[24] Reply Submission of CCC, pp. 7-11; Reply Submission of CCMBC, p. 4 (challenging the addition of engineering and design resources); Reply Submission of VECC, p. 7 (supporting CCC submission); Reply Submission of SEC, p. 11 (supporting CCC submission).
[25] Reply Submission of SEC, pp. 7-11; Reply Submission of VECC, p. 7 (supporting SEC reply submission).
[26] Reply Submission of OEB Staff, p. 5; Reply Submission of SEC, p. 11-12; Reply Submission of CCC, pp. 13-14; Reply Submission of CCMBC, p. 4; Reply Submission of VECC, p. 7 (supporting CCC and SEC reply submissions).

A. Workforce Additions In 2026 Are Necessary To Support Customer and Capital Growth Over The Rate Period

i. The 2024 FTE Additions Were Necessary to Stabilize the Workforce

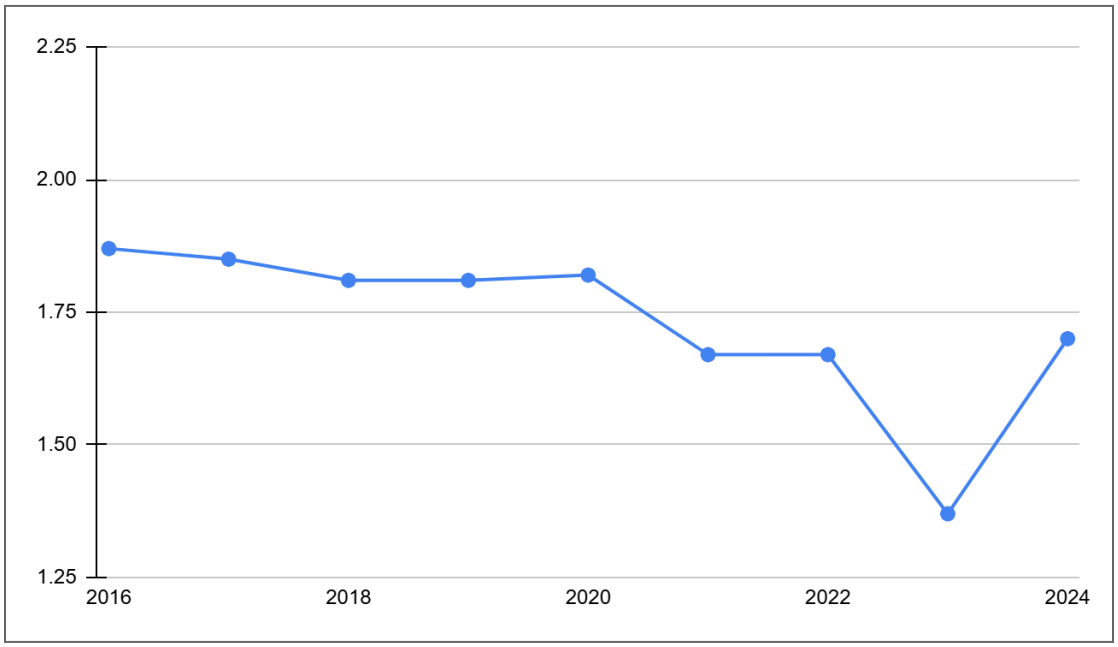
30. In 2024, Hydro Ottawa added 50 new positions. As explained in the Argument-in-Chief, and as articulated by the witnesses at the Oral Hearing, these positions were added to stabilize a workforce that was not large enough to support the volumes of work in the last rate period. Despite what the intervenors claim, the record conclusively shows that these roles were not added to support the growth of the 2026-2030 capital plan.

31. For nearly a decade, between 2016 and 2023, Hydro Ottawa kept its headcount essentially flat, despite experiencing one of the fastest rates of customer growth in the province.[27] By 2023, the workload had reached unsustainable, unhealthy and unsafe levels as demonstrated by the 2023 labour strike. To stabilize its workforce capacity levels in light of these challenges, in 2024, Hydro Ottawa added 50 new positions and focused on filling vacancies that had accumulated[28] over the challenging historical years of 2021-2023[29].

32. As shown by Figure B below, even with the 50 additional positions, Hydro Ottawa's FTEs per 1000 customers in 2024 was still below pre-COVID historical levels. Along with the detailed evidence supporting the need to add these 50 positions, this figure demonstrates that the FTE additions in 2024 are barely sufficient to maintain Hydro Ottawa's status quo operations, let alone serve a growing and more complex customer base, address incremental requirements (e.g. maintenance, grid modernization and cyber security) and deliver an expanded capital program over the 2026-2030 rate term. Despite these conclusive facts, CCC and SEC argue for FTE reductions that would decimate the 2026 hiring plan and place the company's total 2026 workforce complement at levels similar to or below 2024. The sections that follow explain why these proposals are untenable and should be rejected.

[27] Schedule 1-2-3 - Business Plan, p.12; Argument-in-Chief, pp. 11-12 & Table 4.
[28] IRR 4.0-VECC-37; Oral Hearing Transcript, Day 2, p 98.
[29] 2021 FTE levels were approved at levels that were much higher than what Hydro Ottawa experienced over the 2021-2023 period as evidenced in Attachment 1-Staff-1(A) - Chapter 2 Appendices, Appendix 2-K and 4-CCC-52 Table A, p 3.

Figure B - FTEs Per 1000 Customers (2016-2024)[30]



ii. Hydro Ottawa Needs Additional Resources in 2026 and Beyond to Serve a Growing Customer Base and Deliver its Settled Capital Program

33. To be able to respond to customer and capital plan growth facing the utility in the coming rate period, Hydro Ottawa needs to hire additional resources in 2026. As Figure B above clearly demonstrates, the hiring that took place in 2024 was not sufficient to address the workload concerns facing the utility, even before customer and capital growth is factored in. As a result, the hiring planned for 2026 is needed from both a stabilization perspective and to support growth in the 2026-2030 period.[31] If implemented, Staff and intervenors' proposed FTE reductions would yield a level of resourcing that is grossly inadequate to serve Hydro Ottawa's growing customer base and deliver the settled capital plan and its outcomes.

34. Applying the intervenor's proposed FTE reductions on key FTE metrics shows that their proposals are only sufficient to address the workforce requirements resulting from basic growth in the total number of customers. In other words, in their proposals, there is no recognition of the incremental resources required to deliver the expanded capital plan that the parties have agreed

[30] Customer counts from Appendix 2-IB for 2021-2024. Customer counts for 2016-2020 from EB-2019-0261, Settlement Proposal - Appendix 2-IB. See also Argument-in-Chief, p. 47 & Figure G.
[31] Oral Hearing Transcript, Day 2, p. 140.

upon through settlement. There is equally no recognition of the growing complexity of serving existing customers who are relying on the electricity grid in more ways than before, such as those customers expanding their operations to support economic development or adopting new electrified technologies like EVs, DERs or heat pumps to decarbonize their footprint.

35. As shown by Table 3 below, SEC, CCC and VECC's proposals yield an FTE-to-customer ratio similar to what Hydro Ottawa observed during its tumultuous historical period of 2021-2023—a level of resourcing that put tremendous pressure on the organization's workforce and contributed to the 2023 labour strike.

Table 3 - FTEs Per 1000 Customers: Historical Period and Intervenor Proposals

	2016-2020	2021 Approved	2021	2022	2023	2026 Test Year			
						SEC	CCC	VECC	Hydro Ottawa
FTEs / 1000 Customers	1.83	1.79	1.67	1.67	1.37	1.72	1.72	1.75	1.89
Operational Conditions	Historical Experience		COVID-19 Pandemic	COVID & Derecho	84-Day Labour Strike	Energy Transition (Grid Modernization, Electrification, Cyber Security)			

36. Further, the FTE-to-customer ratio these intervenors propose is less than the resourcing levels in the pre-pandemic period, prior to the substantial increase to the capital program, prior to recent growth in complexity of customer demands due to electrification, and prior to the acceleration of digital transformation that is underway across the economy and in the electricity sector. Hydro Ottawa must invest in its workforce to be able to provide adequate support to a growing customer base whose connections to the grid are becoming more complex, who are increasingly relying on new technologies such as DERs, and whose loads are also themselves growing due to digitization, growth and electrification. The FTE-to-customer ratios the intervenors propose do not provide sufficient resourcing for Hydro Ottawa to respond to these pressing and evolving customer needs.

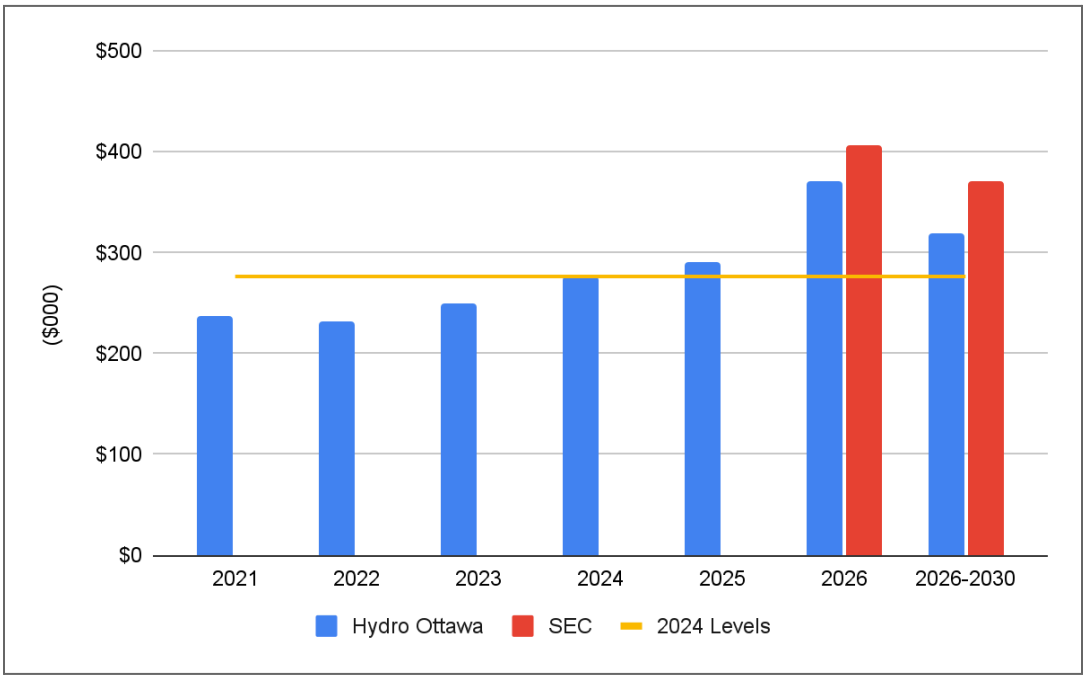
37. In addition to supporting basic customer growth, Hydro Ottawa's settled capital plan addresses many other investment needs and requirements that the parties have agreed are reasonable and necessary as part of the settlement. These include (i) AMI 2.0, (ii) asset renewal, (iii) grid

modernization to support long-term reliability and efficiency outcomes, and (iv) building system capacity to support long-term economic growth and enable greater customer choice.

38. Staff, CCC and SEC's workforce proposals also fail to recognize the labour requirements associated with delivering the settled capital plan and the associated customer benefits. Under their proposals, Hydro Ottawa would have to increase the level of gross capital expenditures per FTE by approximately 40% from 2025 to 2026, as shown by Figure C. This is an untenable proposition and should be firmly rejected from an employee workload, health, safety and wellness perspective. What's equally concerning is that these recommendations will ultimately drive-up the cost to serve customers in the future. This is because they fail to recognize that Hydro Ottawa will need to add more expensive overtime and external resources to execute the higher volume of capital work with fewer employees. As noted in the pre-filed evidence, the cost of external contract labour has been increasing rapidly in some areas,[32] and hiring external labour can be more expensive than adding internal resources.[33] In short, the proposed FTE reductions do not yield lower costs; they just shift (and inflate) the cost of the capital work that must be done and that ratepayers will fund for many years. This is not in the best interest of customers, and will only serve to encourage capital resourcing decisions that will jeopardize long-term affordability outcomes.[34]

[32] Schedule 1-2-5 - Impacts of Inflationary Pressure, p. 35 & Table 31.
[33] IRR 4-Staff-161 (Table A shows that the rate for a contracted journeyperson powerline technician is approximately 25% more expensive from 2026-2030 period than the hourly cost for an internal FTE).
[34] In its submission, VECC refers to the workforce sizes of Oshawa Power and Greater Sudbury Hydro as points of comparison for Hydro Ottawa. VECC Reply Submission, p. 14. Hydro Ottawa disagrees that these two utilities are analogous to Hydro Ottawa. On a customer basis, Oshawa power is roughly one-sixth the size of Hydro Ottawa (64,000 customers to be served by Oshawa in 2026 versus Hydro Ottawa's approximately 378,500). EB-2025-0014, Rate Application: 2026-2030 (April 29, 2025), Appendix 2-L. Greater Sudbury Hydro is even smaller with approximately 59,000 customers in 2025. EB-2024-0026, Rate Application (October 30, 2024), Appendix 2-L. As a consequence, it is not appropriate to compare these two utilities with Hydro Ottawa.

Figure C - Gross Capital Expenditures Per FTE As Proposed By Hydro Ottawa and SEC



Note:Amounts above the yellow line reflect the expectation of increased capital delivery output per employee relative to historical levels.

iii. Hydro Ottawa's Workforce Hiring Plan is Paced Appropriately to Address the 2026-2030 Step Change in Capital Expenditures

39. Finally, SEC suggests that even if Hydro Ottawa has estimated its labour needs correctly, the utility has paced its hiring plan inappropriately. Their argument is that rather than hire as Hydro Ottawa proposes (with 50 positions added in 2024, 81 positions added in 2026, and 46 positions between 2027-2030) the hiring for 2026 should be spread out more evenly over the rate period. This argument is flawed and should be rejected for the following reasons.

40. First, as thoroughly explained above in paragraphs 30-32, the 2024 hiring was needed to stabilize the workforce and not to resource the growth and expanded capital obligations of the 2026-2030 rate term.

41. Second, the gross capital plan is growing significantly between 2025 to 2026, and then remains at a relatively consistent level throughout the rate term. To manage the immediate step-change in capital work, Hydro Ottawa must hire incremental resources in 2026. This need to hire

resources in 2026 is even more pressing because of the requirement to appropriately train and onboard new trades positions to support the capital program.[35] Even qualified journeypeople require ramp up time to learn Hydro Ottawa specific standards, techniques and safety related items.[36] SEC's proposal to smooth the hiring plan simply does not allow Hydro Ottawa to ramp up at the pace necessary to execute a significantly larger capital plan in 2026. Hydro Ottawa's need for immediate growth puts the utility in a fundamentally different position than Milton Hydro in its 2016-2020 rate application, which SEC references in support of its proposal. Unlike Hydro Ottawa in this application, Milton Hydro faced a gradual increase over time. Contrary to SEC's assertion, Milton Hydro's facts are not comparable, and therefore that decision is simply not relevant to this proceeding.[37]

42. Lastly, SEC's proposal totally ignores the practical funding reality of the rate framework that the parties have settled upon. As shown by Table 4 below, SEC's proposed workforce pacing results in an additional $20.2 million funding gap under the settled rate framework. Therefore, to hire the resources SEC proposes in the timeframe SEC proposes, Hydro Ottawa would have to self-fund these incremental resources over the rate term. In essence, SEC's proposed pacing reduces the shareholder's return on equity in an effort to mitigate bill impacts. Respectfully, this is not an appropriate outcome—it doesn't align with the OEB's statutory objectives of maintaining financial viability and it undermines the Fair Return Standard. Simply put, Hydro Ottawa's OM&A funding in the outer years will not grow in a manner that supports SEC's proposed FTE pacing; therefore, SEC's proposal is infeasible and should be rejected.

[35] Attachment 4-1-3(B) - Workforce Planning Strategy, pp. 30-32.
[36] IRR 4-Staff-168, part b).
[37] In support of its pacing argument, SEC refers to an OEB decision regarding Milton Hydro's 2016-2020 rate application, specifically that utility's 2016 OM&A budget. In that decision, the OEB criticized Milton Hydro's proposal to significantly increase its OM&A budget in its Test Year in response to the pressures from gradual customer growth that the utility experienced. Milton Hydro did not seek higher levels of OM&A funding to support a significantly expanded capital plan. (Milton Hydro, EB-2015-0089, Decision and Order (July 28, 2016), pp. 35-36). In this way, Hydro Ottawa's situation is distinguishable from that of Milton Hydro. Hydro Ottawa must invest in its workforce and OM&A to manage increasing work volumes from its expanded capital plan, customer growth, and the larger transformations occurring in the sector, such as electrification and grid modernization.

Table 4 - SEC's Proposed Pacing of the Workforce Plan Results in a Revenue Deficiency[38]

	2026	2027	2028	2029	2030	2026-2030
Labour $ Required for SEC Pacing	$63.9	$67.5	$71.2	$75.1	$79.1	$356.9
Labour $ Escalated by CROF	$63.9	$65.6	$67.3	$69.0	$70.8	$336.7
Funding Insufficiency	**-**	**($1.9)**	**($4.0)**	**($6.1)**	**($8.3)**	**($20.2)**

iv. Understanding the OM&A Implications of the Reduced Capital Plan

43. Staff, SEC, CCC, and VECC all argue that Hydro Ottawa's workforce and OM&A requirements must be reduced to reflect the reduction to capital expenditures agreed upon in the settlement proposal. They contend that with a smaller capital plan across the rate term, fewer internal resources are needed to execute that plan, with varying proposals as to how that reduction should be achieved.

44. Hydro Ottawa does not dispute that a reduction to the 2026-2030 capital program per the settlement agreement has an impact on the workforce plan over the rate term. Hydro Ottawa simply maintains that those reductions occur in the outer years of the plan (as agreed upon through the reduced OM&A escalator), rather than in the 2026 Test Year. As noted above, there is an immediate increase in the size of the capital program being implemented in 2026 and resources need to be trained prior to fully contributing to work programs. It is essential for Hydro Ottawa to start that training now in order to be able to efficiently execute its 2026-2030 plan.

45. Moreover, in the context of a five-year investment plan, Hydro Ottawa must set its 2026 workforce complement and base OM&A at a level that is sufficient to be able to execute the entire five-year plan. This is because growth has already started, grid modernization is occurring and work related to these activities is already underway and needs to be appropriately resourced. As a consequence there is an immediate and urgent need to add resources today. But even if you ignore the demands on staff occurring today, OM&A funding will grow under the settled rate formula at a rate that is only sufficient to keep up with inflation and modest customer growth. The OM&A funding formula cannot support the increase in OM&A funding and

[38] 2026 Labour was calculated by adding 23 FTEs to Hydro Ottawa's 2025 FTE count and multiplying it by the 2026 cost per FTE with the 66% OM&A Factor. 23 FTEs is 25 Positions with an 8% vacancy to reflect SEC's suggested pacing.

resources over the 2027-2030 term that would be necessary to smooth out the hiring plan as SEC has suggested, as shown by Table 4 above.

46. Failing to see the big-picture, Staff and intervenors' argue that because the settlement has reduced the capital envelope for the 2026-2030 period, Hydro Ottawa needs proportionally fewer FTEs in the 2026 base year. This argument should be rejected because it fails to recognize the five-year nature of the funding envelopes that the OEB is approving in this application and the practical implications of the 2026 OM&A Test Year on the total envelope and the ability to hire resources as the projects commence. Although base year funding is at issue, both capital and OM&A programs must be considered on a five-year basis to fully understand the staffing levels that are needed today. This point is also discussed in more detail later on in paragraphs 289-292 regarding the OM&A escalator (CROF).

47. Intervenors' proposals to set the 2026 OM&A without any regard for the full rate term implications undermines the ability of the settled rate framework to provide just and reasonable outcomes for the utility and its customers. This is especially true as multiple intervenors have suggested pacing cost recovery as a means of mitigating rate impacts, without any analysis or consideration of whether there is sufficient funding in the outer years of the plan to achieve such pacing or if there is the necessary staff at the beginning of the period to accomplish the increased volumes of work. The analysis provided in this Reply Argument shows that the settled rate framework is not conducive to such alternative pacing proposals, and that the practical impact of these alternative pacing proposals is to underfund Hydro Ottawa's OM&A in the outer years of the plan, putting the utility's financial performance and customer outcomes at risk.

48. With this important context in mind, we can consider that starting in 2026 through 2030,[39] Hydro Ottawa planned to add 127 positions to support its growing customer base and capital and maintenance programs over the 2026-2030 rate term.[40] 46 of these roles, representing approximately 36% of the total hiring, were planned to be added in the outer years of the plan. With the reduced OM&A escalator, Hydro Ottawa will not have sufficient funding to add all of these 46 roles throughout the rate term,[41] leading to potential reduction of up to 36% of the

[39] Recruitment for these positions began in 2025. As explained in the Oral Hearing, some positions planned for 2026 were hired in 2026. Oral Hearing Transcript, Day 1, p. 113.
[40] It is important to note that not all these positions were fully funded by Hydro Ottawa's CROF as proposed in the application. With the reduced CROF, however, forecast expenditures exceed OM&A growth over the period.
[41] Technical Conference Undertaking JT2.10.

five-year hiring plan. Noting this analysis is based on the proposed 2026 OM&A and any reduction will put more downward pressures on funding.

49. Staff suggests that since internal labour costs "represent 11% of the average capital expenditures for the forecast period,"[42] a net capital reduction of $214 million would translate to a reduction of approximately $23.5 million in capital-related labour costs over the 2026-2030 rate term.[43] Hydro Ottawa disagrees with this over-generalized conclusion drawn by Staff, and finds several flaws in Staff's logic.

50. First, to the extent that the settled capital plan reduces the volume of capital-related work, that reduction may impact the amount of external labour required rather than internal labour. As Staff itself recognizes, "Hydro Ottawa may elect to reduce the use of contractors to limit the reduction to the internal workforce."[44] In fact, as explained in the pre-filed evidence, that is where Hydro Ottawa would choose to reduce first, as Hydro Ottawa "endeavors to maintain the number of headcount required to support the lowest volume of work on both an annual and long term basis" and therefore "procures services from external resources to support volume fluctuations."[45]

51. Second, by relying on the 11% figure, it should be understood that Staff only estimates the decrease in capitalized direct-labour costs associated with the settled capital plan, and this metric does not relate to the business support staff required. Importantly, Staff does not provide an estimate for the OM&A costs associated with this capitalized labour—and it is the OM&A costs that the OEB is primarily concerned with in this proceeding, as it is only the expensed portion of FTE costs that appear in the 2026 Test Year budget. In fact, Staff misunderstood the evidence[46] and incorrectly stated "non-productive time (e.g. vacation, training, statutory holidays)" is expensed and therefore is built into OM&A budgets. Hydro Ottawa notes that this is incorrect, as the capital-labour rate is grossed up to include these elements of their time and do not appear as the OM&A costs for those FTEs—they are, in fact, capitalized. Therefore, a reduction of these capital-focused roles will have no effect or a minimal impact on the OM&A budget.

[42] As originally noted in Schedule 1-2-5 - Impacts of Inflationary Pressure, p. 36.
[43] Reply Submission of OEB Staff, p. 4.
[44] Ibid.
[45] Attachment 4-1-3(C) - Workforce Growth, p. 12.
[46] As originally submitted in IRR 4-CCC-50.

52. Third, even if one takes Staff's flawed approach to the direct labour positions (which Hydro Ottawa does not agree is appropriate), the analysis inadvertently proves that the expected OM&A reductions are already fully captured by the reduced OM&A escalator in the outer years of the plan. Using a value of unproductive time of 27.5%[47] as staff suggests,[48] the 17% reduction to capital-related labour referenced by Staff roughly translates into OM&A labour costs of approximately $8.9 million over the entire five-year rate term or $1.8 million in a single year.[49] As part of the settlement (alongside the reduced capital plan), Hydro Ottawa reduced its 2026-2030 OM&A funding envelope by $39 million through the revised OM&A escalator, with the expectation of revisiting the company's labour requirements in the outer years of the plan. This analysis clearly shows that the capital-related FTE reductions that the parties argue for in light of the Approved Settlement Agreement have already been accounted for in the impact of the reduced OM&A escalator. Any further reduction in the OM&A based on the settled capital plan would simply be punitive, and cannot be substantiated by the evidence on the record.

53. Finally, Staff broadly applies this 11% capitalized-labour metric to justify blanket reductions that would encompass all engineering and supervisory roles. This ignores the functional breakdown provided in Hydro Ottawa's evidence. As detailed in Table 5 of Attachment 4-1-3(C) - Workforce Growth, of the Operations positions requested in 2026, the majority are classified as "Direct Labour". These are the positions contemplated in the 11% capitalized labour figure and are the roles specifically required to execute the capital plan—which, even after the settlement reduction, still represents a significant step-change increase of $79 million. As calculated in paragraph 62 below, this $79 million net growth equates to approximately $8.7 million in incremental capitalized labour costs, which requires approximately 60 fully capitalized direct-labour FTEs. Hydro Ottawa's request for fewer direct labour positions is therefore already highly conservative and assumes embedded productivity.

[47] Hydro Ottawa Limited, Approved Settlement Agreement, EB-2024-0115 (December 19, 2025; refiled January 16, 2026; Approved January 14, 2026), p. 60.
[48] Reply submission of OEB Staff, p. 4.
[49] The $8.9M represents non-productive labour costs. This is calculated by grossing up the $23.5M capitalized labour costs ($23.5M / 72.5% productive time) and applying the 27.5% non-productive time. The amount divided by 5 years results in an annual impact of $1.8M.

54. The remaining positions in 2026—encompassing System Operations, Engineering, Contractor Management, and Leadership—are distinctly different from the 11% direct-labour metric. These resources are dedicated to early-stage planning, long-term load studies, and integrating complex, customer-driven Large Load and DER requests.[50] Consequently, the workload for these specific engineers and leaders is driven by system complexity and customer demand, rather than capital spend. Because these roles fall completely outside the 11% capitalized labour figure, any attempt to use Staff's 11% direct-labour calculation to mathematically mandate a blanket OM&A headcount cut across these roles contradicts the evidentiary record and is fundamentally flawed. Instead, the OEB should assess the necessity of these resources based on their cost drivers—namely, the increasing complexity of the grid and the rising volume of non-discretionary customer requests, which remain unaffected by the settled capital plan.

55. Moreover, it is critical to remember (as Staff has pointed out) that any reduction to the 2026 Test Year has a multi-year effect on the OM&A funding available over the rate period (e.g. a $1M reduction in 2026 equals $5.27M reduction on the five-year OM&A funding envelope over the 2026-2030 rate term).[51] Any related reduction in the base year OM&A has over a 5 times impact over the rate term, meaning any reduction related to a 17% reduction in capital multiplies significantly beyond the capital reduction, even if you ignore the fact that the two are not directly related. In other words, a reduction to the OM&A budget based on the settled capital plan would simply result in a punitive reduction that grows over the rate term.

B. The Need For Incremental Resources at the Program Level

56. In 2026, Hydro Ottawa plans to add 81 positions or 74.5 FTEs across the organization. CCC (with the support of SEC and VECC) challenges the reasonableness of these additions at the program level, arguing that Hydro Ottawa has not adequately supported the need for these

[50] As discussed in the Argument-in-Chief, Hydro Ottawa has seen a significant increase in customer driven connection requests in recent years. In the four-year period between 2021 and 2024, Hydro Ottawa received almost twice as many large load connection requests as it received in the ten-year period between 2010 and 2020. Of these large load requests received between 2021 and 2024, 17% exceeded 30 MVA, a capacity that was not seen in the decade prior and is much more complex and resource-intensive to accommodate. Further, In 2025, the volume of DER connection requests has continued to increase, and the projected volume of large load requests in the coming rate period is also growing substantially. For a description of how this increase in customer-driven requests is driving a need for increased labour requirements, please see Argument-in-Chief, pp. 19-24, 29-30.

[51] Reply submission of OEB Staff, p. 9 & Table 3 (explains the relationship between $1M of funding the 2026 Test Year over the rate period).

incremental resources.[52] The parties' proposals are summarized in Table 5. In addition, CCMBC challenges the need for additional resources in the Engineering & Design program, but does not propose a specific headcount reduction.[53]

57. Hydro Ottawa fundamentally disagrees with CCC and CCMBC's critique of the lack of justification for the need for incremental resources at the program level. Hydro Ottawa has provided extensive information throughout the record regarding the positions it plans to add in 2026 and beyond. In Schedule 4-1-3 - Workforce Staffing and Compensation and the associated attachments, Hydro Ottawa provided a fulsome view of the incremental needs for each and every one of these new positions. This explanation was expanded on through written interrogatories, and oral questions and undertakings at the Technical Conference and Oral Hearing, all of which was summarized in the Argument-in-Chief.

58. As articulated in the Argument-in-Chief, and further explained in the sections below, the evidence Hydro Ottawa has provided demonstrates that the addition of these resources in 2026 is necessary to accommodate customer growth, execute the capital plan, implement new technologies and adapt to electrification and evolving regulatory requirements.

[52] Reply Submission of CCC, pp. 7-11; Reply Submission of VECC, p. 7 (supporting CCC reply submission); Reply Submission of SEC, p. 11 (supporting CCC reply submission).
[53] Reply Submission of CCMBC, p. 4.

Table 5 - 2026 Test Year Workforce Additions: Hydro Ottawa Proposal vs. CCC Proposal

	Hydro Ottawa Proposal		CCC Proposal		
OM&A Programs	**New Positions**	**New FTEs**	**New Positions**	**New FTEs**	**% Reduction**
Metering, Distribution Operations and Engineering & Design	68	62.6	6	5.6	(91.2)%
Information Management & Technology	5	4.6	0	0	(100.0)%
Safety, Environment & Business Continuity	4	3.7	2	1.8	(50.0)%
Human Resources	2	1.8	0	0	(100.0)%
Customer Billing and Customer & Community Relations	2	1.8	2	1.8	-
Other FTEs to Reconcile CCC[54]	-	-	-	1.6	-
TOTAL	**81**	**74.5**	**10**	**10.8**	**(87.7)%**

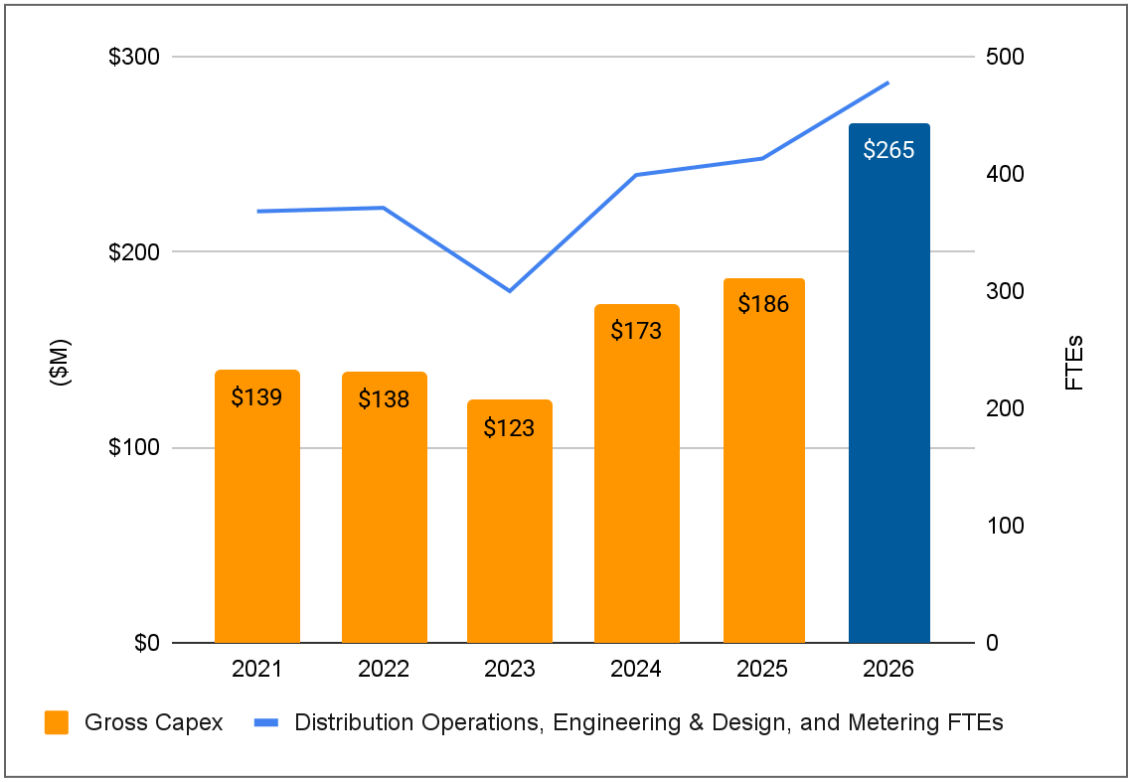
i. The Need for Incremental Skilled Trades and Engineering Resources

59. Hydro Ottawa's workforce plan for 2026 adds 68 positions or 62.6 FTEs to the Distribution Operations, Engineering & Design and Metering programs. Most of these positions are skilled trades and designated & technical professionals[55].

60. A majority of these resources are directly attributable to the step change increase in the size of the capital program occurring in 2026 and beyond. As demonstrated by Figure D below, Hydro Ottawa's settled gross capital expenditures are increasing by 42% in 2026. A step change of this magnitude requires more resources to execute. This is simple logic.

[54] CCC used 2024 program FTEs as a basis for comparison which accounts for various labour fluctuations including the impact of temporary and part time resources. This does not allow for a direct translation to the incremental FTEs associated with new positions. This row reconciles CCC's total proposed FTE count.
[55] Attachment 4-1-3(C) - Workforce Growth, p. 5 & Table 3.

Figure D – 2021-2026 Annual Gross Capital Expenditures ($M) and Distribution Operations, Engineering & Design, and Metering FTEs



61. CCC, however, argues that Hydro Ottawa needs to add only 6 new positions or 5.6 FTEs to support this significant capital program growth.[56] Their proposal would limit Hydro Ottawa to hire a mere fraction (less than one-tenth) of the skilled trades and technical resources that the utility requires to safely and effectively plan and execute the approved capital plan. This is plainly unreasonable and simply untenable in light of the growth in approved capital expenditures in 2026 and beyond.

62. In 2026, Hydro Ottawa's gross capital plan is increasing by $79M after accounting for the 17% settlement reduction in capital. This step-change in spend equates to approximately $8.7M in incremental capitalized labour costs[57] or approximately 60 fully capitalized FTEs.[58] CCC's proposal would allocate funding for only 5.6 FTEs, or less than 10% of the direct labour FTEs

[56] CCC proposes reducing the number of positions that Hydro Ottawa plans to add in its Metering, Distribution Operations, and Engineering & Design programs in 2026 from 68 to 6, a net reduction of 62 positions.
[57] This figure estimates that 11% of capital program costs are attributable to internal labour. Schedule 1-2-5 - Impacts of Inflationary Pressure, p. 36.
[58] This estimate is calculated using the average cost per FTE in 2026 from 1-Staff-1(A) - Chapter 2 Appendices, Appendix 2-K.

estimated to be required to support the capital plan in 2026. In addition, this means CCC's FTE proposal would not account for the supervisory and engineering resources who support the direct labour resources, who are equally necessary to support the increased growth in the capital plan, and whose labour is mostly expensed. CCC's proposal to decimate the hiring plan in the Distribution Operations, Engineering & Design and Metering programs has no logical tie to the approved capital plan and does not even provide for the necessary direct-labour FTEs whose labour is mostly capitalized and therefore have a small impact on OM&A budgets. As such, CCC's proposal should be rejected as it leads to a gross under-resourcing of the capital plan that could put safety and reliability outcomes at risk.

63. Moreover, it is key to note that many of the positions at issue are directly tied to customer-driven capital work, system connections, electrification initiatives, and compliance obligations. A reduction of funding related to these resources will undermine Hydro Ottawa's ability to support economic growth and development in accordance with the government's priorities, and jeopardize both near and long-term performance outcomes. More specifically, insufficient engineering and design staffing would create systematic delays in capital program delivery, ultimately impeding housing development and grid connections at a critical time when the Government of Ontario has prioritized economic growth, affordable housing development and electrification.[59]

64. For these reasons, the headcount reduction that CCC proposes is imprudent, unreasonable and should be rejected. It is premised on the unrealistic assertion that an expanded capital program can be delivered with a minimal increase of 5.6 FTEs—less than a 1% addition to the current 2024-2025 workforce. With respect, such a proposal defies basic logic. It either assumes that existing employees will be able to plan and execute almost 1.4 times as much capital work than they're currently executing today (without any safety or reliability implications), or that Hydro Ottawa should rely on more expensive contract work that has not been factored into the settled capital budgets. In respect of the latter, it is also key to note that no intervenor has argued that Hydro Ottawa's external contractor versus internal labour mix was inappropriate. In fact, the

[59] IRR 2-CCC-17, p. 12; IRR 2-Staff-114, pp. 1-2; IRR 2-DRC-6, p. 4.

evidence on the record shows that it can be more costly to execute work using external resources.[60]

65. CCMBC also questions the need for additional resources within the Engineering & Design program in particular, claiming that "Hydro Ottawa's witnesses could not provide a credible reason why Hydro Ottawa needs so many new staff in Engineering & Design to work on OM&A projects."[61] This claim directly contradicts the evidentiary record and should be rejected. Hydro Ottawa spoke to this issue in the Oral Hearing in response to a question from CCMBC, explaining that, under IFRS accounting standards, engineering and design resources must expense their time when they work on long-term projects or perform work that is not directly attributable to specific assets.[62] Such non-capitalizable work can include support for long-term load growth studies and early-stage planning work that may support future capital projects.

66. CCMBC also expressed the concern in its submission that "2026 base rates include the salaries of engineers working on OM&A projects while in 2027 or 2028 the salaries of some of the same engineers will be capitalized as they are assigned to work on Capital projects."[63] But again, this issue was raised in the Oral Hearing by CCMBC and Hydro Ottawa explained that the capitalization ratio for engineering and design resources has been consistent historically.[64]

67. In light of the evidence cited above, the OEB should dismiss CCMBC's unsupported assertions about labour capitalization within the Engineering & Design program.

ii. Adequate Digital and Cybersecurity Infrastructure Is A Necessity For a Modern Utility, Which Must Be Supported By Adequate IT Staff

68. Hydro Ottawa plans to add 8 positions that fill technology roles in 2026.[65] Of these, 5 roles or 4.6 FTEs will be housed in the IT program.[66]

[60] IRR 4-Staff-161 (Table A shows that the rate for a contracted journeyperson powerline technician is 27% more expensive from 2026-2030 period than the hourly cost for an internal FTE).
[61] Reply Submission of CCMBC, p. 4.
[62] Oral Hearing Transcript, Day 2, pp. 98-100.
[63] Reply Submission of CCMBC, p. 4.
[64] Oral Hearing Transcript, Day 2, p. 97 (*"What we have found in…looking at this over an extended period of time and history and trending is our allocation, especially in the operations team, is pretty stable in terms of the amount that gets allocated to capital. So we are not expecting any significant shift."*).
[65] Argument-in-Chief, p. 27, Table 9 & p. 30.
[66] Schedule 4-1-3 - Workforce Staffing and Compensation, p. 5, Table 1.

69. CCC challenges the need for these additional resources for the IT program, arguing that Hydro Ottawa's IT program workforce should not grow in 2026 at all.[67] CCC makes two arguments. First, CCC contends that the growth in the IT program is unnecessary in light of the growth in the program in the prior years.[68] Second, CCC argues that the growth in the IT program in 2026 is unnecessary because cloud computing licensing includes some wrap-around services that reduce work volumes.[69] Both arguments are flawed and should be rejected because they are based on a misunderstanding of the need for labour resources within Hydro Ottawa's IT program and the practical realities of transitioning to cloud computing.

CCC's Argument Misunderstands The IT Program's Historical FTE Numbers

70. With respect to CCC's historical argument, some context setting is warranted. CCC argues that "Hydro Ottawa proposes to add 3 FTEs between 2024 and 2026 when the Company has already added 7 FTEs between 2021 and 2024."[70] This argument appears to be premised on the FTE figures provided in the response to interrogatory 4-CCC-50, which do not paint a complete picture of the labour requirements in the IT program.

71. The 2021 figures in 4-CCC-50 are based on FTE actuals which were significantly impacted by COVID, and thus artificially low, as explained in the Argument-in-Chief[71] and as demonstrated by the fact that Hydro Ottawa's approved FTE levels in the last rate application for 2021 (616 FTEs) were notably greater than the actuals (585 FTEs).[72] The COVID impacts persisted throughout the first half of 2022, and then the company was hit by a derecho storm that required an all-hands-on-deck response and stalled hiring plans. The derecho recovery activities were closely followed by the 84-day labour strike in 2023.

72. Because of these historical events which caused labour levels to be artificially low, the historical data presented in 4-CCC-50 makes it seem like 7 positions were added from 2023-2024. This is not an accurate representation of the facts. During the 2021-2023 period, the IT program kept the number of positions in the program constant.[73] In 2024, Hydro Ottawa only added 2

[67] Reply Submission of CCC, p. 8.
[68] Ibid.
[69] Ibid.
[70] Reply Submission of CCC, p. 8.
[71] Argument-in-Chief, pp. 7-12.
[72] IRR 4-CCC-52, Table A.
[73] Attachment 4-1-3(C) - Workforce Growth, p. 28.

positions in the IT program: one position to address cyber security requirements and one position to oversee the planning process for IT/OT as well as to be responsible for establishing and maintaining project management standards and practices.[74]

73. These contextual factors underscore that the 2021-2023 period is anomalous and that the appropriate baseline for evaluating the company's needs is 2024 actuals. Further, as explained in more detail below, Hydro Ottawa needs to add 5 positions from 2024 to 2026 to execute a higher volume of IT projects and mitigate the increasing security risks of the digital threat landscape.[75]

IT Program Needs Additional Positions To Support Planned IT And OT Investments

74. Turning to CCC's second argument—that cloud computing will decrease, rather than increase, the resourcing needs with the IT program—CCC is again mistaken.

75. As explained in Attachment 4-1-1(A) - Transition to Cloud Computing and the Oral Hearing, moving to cloud-based services is a practical necessity for Hydro Ottawa in order to manage a much larger volume of data than ever before. Before Hydro Ottawa will be able to take advantage of any of the benefits from its move to cloud computing, it will first need to shift from its old systems to its new cloud-based systems. This will require significant resources to execute over a multi-year period:

    a. Hydro Ottawa plans to add one position to manage IT and OT projects, which include the cloud computing efforts.[76] As IT projects proliferate to meet energy transition demands, a dedicated position is needed to manage these complex transformational projects and synchronize interoperability and reliability requirements. This role protects ratepayer interests by preventing costly delays in project execution and supporting the efficient execution of projects that are prudent and necessary to maintain and improve customer outcomes and produce sustainable long-term savings.

[74] IRR 4-Staff-159 (identifying the positions added in 2024); IRR 4-Staff-150 (describing those roles).
[75] Between 2024 and 2026, Table C in 4-CCC-50 shows the IT program growing by 3 FTEs. This is because the historical FTE figures include part-time and temporary FTEs, which are expected to decrease while the overall positions in the program increase.
[76] IRR 4-Staff-150, part e); Attachment 4-1-4(C) - Workforce Growth, pp. 29-30.

b. Hydro Ottawa also plans to add one cloud engineering position.[77] The current reliance on third-party consultants for Amazon Web Services (AWS) and Google Cloud Platform (GCP) environments creates a specialized knowledge gap and higher operational costs. This role insources critical expertise to provision infrastructure for the 2026 project pipeline, ensuring optimal performance and long-term cost-efficiency. Without this role Hydro Ottawa will be forced to rely on external, often more expensive, consultants to manage AWS/GCP environments, and will lose out on the opportunity to develop this expertise in-house in order to manage future cost increases associated with specialized external support.[78]

76. That said, cloud computing is just one facet of a larger, fundamental transformation in Hydro Ottawa's digital infrastructure to support its grid modernization plan and almost doubling of the capital program. The transition to a smarter, more automated grid—including AMI 2.0, ADMS, Control Systems and Enterprise Asset Management—requires a specialized workforce to manage the exponential increase in IP-enabled assets and the added exposure to the attack surface, thus requiring greater cybersecurity scrutiny to ensure that risks are properly managed.[79]

77. CCC's outright rejection of Hydro Ottawa's IT program hiring plan also fails to consider that one of the five positions to be added in 2026 is a systems engineer to manage this proliferation of assets on the modernized grid. As the distribution network becomes increasingly digitized, the asset base is expanding at an exponential rate.[80] This role provides the required technical capacity for configuration, security patching, and lifecycle maintenance of new servers and endpoints. It is necessary to maintain operational availability and minimize technology-related downtime. Without this role, Hydro Ottawa will have a capacity gap, leaving new server and endpoint infrastructure without required configuration and patching oversight, risking the operational stability of new grid assets at a time when the complexity and volume of these assets are increasing.

[77] IRR 4-Staff-150, part e).
[78] Schedule 1-2-5 - Impacts of Inflationary Pressure, p. 35, Table 31; Oral Hearing Transcript, Day 3, pp. 17-18 (discussing the cost pressures from external IT contractors).
[79] Attachment 4-1-3(C) - Workforce Growth, pp. 29-30; Schedule 1-2-3 - Business Plan, pp. 17-18.
[80] Schedule 1-2-3 - Business Plan, pp. 17-18; Attachment 4-1-3(C) - Workforce Growth, pp. 29-30; Attachment 4-1-3(B) - Workforce Planning Strategy, p. 28.

78. CCC further ignores that two of the five positions to be added in 2026 pertain to non-discretionary cybersecurity requirements, which are required to comply with the OEB's Cyber Security Framework (CSF) and defend the utility and its customers against evolving threats to critical infrastructure:[81]

    a. The cyber engineer position automates security operations and conducts threat modeling for AMI 2.0, ensuring that new digital investments do not introduce unmitigated vulnerabilities into the utility's ecosystem.[82]

    b. Hydro Ottawa also plans to add a cybersecurity position dedicated to OT cybersecurity. Unlike traditional IT, OT environments require specialized knowledge of industrial control systems and regulatory frameworks. This supervisor will oversee risk assessments for IP-enabled assets—including Smart FCIs and DER Protection devices—ensuring the physical safety and reliability of the grid. Without specialized oversight, the proliferation of IP-enabled field devices will lack rigorous vulnerability management, creating a significant security weak point in the physical distribution network.[83]

79. CCC's proposal to eliminate the hiring of the proposed cybersecurity roles within the IT program prioritizes short-term savings over long-term security. Respectfully, such a reduction represents a false economy, where a marginal reduction in near-term OM&A expenses creates a disproportionate and unsustainable level of risk to the utility's digital infrastructure. As the recent experience with Nova Scotia Power shows, a failure of cyber defenses can be incredibly costly and disrupt customer services for months after the attack. One year after the Nova Scotia Power cyber attack, the utility is still working to fully restore its internal ERP systems and provide online billing functionality to its customers, after having to rely on manual meter-reading for months.[84]

[81] Attachment 4-1-3(C) - Workforce Growth, pp. 29-30; Schedule 2-5-9 - General Plant Investments, pp. 75-76.
[82] IRR 4-Staff-150, part e); Attachment 4-1-4(C) - Workforce Growth, pp. 29-30.
[83] IRR 4-Staff-150, part e); Attachment 4-1-4(C) - Workforce Growth, pp. 29-30; 4-1-3-B, p. 28.
[84] Nova Scotia Power, Monthly Update to the Nova Scotia Energy Board (March 6, 2026), https://nserbt.ca/sites/default/files/Monthly%20Update%206.pdf; CBC, Nova Scotia Power Says Billing Issues Will Be Fixed in March-One Year After Cyberattack, https://www.cbc.ca/news/canada/nova-scotia/nova-scotia-power-says-billing-issues-will-be-fixed-in-march-one-year-after-cyberattack-9.7077791.

iii. Sustainability Positions Are Needed To Support Hydro Ottawa's Net Zero Commitments

80. Hydro Ottawa plans to add four positions or 3.6 FTEs in 2026 to its Safety, Environment and Business Continuity program.[85] Of these four positions, CCC (with support of SEC and VECC) specifically challenges only the need for the two sustainability positions.[86] These two sustainability positions are being added to support Hydro Ottawa's environmental sustainability efforts, in particular Hydro Ottawa's commitment to achieve net zero operations by 2030.[87]

81. With the impacts of climate change becoming ever more apparent, Hydro Ottawa must enhance its business continuity posture and take appropriate steps to reduce its carbon emissions. As outlined in Hydro Ottawa's 2021-2025 Strategic Direction: "Hydro Ottawa is striving to take action that measures up to the magnitude and urgency of the challenge at hand."[88] To take this action, the organization requires an increased effort and focus to identify and implement solutions to achieve net zero targets which in turn requires staff to conduct the work.[89] Taking action on climate change is an expectation of the community in which Hydro Ottawa operates, with the City of Ottawa setting its own emission reduction goals, and is a necessity with federal targets for a net zero electricity grid and economy.[90]

82. CCC argues that these two sustainability positions are not needed because Hydro Ottawa has already made progress towards achieving its environmental goals.[91] In CCC's opinion, Hydro Ottawa has already done all that it needs to do to work towards a sustainable future. Such an argument is myopic in its view.

83. CCC is correct that Hydro Ottawa has made efforts to improve its sustainability as an organization.[92] Hydro Ottawa is proud of that fact, as it is a goal that is important to its customer

[85] Schedule 4-1-3 - Workforce Staffing and Compensation, p. 5, Table 1.
[86] Reply Submission of CCC, pp. 8-9.
[87] IRR 4-Staff-151, part b).
[88] Attachment 4-1-3(C) - Workforce Growth, p. 34; Attachment 4-1-3(E) - Health, Safety and Environmental Compliance and Sustainability and Business Continuity Management, p. 1; see also Schedule 1-2-3 - Business Plan, p. 8 (Strategic Objectives).
[89] IRR 4-Staff-151, part b).
[90] City of Ottawa, *Energy Evolution: Ottawa's Community Energy Transition Strategy - Final Report*, October 2020, https://documents.ottawa.ca/sites/default/files/energy_evolution_strategy_en.pdf; Natural Resources Canada, *Powering Canada's Future: A Clean Electricity Strategy*, December 2024, https://natural-resources.canada.ca/energy-sources/powering-canada-s-future-clean-electricity-strategy; *Canadian Net-Zero Emissions Accountability Act,* SC 2021, c 22.; *Clean Electricity Regulations,* SOR/2024-263.
[91] Reply Submission of CCC, pp. 8-9.
[92] Attachment 4-1-3(E) - Health, Safety and Environmental Compliance and Sustainability and Business Continuity Management, pp. 16-25.

base and to its employees. As shown in the Behind the Meter Survey, which engaged customers on a variety of topics relating to technologies that can help consumers better manage their energy use and enable an energy transition, a majority of respondents are extremely or very concerned about climate change, and the majority strongly or somewhat agree that "we need to reduce GHG emissions as quickly as possible."[93] Reflecting this priority, Hydro Ottawa's customer service team is receiving increasing volumes of calls relating to the energy transition and electrification.[94]

84. This progress does not mean, however, that Hydro Ottawa has achieved its sustainability goals. As discussed in the Argument-in-Chief, the unprecedented and unforeseen events, including the COVID-19 pandemic, the 2022 derecho, and the labour strike, significantly disrupted Hydro Ottawa's operations and diverted resources to address these immediate challenges.[95] As a consequence, the desired level of progress against Hydro Ottawa's sustainability plans was not fully achieved in the historical period.[96] Significant incremental work remains, which requires resources to accomplish.

85. The two new sustainability positions discussed above are needed to provide focused support for Hydro Ottawa's decarbonization efforts, efforts that to-date have been done in an ad hoc nature using contract resources.[97] Specifically, the two new staff will coordinate efforts across the company, conduct research, quantify emissions, and support the identification and evaluation of initiatives and strategies to reduce emissions. These roles will also be responsible for reviewing the methodology for net-zero, coordinating the establishment and monitoring of measures across functions and activities, identifying and promoting synergies between the utility's own net-zero activities and potential service offerings for customers; and facilitating internal and external communications.[98] Despite CCC's statements to the contrary,[99] Hydro Ottawa has clearly explained on the record the need for these two new incremental resources to support the utility's sustainability efforts.

[93] Attachment 1-4-1(F) - Behind the Meter Survey, pp. 17-18.
[94] Oral Hearing Transcript, Day 2, pp. 74-75.
[95] Argument-in-Chief, pp. 7-12.
[96] IRR 4-Staff-151; Schedule 4-1-3 - Workforce Staffing and Compensation, pp. 15-16.
[97] IRR 4-Staff-151.
[98] IRR 4-Staff-151.
[99] Reply Submission of CCC, pp. 8-9.

iv. Human Resources Positions Are Necessary To Support Workforce Growth

86. To support its growing workforce and implement lessons learned from the labour strike, Hydro Ottawa has added one position in 2024 and plans to add two positions in 2026, totalling three positions or 2.8 FTEs.[100] As shown in the Argument-in-Chief, even with this growth in the human resources program, the number of Hydro Ottawa FTEs supported by each human resources FTE is growing, requiring the Human Resources program to increase its productivity over the rate period.[101]

87. CCC argues that in light of the other reductions it proposes to Hydro Ottawa's overall workforce, the Human Resources program no longer needs additional resources in the coming rate period to manage the larger workforce.[102] These arguments should be rejected for the following reasons.

88. As a threshold matter, Hydro Ottawa disagrees that any reductions to its overall headcount in 2026 are warranted. As explained above, all the incremental resources that Hydro Ottawa plans to add in the Test Year are necessary to respond to the incremental needs facing the utility. The HR resources that Hydro Ottawa plans to add are needed, in part, to support this growth. But even if the OEB were to find that some measure of a reduction to Hydro Ottawa's 2026 headcount was appropriate, Hydro Ottawa maintains that reducing the human resources program by the number proposed by CCC is inappropriate.

89. One of the two HR positions CCC seeks to cut is an IT position that is being added to support the implementation of software solutions that will improve human capital management throughout the organization.[103] The driver for this position is unrelated to Hydro Ottawa's overall workforce growth. Moreover, this resource is necessary to enable the Human Resources program to continue to improve its productivity over the rate period and increase the ratio of FTEs to HR resources as proposed.[104]

[100] Schedule 4-1-3 - Workforce Staffing and Compensation, p. 5, Table 1.
[101] Argument-in-Chief, pp. 31-32 & Table 11.
[102] Reply Submission of CCC, p. 9.
[103] IRR 4-Staff-152, part b).
[104] Ibid.; Attachment 4-1-3(C) - Workforce Growth, pp. 36-37.

90. The remaining position is still necessary in 2026 to support Hydro Ottawa's larger and younger workforce.[105] As the pre-filed evidence shows, Hydro Ottawa's workforce is increasingly younger and less experienced.[106] Supporting this workforce translates into increased demand for HR services, as people leaders seek support for recruitment, employee development, labour relations, performance management, program/project support, and more.[107]

91. Without this modest increase in HR capacity, Hydro Ottawa risks operational inefficiencies that could impact its ability to execute its 2026-2030 plans. Delays in filling critical roles that bring new and in demand skill sets, and gaps in employee and labour relations support could arise, not only affecting workforce readiness but also introducing potential safety and productivity risks.[108]

92. CCC also argues that if the OEB agrees with its arguments reducing the size of Hydro Ottawa's workforce, the utility's training budget should also be proportionally reduced in a one-for-one manner.[109] Once again, Hydro Ottawa disagrees. Although Hydro Ottawa recognizes that there is a relationship between the number of employees in its organization and training costs, Hydro Ottawa disagrees with CCC that the relationship is one-for-one. Said differently, 1% reduction in compensation costs does not result in 1% reduction in training costs. There is variability in the training needs of each employee: Employees in some roles (e.g., direct labour or trades roles) may require more training and certification than employees in other roles.[110] Employees at different stages of their careers also have different training demands, including those employees who have been at the utility and are seeking to take on more responsibility in supervisory or leadership roles.[111] Moreover, training costs can increase in a given year for exogenous factors unrelated to changes in the workforce itself (e.g., new cybersecurity training requirements).[112] It is an oversimplification to suggest that a reduction in headcount results in a proportional reduction to training costs. The drivers of training costs are more nuanced than CCC's argument

[105] IRR 4-Staff-152, part b).
[106] Attachment 4-1-3(B) - Workforce Planning Strategy, pp. 11-13.
[107] Attachment 4-1-3(C) - Workforce Growth, p. 36.
[108] Ibid., pp. 36-37.
[109] Reply Submission of CCC, p. 13.
[110] Attachment 4-1-3(B) - Workforce Planning Strategy, pp. 15-16, 30-32.
[111] Attachment 4-1-3(B) - Workforce Planning Strategy, pp. 33-39; Oral Hearing Transcript, Day 2, pp. 143-144.
[112] Oral Hearing Transcript, Day 2, p. 143.

represents, which Hydro Ottawa explained in the Oral Hearing when CCC asked about this relationship.[113]

C. Hydro Ottawa's Workforce Plan Is the Product of A Thorough and Prudent Planning Process

93. In addition to these programmatic workforce cuts, intervenors also challenge the process that Hydro Ottawa used to create its workforce plan. SEC, in particular, argues that Hydro Ottawa's workforce plan lacked top-down constraints, was qualitative in nature, failed to adequately consider benchmarking, and is unrealistic.[114] The sections that follow demonstrate that these criticisms are unsupported and without merit.

i. The Workforce Planning Process Was Based On A Bottoms-Up Need-Based Assessment Checked By Top-Down Constraints

94. To create the workforce plan for 2026-2030 rate period, Hydro Ottawa engaged in a detailed business planning process. The process balanced the need to make crucial investments in Hydro Ottawa's grid and operations with keeping rates affordable.[115]

95. At the outset of the process, each business unit underwent a comprehensive needs analysis to draft initial business plans for the rate period. These plans were drafted with several strategic priorities in mind, as articulated in the Corporate Memorandum: 2024-2030 Priorities and Budget Guidelines.[116] Those priorities included: enabling "customer growth and the replacement of aging infrastructure to maintain plan reliability," the provision of "a safe, reliable and efficient electricity distribution system," and "meeting legislative and regulatory compliance requirements." With respect to affordability, productivity, and continuous improvement in particular, business units were instructed that "[p]roductivity, continuous improvement and cost effectiveness remain a key corporate priority across each area: capital, technology, compensation and other OM&A. Each program area should consider a focus on cost effective delivery of outcomes that matter to customers, with appropriate pacing and prioritization to

[113] Oral Hearing Transcript, Day 2, pp. 143-144.
[114] Reply Submission of SEC, pp. 8-11; see also Reply Submission of CCC, p. 9 (arguing that Hydro Ottawa's workforce rationalization process was insufficient).
[115] Oral Hearing Transcript, Day 3, pp. 53-56; IRR 2-Staff-73; IRR 4-Staff-144; IRR 4-Staff-159; IRR 4-CCC-53; IRR 1-SEC-10; Technical Conference Transcript, Day 1, pp. 83-85.
[116] Attachment 1-2-3(A) - Corporate Memorandum - 2024-2030 Priorities and Budget Guidelines.

control costs and manage risks."[117] In conjunction with these bottom-up analyses, business units also considered several top-down constraints in the form of benchmarking and executive-level guidance.[118]

96. The initial output of this bottom-up, top-down process was a capital plan that showed a need of $2 billion in capital investment over the five-year rate period.[119] This amount was judged by executive leadership and the Board of Directors to be beyond what both the company and ratepayers could reasonably afford.[120] Hydro Ottawa then re-prioritized and reduced its proposed business plan, reducing the initial capital plan by approximately 40% to $1.2 billion.[121] This required difficult decisions and significant cutbacks to programs such as resilience and strategic undergrounding, grid modernization, Net Zero initiatives and the ERP project, among others.[122]

97. The initial 2026 OM&A budget was approximately $20 million higher than the final reduced budget. To achieve this, a reduction in the headcount was implemented and each division was asked to identify and implement additional cost cuts to meet the new, more affordable OM&A target.[123] The output of this process was the workforce plan that Hydro Ottawa has presented in this rate application.

98. SEC baldly asserts that this exercise amounted to programs generating a "wish list" of positions. There is no evidence to support this claim. In fact, the evidence on the record shows that through the top-down constraints in the planning process, business units were asked to reduce their headcount requirements by approximately 11%. The results of this process are shown in the Table 6 below.

[117] Ibid.
[118] Oral Hearing Transcript, Day 3, pp. 54-55 (discussing benchmarking inputs into workforce planning); Oral Hearing Transcript, Day 1, p. 149 (discussing benchmarking inputs into the IT planning process); IRR Attachment 1-CCC-13(A) - Rate Application Material provided to the Hydro Ottawa Limited Board of Directors, p. 19.
[119] IRR Attachment 1-CCC-13(A) - Rate Application Material provided to the Hydro Ottawa Limited Board of Directors, pp. 17-19.
[120] Ibid., pp. 17-20.
[121] Ibid.
[122] IRR Attachment 1-CCC-13(A) - Rate Application Material provided to the Hydro Ottawa Limited Board of Directors, p. 20.
[123] IRR 2-Staff-73. Please refer to response to interrogatory 4-CCC-53 part (b) for more details.

Table 6 - Headcount Reductions By OM&A Program[124]

OM&A Programs	Original	Reduction	Result	% Reduction
Metering	11	3	8	27%
Engineering & Design	62	4	58	6%
Distribution Operations	94	8	86	9%
Customer Billing	1	0	1	0%
Customer & Community Relations	3	2	1	67%
Information Management & Technology	11	4	7	36%
Safety, Environment & Business Continuity	8	1	7	13%
Human Resources	3	0	3	0%
Finance	4	0	4	0%
Facilities	1	1	0	100%
Regulatory Affairs	2	0	2	0%
Total	200	23	177	11.3%

99. Anticipating this response, SEC and CCC dismiss this exercise as meaningless, with SEC stating that "the initial internal proposal was in support of … an even larger potential capital plan."[125] But this argument overlooks the substance of the cuts made through this rationalization process. In addition to reducing the capital plan from $2 billion to $1.2 billion, and eliminating positions in the Metering, Engineering & Design and Distribution Operations programs that directly support the capital plan, Hydro Ottawa made many headcount reductions that fell outside of those programs directly involved in capital execution. As shown by Table 6 above, the Customer & Community Relations and Information Management & Technology programs were some of the most affected by the rationalization, with 67% and 36% of each program's proposed headcount additions removed from the workforce plan.

100. Further to the reductions above, Hydro Ottawa has built in savings to limit FTE increases by accounting for productivity through projects such as the EAM. Those identified efficiencies were built into program budgets through these assumed workforce savings. Through the top-down rationalization process, Hydro Ottawa made cuts across programs and built in further efficiencies into the OM&A program (that already contained embedded efficiencies) to achieve a program that is more affordable to ratepayers.

[124] IRR 4-CCC-53.
[125] Reply Submission of SEC, pp. 8-9; Reply Submission of CCC, p. 9.

101. Evidence of this focus on cost-control can be found in the programs in which headcount is staying relatively flat. As discussed in the Argument-in-Chief, there are several programs where Hydro Ottawa is relying on technological productivity gains to manage increased volumes of work in the forecast period, rather than adding headcount:

a. For example, the supply chain program will be supporting a much larger capital program than previously. However, supply chain is not adding additional headcount over the coming rate period. Instead, the program is relying on the productivity gains from the implementation of the EAM program to manage this larger workload.[126]

b. The Customer and Community Relations program is another area where work volumes will increase over the coming rate period due to customer growth accompanied by rising customer expectations about the level of service and complexity of advice that Hydro Ottawa can provide. Despite this increase in work, Hydro Ottawa is only adding one IT-related role to support customer service. Hydro Ottawa will manage this increase in the volume and complexity of customer inquiries through investments in its CRM program.[127]

ii. Hydro Ottawa's Workforce Plan Was Informed By Benchmarking

102. In addition to top-down direction regarding the size of the five-year capital and OM&A plans, Hydro Ottawa's workforce plan was also informed by benchmarking results. These benchmarking results included but were not limited to the supplemental industry benchmarking analysis SEC discusses in its submission.[128] Also considered were the APB benchmarking results and the third-party benchmarking results from Gartner and Mercer regarding specific aspects of Hydro Ottawa's organization.[129]

103. SEC criticizes Hydro Ottawa's use of these benchmarking results in the planning process, noting that the results in the Application do not benchmark Hydro Ottawa against its peer in

[126] Argument-in-Chief, pp. 41-42, 52-53.
[127] Ibid.
[128] Reply Submission of SEC, p. ; Attachment 1-3-3(D) - Supplemental Industry Benchmarking Analysis.
[129] Schedule 1-3-3 - Benchmarking; Attachment 1-3-3(B) - Activity and Program-Based Benchmarking Analysis; 1-3-3(C) - Electricity Utility Scorecard Benchmarking Analysis; 1-3-3(D) - Supplemental Industry Benchmarking Analysis; Attachment 1-3-3(E) - Hydro Ottawa Enterprise IT Spending & Staffing Benchmark; Attachment 1-3-3(F) - Compensation Benchmarking Study.

2024 onward.[130] Frankly, this is unwarranted criticism. Hydro Ottawa submitted its application in April 2025 prior to RRR data becoming available in the fall of 2025. It is impossible for Hydro Ottawa to have benchmarked itself against its peers in 2024 because peer data for that year had not yet been submitted or released by the time the application was filed.

104. Moreover, it is impossible for Hydro Ottawa to benchmark itself against its peers in the forecast period. Hydro Ottawa lacks a crystal ball and therefore cannot have known in 2024 the size of its peers' workforce, customer base, or OM&A expenditures in 2025-2030. SEC's argument that Hydro Ottawa should have used clairvoyant benchmarking analysis to inform its workforce planning is not a fair remark. Hydro Ottawa used these benchmarking results in conjunction with other inputs to inform its planning and create a balanced workforce plan.

iii. Direct Labour Needs Were Estimated Using Both Quantitative And Qualitative Inputs

105. SEC also takes aim at the process that Hydro Ottawa used to forecast its direct labour needs for the coming rate period. In particular, SEC refers to the formula that Hydro Ottawa provided in its response to interrogatory 4-Staff-159, part (a)[131] to estimate its direct labour needs. Citing an exchange with SEC at the technical conference, SEC claims that Hydro Ottawa was unable to provide the inputs to this formula when asked and then admitted in that exchange that its "complex formula that analyzes labour needs" was "subjectively qualitative."[132] This is not true.

106. The process that Hydro Ottawa uses to ascertain the number of direct labour resources it will need in a given period is multi-tiered and includes numerous reviews. As explained in the Technical Conference, the process begins by examining the incremental increases in work programs as compared to the historical needs for each trade program[133] Then this initial view will be reviewed and discussed first at the manager level, with modifications made based on those discussions. The analysis is then reviewed by the director, vice-president and chief levels. The process is repeated for all the individual trades, and amalgamated into the "overall direct labour" category of the analysis underpinning the formula.[134] Because this process involves

[130] Reply Submission of SEC, p. 9.
[131] 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)
[132] Reply Submission of SEC, p. 9, para. 2.3.10.
[133] Technical Conference Transcript, Day 1, pp. 70-71.
[134] Ibid.

numerous reviews of various inputs, this information does not lend itself to a production request. That does not mean however that it was entirely qualitative. As Hydro Ottawa explained in the Technical Conference, business units use "a combination of units, labour hours, and financials" as well as "process reviews" and discussions to estimate its future labour needs. In other words, the process has both quantitative and qualitative elements. It consists of a numbers-driven analysis that is vetted by those with expertise in the business units to arrive at a sensible workforce plan that is capable of executing the work programs.

iv. Hydro Ottawa Has Successfully Hired At This Scale In the Past And Is In the Process Of Doing So Again For 2026

107. Finally, SEC also "questions" whether Hydro Ottawa is capable of executing the workforce plan it has put forth, articulating two main types of concerns.[135] First, SEC questions Hydro Ottawa's practical ability to hire at the scale that is proposed, stating (incorrectly) that Hydro Ottawa was only able to hire 50 new staff in 2024. Second, SEC questions whether the organization will be able to absorb the number of new hires planned for 2026, after stabilizing the workforce over the 2024-2025 period. In both respects, SEC's concerns are misplaced and contrary to the evidence on the record.

108. In 2024, Hydro Ottawa hired 101 individuals to fill vacancies and to fill new roles.[136] This exceeds the number of new positions that Hydro Ottawa plans to add in 2026. Although SEC points to 2024 to argue that Hydro Ottawa lacks the ability to hire at scale, Hydro Ottawa argues that its experiences in 2024 show exactly the opposite: the utility has hired on this scale in the past and can do so again.

109. Moreover, Hydro Ottawa has already taken steps and put in place numerous measures and strategies to expedite hiring processes going into the 2026 Test Year. For example, for some high-demand roles, like engineers, Hydro Ottawa has posted "evergreen" job requisitions, so that there is a permanent and constant pipeline of candidates for those roles. These candidates may even proceed through some initial stages of the vetting process, so that they are further along in the recruitment process when it becomes time to hire.[137] Further, as discussed in the

[135] Reply Submission of SEC, p 10.
[136] Oral Hearing Transcript, Day 1, p. 98.
[137] Oral Hearing Transcript. Day 2, pp. 182-183; Oral Hearing Transcript, Day 3, pp. 42-43.

Oral Hearing, Hydro Ottawa advanced some of the 2026 hiring in 2025[138] and is already in the process of hiring for the remaining 81 new positions being added in 2026. HR has posted job advertisements and began actively recruiting for some positions.[139]

110. It is true that after hiring numerous new employees in 2024, Hydro Ottawa used 2025 to fully onboard these resources and set them up for success, while also stabilizing after the labour disruption. But Hydro Ottawa fails to see how this past experience casts doubt on its hiring plans for 2026. As noted at the Oral Hearing and summarized above and in the Argument-in-Chief, Hydro Ottawa will have to reduce the pace of hiring after 2026 in order to manage within its funding envelope.

D. Hydro Ottawa's 8% Vacancy Rate Is a Reasonable Assumption for the 2026-2030 Rate Period That Is Consistent With The Actual Vacancy Rate In 2025

111. A key assumption of Hydro Ottawa's compensation budget for the 2026-2030 rate period is its vacancy rate assumption. The vacancy rate that Hydro Ottawa proposes for the 2026 Test Year is the vacancy rate that will apply throughout the entire five-year rate period—both in 2026 and in 2030—and it must be a reasonable assumption for this entire period.

112. Prior to the pandemic, Hydro Ottawa's vacancy rate assumption was 4%.[140] However, the COVID-19 pandemic, severe weather events, and the labour strike caused Hydro Ottawa's actual vacancy rates to be higher in the historical period.[141] Hydro Ottawa's long-term aim as an organization is to return to a pre-pandemic vacancy rate of 4%, and the utility is taking steps to achieve a vacancy rate target of 6% by 2030.[142]

113. Although Hydro Ottawa believes that a vacancy rate of 6% is attainable between 2027 and 2030, the utility conservatively set its vacancy rate assumption at 8% for 2026. It is important to recognize that by applying this 8% vacancy assumption, as demonstrated in Table 7, Hydro Ottawa has already reduced its 2026 OM&A compensation by $5.9 million, embedding these cost savings directly into its OM&A proposal. Hydro Ottawa submits that 8% is a very reasonable assumption that aligns with (i) Hydro Ottawa's actual vacancy rate of 7.19% in

[138] Oral Hearing Transcript, Day 1, pp. 94.
[139] Ibid., pp. 98, 113.
[140] IRR 4-Staff-171, p. 4.
[141] Ibid.
[142] Ibid.

2025,[143] (ii) the utility's plans to have a vacancy rate of 6% by 2030,[144] and reflects (iii) a higher vacancy rate for new positions in the Test Year.[145]

114. By setting the vacancy rate at a conservative 8% while working towards a 6% target, Hydro Ottawa is taking a notable risk in this application. If the utility meets its target of a 6% vacancy rate, its workforce plan will be underfunded by the current rate framework resulting in a revenue deficiency, as outlined below in paragraphs 115-129. This risk would be unreasonably and unjustly compounded if the OEB accepts Staff and intervenors' arguments to set vacancy at much higher rates as outlined in Table 7.

Table 7 - Effect of Proposed Vacancy Rates[146]

	Vacancy Rate Assumption	2026 Additional Vacancy Impact	Total 2026 Vacancy Impact[147]
Hydro Ottawa[148]	8%	—	$5.9M
Staff / CCC[149]	11%	$2.2M	$8.1M
SEC[150]	12.60%	$3.3M	$9.2M

115. Staff, CCC and SEC's primary basis for challenging the reasonableness of the 8% vacancy rate assumption relates to the number of positions that Hydro Ottawa plans to add in 2026. Because Hydro Ottawa plans to expand its workforce in 2026, Staff, CCC and SEC contend that Hydro Ottawa's 8% vacancy rate assumption is too low and that 2026 compensation should be set at a level that assumes a higher vacancy rate. Setting the vacancy rate at the level proposed by

[143] Hydro Ottawa notes that both SEC and CCC state that Hydro Ottawa's vacancy rate for 2025 was 9%. In the Oral Hearing, Hydro Ottawa stated that the vacancy rate for 2025 was below 8%. See Oral Hearing Transcript, Day 1, p. 110 (vacancy rate in Q3 2025 is 7.19%).
[144] IRR 4-Staff-171, page 4.
[145] Oral Hearing Undertaking J2.3, pp.19-20.
[146] From vacancy rate proposals alone, exclusive of the other workforce and compensation arguments Staff and intervenors make.
[147] Total vacancy impact from Staff, CCC and SEC was calculated by applying an average OM&A compensation per FTE to the change in FTEs determined by the proposed change in vacancy and adding it to the amount of the 8% baseline. Average OM&A Compensation per FTE = (Total Compensation/Total FTE) x OM&A Allocation = ($104.433M/716) x 0.66 = $96.3K. For example SEC's 12.6% vacancy equates to a 4.6% increase in vacancy and is calculated as: 748 Positions X 4.6% X 96.3K + 5.9M = 9.2M.
[148] Total 2026 Vacancy Impact calculated by applying OM&A Labour 66% allocation to 2026 vacancy of $9.0M in Table 11 of Attachment 4-1-3(A) - Employee Compensation Strategy.
[149] Reply Submission of OEB Staff, p. 5; Reply Submission of CCC, pp. 12-13; Hydro Ottawa notes that CCC did not factor in its proposed headcount reductions in creating this estimate. When those proposed headcount reductions are factored in, the proposed disallowance resulting from a higher vacancy rate of 11% is $1.96M.
[150] When SEC integrates its workforce and compensation arguments together, SEC reduces the vacancy rate used in its analysis to 9.3% with limited explanation. (Reply Submission of SEC, p. 12). Hydro Ottawa opposes a vacancy of 9.3% for the same reasons Hydro Ottawa opposes Staff, CCC and SECc's other vacancy rate proposals.

Staff and CCC would result in a $2.2M disallowance, whereas SEC's proposal would result in a disallowance of $3.3M.

116. For the reasons discussed in further detail below, Hydro Ottawa disagrees with Staff, CCC and SEC's arguments and submits that their proposals would result in an unjust and unreasonable level of OM&A funding for 2026 and the rest of the term. 8% is a reasonable vacancy rate assumption to use, as it is below the vacancy rate that Hydro Ottawa has most recently achieved, and is already higher than what the utility intends to achieve over the 2026-2030 period, and double the rate approved in the last application.

i. The Appropriate Baseline For The Vacancy Rate Is 2025, Not 2024

117. CCC and Staff argue that Hydro Ottawa's vacancy rate should be consistent with the vacancy rate experienced in 2024.[151] In CCC and Staff's view, 2024 is a year that is similar to the 2026 Test Year because in 2024, Hydro Ottawa added 50 new positions, and Hydro Ottawa plans to add 81 positions in 2026. Hydro Ottawa disagrees and submits that 2024 is not an appropriate year on which to base the vacancy rate on a going-forward basis. Rather, the appropriate comparator year for the vacancy rate is 2025.

118. As explained in the Argument-in-Chief, 2024 was the first year of stable operations following a tumultuous period of unprecedented turnover over 2021-2023 due to COVID-19, the derecho, and the labour strike.[152] Although the company successfully hired 101 positions by year-end in 2024, the vacancy rate for that year was still impacted by the enduring effects of these extraordinary historical events, most predominantly the labour strike, as recruitment was paused during the strike[153] while the number of resignations including retirements was notably higher[154] in 2023 than any other year during the rate period.[155]

119. Hydro Ottawa submits that the vacancy rate in 2026 will be lower than in 2024 for a variety of reasons. First, the impact of the unprecedented and unforeseeable historical events has receded. The 84-day labour strike in 2023 is now multiple years in the past and Hydro Ottawa has been able to stabilize its workforce over 2024-2025. Second, through reduced anticipated

[151] Reply Submission of CCC, pp. 12-13; Reply Submission of OEB Staff, p. 12.
[152] Argument-in-Chief, pp. 7-12.
[153] Attachment 4-1-3(B) - Workforce Planning Strategy, p.9.
[154] Ibid., Table 1.
[155] IRR 4-SEC-73.

retirements in the coming years and changes to the external labour market brought on by economic uncertainty, Hydro Ottawa has seen attrition rates trend downwards and this is expected to continue for the coming years, as shown in Table 8.[156] In addition, as a result of more recent federal immigration policy changes, coupled with economic uncertainty due to tariffs, Hydro Ottawa believes that the labour market is cooling off compared to 2024.[157]

Table 8 - Annual Attrition Rates 2019-2024 (Redesignations and Retirements)[158]

	2019	2020	2021	2022	2023	2024
Attrition Rate	6.86%	7.19%	5.73%	7.39%	9.21%	5.61%

120. Moreover, in 2025, following the stabilization of its workforce, Hydro Ottawa implemented several key process improvements that enabled it to hire and onboard new employees more quickly and effectively, and enhance the retention of existing employees. For example, as discussed above, Hydro Ottawa now utilizes evergreen job postings to maintain a permanent pipeline of qualified applications for in-demand, core roles.[159] Hydro Ottawa has also strengthened its trade apprenticeship programs,[160] and has strengthened its use of social media and digital recruiting platforms to ensure that it is reaching out to the largest pool of qualified applicants feasible.[161] Behind these enhanced efforts is an additional HR Advisor to support internal recruitment and hiring processes and reduce overall time to fill metrics.[162]

121. Hydro Ottawa submits that it would be unreasonable to set a vacancy rate based on one-time historical events while also ignoring the enhanced recruitment processes which have already resulted in a vacancy rate below 8%. All of these internal and external factors support the reasonableness of the vacancy assumption for the 2026 Test Year that Hydro Ottawa has proposed.

[156] IRR 4-SEC-73, part e); IRR 4-Staff-171, part a).
[157] As shown in this linked Statistics Canada figure, the number of job vacancies has been decreasing since mid-2022, while the unemployment rate is increasing, leading to a higher unemployment-to-job vacancy ratio in recent months. See also Bank of Canada, Benchmarks for Assessing Labour Market Health: 2025 Update (describing the labour market as being in a state of "modest excess supply").
[158] Attachment 4-1-3(B) - Workforce Planning Strategy, p. 10, Table 1.
[159] Oral Hearing Transcript, Day 1, pp. 109, 113-114; Oral Hearing Transcript, Day 2, pp. 182-183; Oral Hearing Transcript, Day 3, pp. 42-43.
[160] Attachment 4-1-3(B) - Workforce Planning Strategy, pp. 15-16.
[161] IRR 4-Staff-168.
[162] IRR 4-Staff-152.

122. SEC's proposal to disaggregate the vacancy rates for existing and new positions and set the former at 8% and the latter at 50% is flawed for similar reasons. First, as noted above, Hydro Ottawa's overall vacancy rate in 2025 was 7.19%. It would not be appropriate to assume that the vacancy rate for existing positions in 2026 would be higher than Hydro Ottawa's overall vacancy rate in 2025, such an assumption requires the OEB to conclude that Hydro Ottawa's ability to retain and recruit would deteriorate rather than improve in the coming years, despite the investments that Hydro Ottawa has made to improve these metrics. SEC's proposed 50% vacancy rate for new positions in 2026 is similarly flawed, as SEC points to no evidence in the record to suggest that 50% is an appropriate assumption for new positions.[163] To the contrary, Hydro Ottawa's success in promptly filling the 50 positions that were added in 2024, and that hiring for 2026 started in 2025[164], demonstrates that Hydro Ottawa will be able to successfully recruit and hire the positions with a lower vacancy rate.

ii. The Vacancy Rate Set For the Test Year Must Be A Reasonable Assumption For the Entire Five-Year Rate Period

123. Staff, CCC and SEC's proposed vacancy rates for 2026 are based on the historical vacancy rates that Hydro Ottawa experienced due to one-time unforeseen and unprecedented events. But those historical events are no longer impacting Hydro Ottawa's ability to retain and hire. As explained above, Hydro Ottawa has strengthened its recruitment processes, is seeing less attrition, hired some of the 2026 positions in 2025 and has already started recruiting for others. If the OEB were to accept Staff, CCC and SEC's arguments with respect to a higher vacancy rate, this would lead to unreasonable follow-on effects, as the vacancy rate assumption set for the 2026 Test Year carries forward for the remainder of the rate period.

124. Although Hydro Ottawa plans to add 81 positions in 2026, that level of hiring is not replicated in any subsequent year. As shown by Table 9 below, Hydro Ottawa proposed to add fewer than 10 positions in 2028, 2029, and 2030. It is simply not reasonable to apply Staff and intervenors' proposed vacancy rates to the outer years of the plan when Hydro Ottawa's workforce growth is significantly reduced, as shown below and considering that further reductions are needed to manage within the reduced OM&A escalator in the outer years of the plan. It is equally illogical

[163] SEC cites an illustrative example in Oral Hearing Undertaking J2.3, p. 20, that uses a 40% vacancy rate for 81 new positions to show the relationship between various drivers of the vacancy rate. The 50% vacancy rate SEC proposes is higher than even that illustration.
[164] Oral Hearing Transcript, Day 1, p. 113.

and punitive for the intervenors and Staff to propose both reduction to the 2026 Test Year workforce and a higher vacancy rate on the premise of incremental hiring in 2026.

Table 9 - New Positions Per Year and Proposed Vacancy Rates

	2026	2027	2028	2029	2030
New Positions	**81**	**37**	**6**	**1**	**2**
SEC Vacancy Rate	12.6%				
CCC & Staff Vacancy Rate	11%				
Hydro Ottawa's Vacancy Rate	8%				

125. Moreover, the vacancy rates that Staff, CCC and SEC propose are unprecedentedly high, when the anomalous events of the historical period are put aside. Prior to the COVID-19 pandemic, Hydro Ottawa's vacancy rate assumption was 4%. This was the vacancy rate assumption that the OEB approved in Hydro Ottawa's last rate application. Vacancy rates between 2021-2024 were higher than this baseline assumption because of the unforeseen and unprecedented events that occurred in those years, as shown in Table 10 below.

126. There is no basis to conclude that Hydro Ottawa's vacancy rate will be approximately 10% or higher in any year going forward. Hydro Ottawa is not adding a significant number of positions in all years nor is it reasonable to assume that Hydro Ottawa will experience a global pandemic or a labour strike in 2026-2030. To illustrate, SEC's vacancy rate assumption is higher than the vacancy rate in 2023, when Hydro Ottawa experienced a nearly-three month labour strike during which approximately 65% of Hydro Ottawa's staff was demobilized.

Table 10 - Vacancy Rates (2021-2026)

	2021 Approved	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Proposed
Vacancy Rate	4%	10%	12%	12%	11%	7%	8%
Operational Conditions	Historical Experience	COVID-19 Pandemic	Derecho Extreme Weather	84-Day Labour Strike	Workforce Stabilization		Test Year

127. If the OEB were to find Staff and intervenors' arguments compelling, the net effect on Hydro Ottawa's five-year OM&A envelope would be immense. Increasing the vacancy rate assumption from 8% (which is almost 1% higher than 2025 actuals[165]) to 12.6% (SEC's proposal) would

[165] Based on 2025 Q3 results, Oral HearingTranscript, Day 1, p. 110.

reduce the OM&A budget by approximately $3.3M each year, before inflation, wage growth, or new positions are factored in.[166] Over the five-year period, that equates to a decrease in the OM&A envelope of $17.4M once inflation and new positions are factored in. This is unreasonable and unsubstantiated. Similarly, Staff and CCC's proposal would reduce 2026 OM&A by $2.2M or $11.4M over the rate period.

128. As it stands, Hydro Ottawa's proposed 8% vacancy rate assumption already places significant funding risk on the organization, as it is notably higher than Hydro Ottawa's target rate of 6% for the 2026-2030 rate term.

129. If the OEB were to accept SEC's proposal and set the vacancy rate assumption at 12.6% and Hydro Ottawa's achieves its vacancy target of 6%, this would create a deficiency of $25M over the rate term, as shown in Table 11 below.

Table 11 - Effect of Proposed Vacancy Rates (6% Actual Vacancy Rate)

	Vacancy Rate Assumption	Vacancy Rate Target	2026 Additional Vacancy Impact[167]	Additional Reduction Over 2026-2030 Period
Hydro Ottawa	8.0%	6.0%	$1.4M	$7.6M
Staff / CCC	11.0%	6.0%	$3.6M	$19.0M
SEC	12.6%	6.0%	$4.8M	$25.0M

iii. Interaction of Vacancy Rates And Intervenors' Proposed Headcount Reductions

130. Finally, Hydro Ottawa notes that the arguments that Staff, CCC and SEC advance regarding the size of the Test Year workforce and the vacancy rate assumption should not be considered individually or in isolation. Reductions to Hydro Ottawa's headcount and the imposition of a higher vacancy rate assumption independently decrease the number of positions Hydro Ottawa can add in the 2026-2030 rate period. As a result, imposing both the headcount reductions proposed as well as the increased vacancy rate can lead to untenable results.

[166] This $3.3M annual reduction is calculated by applying the 4.6% vacancy rate variance difference between 12.6% and 8% to the 748 positions in 2026 (equating to a reduction of 35.90 FTEs), and multiplying it by the 2026 average wage cost of $145,856 per FTE multiplied by the 66% OM&A Allocation.
[167] From vacancy rate proposals alone, exclusive of the other workforce and compensation arguments Staff and intervenors make.

131. Taking CCC's proposals as an example: CCC proposed to add only 10[168] new positions in 2026. Assuming that Hydro Ottawa's vacancy rate for existing positions is 8% (which is higher than 2025 Q3 of 7.19%), the vacancy rate for the 10 new positions in CCC's proposal would need to have an 211% vacancy rate (taking over two years to hire 10 new positions) in order for Hydro Ottawa to have an organizational vacancy rate of 11%. Such an outcome is absurd on its face. Even if one were to assume that Hydro Ottawa's hiring practices degraded significantly, and existing positions had a 10% vacancy rate, the new positions CCC proposes would still require a 78% vacancy rate. CCC's combination of FTE reductions and increased vacancy rate simply does not mathematically align.

132. As this discussion of CCC's vacancy assumptions demonstrates, the headcount reductions proposed by the intervenors are incompatible with the vacancy assumptions they propose. It would be unreasonable for the OEB to apply both sets of arguments together without a detailed consideration of the effects that both assumptions have on Hydro Ottawa's workforce plan.

133. As demonstrated above, the various components of Hydro Ottawa's workforce and compensation plans are highly interdependent; one cannot be mechanically reduced without fundamentally altering the mathematical baseline of the others. While SEC implicitly acknowledged this complexity by submitting an alternative version of its proposal in an attempt to reconcile these overlapping impacts,[169] other intervenors simply layered their proposed cuts on top of one another. This failure to account for the compounding effects of simultaneous headcount, vacancy, and compensation adjustments reflects a fundamental flaw in the logic underlying their proposed reductions. CCC as an example:

    a. CCC proposes that "[t]he FTEs in the Information Management & Technology program should be reduced by 3 (7%), which brings the FTE count back to 2024 levels. But CCC fails to appreciate that the historical numbers have the vacancy rates embedded in them. In 2024, that vacancy rate was 11%, higher than the 8% assumed in the plan. Applying

[168] As noted in Table 5, CCC used 2024 program FTEs as a basis for comparison which accounts for various labour fluctuations including the impact of temporary and part time resources. This does not allow for a direct translation to the incremental FTEs associated with new positions. This row reconciles CCC's total proposed FTE count.

[169] However SEC's two version proposals have mathematical errors (as described in corporate costs and compensation sections) in the calculations and appears to bring an incorrect amount forward (proposes an aggressive productivity target of $1.6M but includes $2.0M in Table 6), resulting in a higher proposed disallowance than within the written arguments themselves.

CCC's reduction to the IT program in addition to the increased vacancy rate CCC proposes yields an FTE number that is well-below the 2024 level.

b. CCC's estimate for the impact of its vacancy assumption ($2.1M) is based on the number of FTEs reduced as a result of adjusting the vacancy. But CCC calculates the value of this disallowance in isolation, without taking into account CCC's own proposed reduction to the staffing plan for 2026. As a result, the FTEs reductions from the proposed vacancy disallowance have already been removed through another line of argument. So, applying a higher vacancy rate to a smaller workforce will result in a much smaller budgetary impact than what CCC has quantified.

c. Finally, CCC adopts SEC's highest estimate for a compensation reduction, adding it on top of and in addition to its other proposed reductions related to vacancy and 2026 positions. But the combined effect of the vacancy assumption and workforce proposals will reduce the number of FTEs in Hydro Ottawa significantly, reducing compensation for the organization. By doing so, CCC effectively double counts the impact of its headcount reductions, which were already captured by SEC's estimates.

134. As this discussion shows, the OEB should be very wary of this double/triple counting flaw in CCC's and potentially others' submissions. Hydro Ottawa urges the OEB to reject the compounding methodological flaws present in CCC's and potentially other intervenors' submissions.

IV. HYDRO OTTAWA'S COMPENSATION IS APPROPRIATE AND REASONABLE

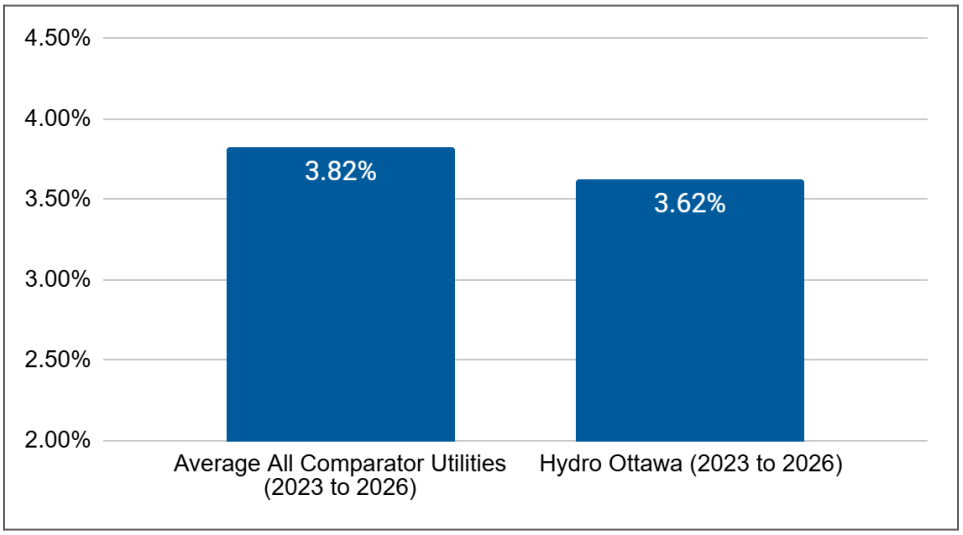
135. The amount allocated for compensation in Hydro Ottawa's 2026 Test Year OM&A budget is reasonable and necessary to ensure that Hydro Ottawa is able to attract and retain the resources it needs to deliver its work programs and provide safe, reliable and effective services to its customers.

136. As explained in Attachment 4-1-3(A) – Employee Compensation Strategy, Hydro Ottawa manages its total compensation within a disciplined envelope to maintain the service standards expected by customers, drive continuous improvement, and respond to a rapidly evolving operating context. To that end, Hydro Ottawa leverages numerous measures and reviews to

ensure compensation costs are reasonable and prudent, yet competitive with the market within which Hydro Ottawa competes for talent.[170]

137. Various metrics show that this approach has controlled compensation costs over the historical and bridge period. For example, a review of peer utilities' negotiated wage increases in collective bargaining agreements as compared to what Hydro Ottawa was recently able to negotiate with its unionized employees shows that Hydro Ottawa's average wage increase of 3.62% from 2023 to 2026 (the term of the collective agreement) was below the average increase of 3.82% for its comparators, as shown in Figure E below.

Figure E - 2023-2026 Collective Agreement Average Increase[171]



138. Similarly, an examination of Hydro Ottawa's labour cost increases between the 2021-2026 period, as provided in Table 12 below, shows that its labour rates have increased below the rate of the OEB's own inflationary parameter, demonstrating the utility's commitment to delivering cost control outcomes for customers over the prior rate term.

[170] Oral Hearing Undertaking J2.3, p. 15.
[171] Oral Hearing Undertaking J2.3, Figure A.

Table 12 - Labour Rate Increases[172]

	Historical Years				Bridge Year	Test Year	Average	Total
	2021	2022	2023	2024	2025	2026	2021-2026	2021-2026
Hydro Ottawa Labour Rate Increase	2.35%	2.58%	3.86%	3.66%	3.55%	3.45%	3.24%	19.45%
OEB Labour Escalation[173]	2.70%	7.00%	3.50%	2.30%	3.20%	4.90%	3.93%	23.60%

139. Despite this evidence, SEC argues (with CCC, BOMA and VECC's support) that Hydro Ottawa's compensation is inflated and must be adjusted downward.[174] For the reasons that follow, Hydro Ottawa respectfully contends that these intervenors' arguments are grounded in fundamental conceptual and mathematical errors and reflect a misunderstanding of the established OEB framework for evaluation of the reasonableness of compensation costs.

A. The Mercer Compensation Study Validates Hydro Ottawa's Approach To Prudently Managing Compensation Levels

i. Assessment of Reasonableness

140. SEC begins its challenge to Hydro Ottawa's compensation levels by discussing OEB policy and precedent.[175] Hydro Ottawa will do the same.

141. According to the Handbook for Utility Rate Applications, the overarching guidance document provided by the OEB to utilities and stakeholders for applications to the OEB for approval of rates, "the OEB has adopted an outcomes-based approach to regulation."[176] Applied to OM&A and compensation expenses, this principle means that the OEB's review focuses on "the outputs" and "evidence of continuous improvement, rather than the discrete line items or inputs to the OM&A budgets."[177]

[172] Schedule 1-2-5 - Impacts of Inflationary Pressure, p. 31, Table 24; Oral Hearing Undertaking J2.3, Table 3.
[173] Hydro Ottawa notes that OEB' rounds its labour escalation figures downward from the AWE – All Employees – Ontario labour escalation figures. Using AWE to two decimals results in a 2021-2026 average of 4.03% and 2021-2026 Total of 24.16%.
[174] Reply Submission of SEC, pp. 13-20; Reply Submission of CCC, pp. 14-20; Reply Submission of BOMA, p. 2; Reply Submission VECC Submission, p. 7.
[175] Reply Submission of SEC, p. 13.
[176] Ontario Energy Board, *Handbook for Utility Rate Applications* (October 13, 2026).
[177] Ibid., p.19.

142. To that end, the OEB is explicit in the Handbook that "because employee compensation costs are already reflected in the proposed capital and operational programs, a detailed presentation of compensation is not necessary for the OEB's consideration of the proposed program costs to achieve the expected outcomes."[178] Instead, the OEB expects "a utility to provide a description of its compensation strategies and policies," including "how salary scales are set and reviewed, how target salaries are compared to external benchmarks, performance pay structures, and the board of directors oversight process," and to "clearly explain the reasons for all material changes to headcount and compensation."[179]

143. With the OEB's instructions in mind, Hydro Ottawa prepared its compensation evidence, which included a breakdown of compensation in Appendix 2-K, a discussion of Hydro Ottawa's compensation strategy and review policies,[180] and an updated version of a benchmarking study that was included in the last rate application evaluating compensation for approximately two-dozen positions in the organization.[181]

144. Hydro Ottawa's compensation evidence in this application in most ways mirrored what the utility provided in its last rebasing application, with no issues having been previously raised by the parties in respect of this evidence.[182] Notably, the parties did not request as a settlement commitment that Hydro Ottawa conduct a more extensive compensation study. Nor did the OEB, in approving the settlement, comment on the sufficiency/deficiency of Hydro Ottawa's compensation evidence or cast doubt on the reasonableness of Hydro Ottawa's compensation levels.[183]

145. In this way, Hydro Ottawa is not like the other utilities that SEC referenced in its submissions. The facts in this case and prior Hydro Ottawa applications are markedly different and must be distinguished from those in the Hydro One and Ontario Power Generation (OPG) decisions that SEC relies on.[184] Although it is true that the OEB reduced Hydro One and OPG's compensation costs in the referenced decisions, it is key to note that those decisions were issued after the

[178] Ibid.
[179] Ibid.
[180] Attachment 4-1-3(A) - Employee Compensation Strategy
[181] Attachment 1-3-3(F) - Compensation Benchmarking Study; EB-2019-0261, Attachment 1-1-12(G) - Compensation Benchmarking.
[182] Hydro Ottawa Limited, EB-2019-0261, Settlement Proposal (Sept. 18, 2020).
[183] Hydro Ottawa Limited, EB-2019-0261, Decision & Order (Nov.19, 2020).
[184] Reply Submission of SEC, p. 13.

OEB determined that previously identified concerns were not addressed. In OPG's case, after the OEB found numerous systemic issues with the size of OPG's workforce, the level of compensation, and OPG's oversight of its workforce and compensation budgets.[185] And, in Hydro One's case the OEB reduced the utility's compensation levels only after the OEB expressed sequential concerns about their compensation levels in numerous prior proceedings. Even then, in both cases, the OEB did not jump to disallowing 100% of the difference between the utility's compensation levels and the market median. The OEB took incremental steps over several rate applications to reduce the utilities' compensation costs. Specifically, in Hydro One's case, the OEB first put Hydro One on notice,[186] then in the subsequent two rate applications, disallowed half of the difference between compensation levels and market median,[187] and finally, after those repeated warnings, the OEB disallowed the full difference between Hydro One's compensation and the market median.[188]

146. Crucially, no such pattern of concern exists in respect of Hydro Ottawa's compensation. The OEB has never expressed concern with Hydro Ottawa's compensation costs—nor have intervenors raised the issue in previous settlement agreements. SEC's sudden and pointed protestations in this proceeding represent the first time that Hydro Ottawa has faced criticism for its compensation levels. These criticisms are without merit and contrary to the facts on the

[185] EB-2013-0321, Decision with Reasons (Nov. 20, 2014), p. 80 (explaining that OPG's "excessive salaries (chiefly relating to the PWU), excessive pension costs, too many unionized and management staff, poor performance on the Total Generating Cost metric (which is related to excessive salaries and number of staff), and a lack of management oversight with respect to performance management and overtime" warranted a reduction to OPG's compensation, but emphasizing that "the Board will not simply make disallowances based on a straight mathematical differential between OPG and the 50th percentile of the appropriate benchmark").

[186] In Hydro One's application for 2006 distribution rates, the OEB noted "that the high compensation issue for Hydro One has a considerable history before this Board, dating back to the Ontario Hydro days." EB-2005-0378, Decision with Reasons (April 12, 2006), p.14. In that proceeding, the OEB expressed "particular[] concern[] about the apparently high labour rates," but declined to make an adjustment to the proposed OM&A costs based on compensation levels. Instead, the OEB directed Hydro One " to demonstrate in the future that lower compensation costs per employee have been achieved or demonstrate concrete initiatives whereby compensation costs will be brought more in line with other utilities." Ibid. at p. 15.

[187] In Hydro One's subsequent two applications for distribution rates, the utility presented compensation benchmarking studies that showed that Hydro One's compensation remained significantly above median (17% above median in the 2011 rate application and 10% above market in the 2015 rate application). But in neither of those two proceedings did the OEB disallow the full amount by which Hydro One's compensation exceeded P50. The OEB instead reduced Hydro One's compensation by half the difference between its current compensation levels and the market median, and directed Hydro One to continue to file compensation studies that benchmark the utility's overall compensation levels. EB-2009-0096, Decision with Reasons, (April 9, 2010), pp. 14-18; EB-2013-0416/EB-2014-247, Decision (March 12, 2015), pp. 23-25.

[188] It wasn't until Hydro One's 2018 distribution rate application that the OEB disallowed the full amount by which Hydro One's compensation was above the market median. Noting that concern about Hydro One's compensation "has been expressed in almost every OEB decision involving both the distribution and transmission costs for Hydro One for the last ten years," the OEB found that the issue had not been satisfactorily addressed as compensation remained above market. EB-2017-0049, Decision & Order (March 7, 2019), pp. 3, 106-107.

record in this or previous proceedings, which demonstrate that Hydro Ottawa has managed its total compensation costs responsibly and prudently.

ii. Mercer Study's Purpose And Limited Scope

147. To support its position on the reasonableness of Hydro Ottawa's compensation, SEC relies on a Mercer compensation benchmarking study that Hydro Ottawa included in the pre-filed evidence. This study, prepared by Mercer in January 2025, assessed the 2024 compensation and benefits for 20 positions, representing 32.6% of the total employee population.[189] The study found that Hydro Ottawa's compensation for the roles examined aligned well with the utility and general market benchmarks.[190] It also found that the examined unionized support positions aligned with the market median for the utility sector.[191]

148. The study did not provide—nor was it designed to provide—a quantitative assessment of the market competitiveness of Hydro Ottawa's overall compensation levels. As Mercer explained in the Oral Hearing Undertaking J2.3, this benchmarking study was "designed as a trend report relative to the previous Mercer study undertaken in 2019 with a similar sample size (15 roles representing 32% of the Hydro Ottawa employee population)."[192] Despite SEC purporting to extrapolate a general conclusion from this study, the Mercer study was not designed to provide an overall numerical assessment of the reasonableness of Hydro Ottawa's total compensation level. For this reason, Mercer concludes in its response to Oral Hearing Undertaking J2.3 that it is not methodologically appropriate to rely on the study to engineer such a result as SEC has done.[193]

149. To provide a view about the market competitiveness of Hydro Ottawa's compensation, a study of a different "type and scope" than the one undertaken by Mercer in this case would be necessary.[194] As Mercer explained, the "typical detailed study used to conduct this type of comprehensive analysis would aim to cover at least 50% of the organization's population (whereas only 33% of Hydro Ottawa's 2024 population were captured in the referenced Mercer

[189] Attachment 1-3-3(F) - Compensation Benchmarking Study, pp. 4-6; IRR 1-CCC-7, part a).
[190] Schedule 1-2-3 - Business Plan, p. 21.
[191] Ibid.
[192] Oral Hearing Undertaking J2.3, p. 4, lines 16-18.
[193] Ibid., p. 5, lines 1-2.
[194] Ibid., p. 4, line 27.

study). In addition to this, a sizable percentage of unique jobs would need to be included (only 7.1% of Hydro Ottawa's unique jobs were captured in the reference Mercer study)."[195]

150. The benchmarking studies that CCC cites that were performed for OPG and Hydro One have these characteristics.[196] Those studies were specifically designed by Mercer and others to provide an organization-wide view about the competitiveness of utility's compensation levels.[197] In contrast, the methodology of the study included in this rate application does not have these methodological features and therefore cannot be used to form an accurate estimate of the market competitiveness of Hydro Ottawa's compensation overall.

151. Hydro Ottawa discussed these limitations of the study in its Oral Hearing Undertaking response.[198] In response, CCC criticizes Hydro Ottawa for "downplaying the results of the study" and argues that the utility should have included more positions in the study if it was of the view that the results cannot be extrapolated.[199] This criticism is without merit and fails to recognize that *an identical study*, with the same scope in terms of position coverage, was provided by Hydro Ottawa—and accepted by the OEB and intervenors—in the 2021-2025 application without any concerns and without any extrapolation to the entire compensation envelope.[200]

152. As noted above, Hydro Ottawa provided the current Mercer benchmarking study with the intent to facilitate a comparison against the study provided in the prior rate application. To that end, the scope of the study in this application was designed to match the scope of the study from the prior proceeding so that there could be an apples-to-apples comparison of the market competitiveness of the compensation provided to the analyzed positions. In other words, in updating the prior study, Hydro Ottawa sought to facilitate a comparison across time.

[195] Ibid., p. 5.
[196] Reply Submission of CCC, p. 16.
[197] It is simply inaccurate to say, as CCC does, that extrapolating the Hydro Ottawa Mercer study in the fashion that SEC has done here is "normal practice." If that was truly the case, CCC would be able to cite proceedings in which a limited-scope Mercer study was relied on by the OEB to provide a view about a utility's overall compensation levels. CCC pointed to no such proceeding. Instead, CCC cites studies in proceedings that were specifically designed to provide a view about an organization's overall compensation, unlike the study that Hydro Ottawa has provided.
[198] Oral Hearing Undertaking J2.3.
[199] Reply Submission of CCC, p. 16.
[200] Hydro Ottawa Limited, EB-2019-0261, Attachment 1-1-12(G) (Compensation Benchmarking Study); Hydro Ottawa Limited, EB-2019-0261, Settlement Proposal (Sept. 18, 2020); Hydro Ottawa Limited, EB-2019-0261, Decision & Order (Nov.19, 2020).

153. By accurately describing the study's limitations, Hydro Ottawa is not seeking to "downplay" the study's results. It is simply a fact that neither study—not this one nor the study provided in the previous application—was designed or intended to provide an organization-wide assessment of Hydro Ottawa's compensation. And, because of the study's limitations, SEC's efforts to contort this study's methodology produce inaccurate and unreliable results. Hydro Ottawa has every right to explain why this is the case and why SEC's model should not form the basis of a decision in this proceeding.

154. Notwithstanding the limited scope of the Mercer study, SEC inappropriately seeks to extrapolate from its results conclusions that apply to the entire organization. It does so using a complicated model that SEC developed for this purpose and put to Hydro Ottawa 48 hours before the Oral Hearing, without seeking any input from Hydro Ottawa or Mercer during the discovery phase of this proceeding. Although SEC represents that its analysis is just "simple averaging,"[201] a quick review of the excel models submitted by SEC reveals that their "simple analysis" requires dozens of complex calculations that are far from simple. These models also had numerous errors, which underscores the fact that it simply is not "simple analysis" or it should be performed by an expert.

155. Even with SEC's complicated analysis, the model simply cannot be used for its intended purpose. Because the Mercer study was not completed with the methodology necessary to review compensation on an organization-wide basis, it is Mercer's *expert opinion* that "an extrapolation of the Mercer study findings, in the manner the SEC model does, will not only be inaccurate but generate results that are simply misrepresentative."

156. A close review of SEC's model by Mercer confirmed that SEC's model, in addition to being conceptually and methodologically flawed, had several numerical errors. Those errors are detailed in Undertaking Response J2.3 and discussed further below.

157. Although SEC has now purported to have fixed *some* of the errors that Mercer had identified, SEC acknowledges that it has not addressed all of the issues that the expert has with its methodology. Instead, SEC asserts that it knows better than the compensation expert on how to analyze and compare organizational compensation, and maintains its original position with

[201] Oral Hearing Transcript, Day 1, p. 135.

respect to aspects of the appropriate methodology.[202] In this regard, Hydro Ottawa notes that it has identified numerous *new* errors in SEC's refiled reply model that further cast doubt on the accuracy of the calculations SEC has provided.

158. In summary, Mercer—a compensation expert whose judgment the OEB has relied upon in past proceedings[203]—has reviewed the analysis prepared by SEC's counsel and has found that analysis to be unreliable and flawed. As summarized by Mercer:

    a. *Mercer has reviewed the tables and related spreadsheet from SEC and has concluded that due to significant methodological issues, the model cannot be reasonably or reliably used to reflect an accurate total dollar differential. Specifically, it will be inaccurate to leverage the outcomes when assessing the appropriateness of Hydro Ottawa's 2026 budgeted compensation costs.*[204]

159. For this reason alone, Hydro Ottawa respectfully submits that the OEB should not consider the SEC analysis when evaluating the reasonableness of the Test Year compensation.

160. If the OEB sees value in a more expansive study to evaluate compensation across the entire organization, Hydro Ottawa would be willing to commission such a study in its next rebasing application. However, in the absence of a past directive or explicit filing requirement, it is inappropriate to penalize Hydro Ottawa for employing the exact same study methodology that was accepted in the past.

161. For all these reasons, Hydro Ottawa submits that the OEB should reject the parties' criticisms of, and overly broad conclusions drawn from the Mercer Study.

iii. Methodological And Quantitative Errors In SEC Analysis

162. To the extent that the OEB is inclined to consider the substance of the SEC analysis in detail, Hydro Ottawa submits that the model is inaccurate and has several methodological errors that invalidate its results.

[202] Reply Submission of SEC, p. 16.
[203] Including those proceedings and OEB decisions that SEC and CCC rely upon in their arguments.
[204] Oral Hearing Undertaking J2.3, p. 4.

163. SEC first presented its model after the discovery phase of this proceeding had concluded months prior. At the hearing, Hydro Ottawa expressed concern that after an initial quick review of the SEC model, the utility had been able to identify both mathematical and methodological errors with the SEC model. However, at the OEB's direction, Hydro Ottawa undertook to work with Mercer to review in finer detail the SEC model and provide a view as to its accuracy.

164. As detailed in Oral Hearing undertaking response J2.3 and summarized below, Mercer was able to identify several significant methodological concerns with the model:[205]

    a. **Weighting Data Sources Equally:** Where data exists in both surveys, Mercer Benchmarking Database and MEARIE data should be weighted equally to ensure a robust data set and avoid skewing results.

    b. **Segregating by Employee Group:** Market results and associated costs should be split by employee group (Management, Union and Non-Union) rather than pooling Union and Non-Union employees into the same category as SEC has done in their model.

    c. **Using 2024 Data:** The calculation must be done using 2024 data, consistent with the study, as there is no market data for 2026 compensation.

    d. **Using Base Salaries for Comparison:** The calculation should be done using base salary. Total Target Cash (TTC) data is of an even smaller sample as not all positions had available data and its use clearly distorts extrapolated results.

    e. **OM&A Allocation:** An OM&A allocation of 66% should be applied to assess the impact, as the 75% figure used by SEC in its model only reflects direct labour capitalization.

    f. **Applying the Competitive Range**: The study defined market competitiveness as P50 ±10%. Variances from the market should only be calculated for the roles exceeding this competitive range.

165. Because of these errors, it is Mercer and Hydro Ottawa's view that the SEC model is an inaccurate and unreliable estimate of the market competitiveness of Hydro Ottawa's compensation.[206] That said, in an effort to be helpful to the OEB, Mercer and Hydro Ottawa

[205] Oral Hearing Undertaking J2.3, pp. 2-3.
[206] Oral Hearing Undertaking J2.3, p. 4.

endeavored in the noted undertaking response to correct SEC's analysis to the extent possible, given the limitations of the study already identified. Hydro Ottawa presented three possible extrapolations of the Mercer benchmarking study, none of which are methodologically perfect, but all of which are more accurate than what SEC has provided.[207]

166. Despite these efforts by Hydro Ottawa and Mercer to aid SEC in its analysis of Hydro Ottawa's overall compensation, SEC ignored much of what Hydro Ottawa and Mercer said in the undertaking response and continued to rely in its Submission on the compensation model created by its counsel.

167. Once again, SEC's model is flawed and contains numerous new errors and inaccuracies. Hydro Ottawa has summarized those errors in Table 13 below. These errors are in addition to the errors that Hydro Ottawa and Mercer already identified in the previous excel model provided. The fact that SEC's models are consistently beset with flaws underscores Hydro Ottawa's position that SEC's counsel should not be seeking to step into the shoes of a third-party compensation expert to provide quantitative analysis, especially at the last stages of a rate proceeding.

168. Moreover, these errors make it difficult for Hydro Ottawa to understand and refute SEC's analysis, as it is not clear to Hydro Ottawa which numbers SEC relies on in making its argument. SEC has submitted several versions of its model: the Oral Hearing Excel (Model 1), the supporting Excel accompanying SEC's original Final Argument Submission (Model 2), and a third supporting Excel that accompanied SEC's Revised Final Argument Submission (Model 3). In that Revised Final Argument Submission, SEC takes numbers and charts from both Model 2 and Model 3 without explanation for the choice between models, making it challenging to understand the basis for each of the numbers in SEC's argument.

[207] The first extrapolation, discussed in more detail below, was calculated by Mercer and identifies the difference between the market median and the compensation provided to the seven positions with benchmarking results 10% above P50. That figure is $625,120. The second extrapolation was calculated by Mercer for the entire Hydro Ottawa population without the ±10% and equals $1.973M. The third extrapolation was calculated by Hydro Ottawa using SEC's model with corrections to its methodology and data. That figure is $2.067M. See Oral Hearing Undertaking J2.3, p. 3 & Table A.

Table 13 - Summary of Errors In SEC Compensation Analysis

Document	Location	Error
Revised Final Argument Submission[208]	Page 14, Table 4, MBD if available, MEARIE if not, Disaggregated Approach (Management, Non-Union/Union)	Refers to the wrong Table, SEC appears to have intended to continue to reference a prior analysis.
Model 2 (Accompanying Final Argument Submission)[209]	Tab "50-50 Corrected" Cells: I29 and I30	The 2026 Total Salary and Wages Excluding Overtime and Incentive Pay is not properly calculated as I29/I30 link to the Incentive and Overtime cells which get impacted by the FTE reduction. The proper amounts should be $15,981,643, $52,831,506 in I29 and I30, respectively after the 8.85% reduction.
Model 2 (Accompanying Final Argument Submission)	Tab: “MBD, MEARIE IF Not Corrected” Cell: I36	Does not factor in reduction in 2026 Total Salary and Wages Excluding Overtime and Incentive Pay. FTE reduction of 8.85% should be added to this cell to correct output.
Model 2 (Accompanying Final Argument Submission)	Tab "MBD, MEARIE IF Not Corrected" Cell: I29, I30	The 2026 Total Salary and Wages Excluding Overtime and Incentive Pay is not properly calculated as I29 links to the Incentive and Overtime cells which get impacted by the FTE reduction and the amount in I30 is incorrectly including overtime. The proper amounts should be $15,981,643, $52,831,506 in I29 and I30, respectively after the 8.85% reduction.
Model 2 (Accompanying Final Argument Submission)	Tab: “MBD, MEARIE IF Not Single Agg” Cell: I36	Links to compensation from “50-50 Corrected” which is already reduced by 8.85%. FTE reduction should be removed from this cell to correct output.
Model 2 (Accompanying Final Argument Submission)	Tab: “50-50 Single Agg” Cell: I36	Links to compensation from “50-50 Corrected” which is already reduced by 8.85%. FTE reduction should be removed from this cell to correct output.
Model 2 (Accompanying Final Argument Submission)	Tab: Data - Corrected “Union/Non-Union” Cell: O46	Formula has multiplication instead of addition between 2 of the terms

[208] Reply Submission of SEC.
[209] Reply Submission of SEC, Appendix A.

Document	Location	Error
Model 3 (Accompanying Revised Final Argument Submission)[210]	Tab: "MBD, MEARIE IF Not Corrected" Cell: I30	Amount taken from J2.2(A) without removing overtime. The calculation for this cell should exclude overtime. When corrected the average matches the Isolated Reduction in Table 6 of SECs reply.
Model 3 (Accompanying Revised Final Argument Submission)	Tab: Data - Corrected "Union/Non-Union" Cell: O46	Formula has multiplication instead of addition between 2 of the terms.

169. In addition to the errors documented in Table 13 above, SEC also made several methodological errors in its new compensation model that further undermine the validity of its analysis. Some of these errors were identified by Mercer in the Oral Hearing Undertaking J2.3 and SEC has declined to fix them without adequate explanation. Others are new, adding even further complexity to parsing the revised SEC analysis, and exacerbating the procedural concerns around what SEC has done. Hydro Ottawa again submits—and urges the OEB to conclude—that these methodological problems undermine the accuracy and credibility of SEC's analysis, and cast significant procedural fairness concerns around this analysis.

170. **OM&A Allocation:** In its revised model, SEC uses an incorrect capitalization ratio. SEC's calculation fails to consider that the compensation in Appendix 2K is for all labour and not just Capital and OM&A. This, in part, is due to the simplified structure of Appendix 2K as it only has two rows for the breakdown (OM&A and Capital). In SEC's calculation, there is no factor for considering the labour that ends up recovered in the costs associated with Other Revenue. VECC makes a similar mistake in their disagreement of Hydro Ottawa's OM&A percentage share of labour, as they too exclude Other Revenue related labour costs. In Oral Hearing Undertaking Response J2.3, Hydro Ottawa provided a 66% allocation for 2024.[211] That is the correct figure and it should be used in this analysis.[212]

[210] Reply Submission of SEC, Appendix A.
[211] Oral Hearing Undertaking J2.3, p. 14.
[212] SEC requests that Hydro Ottawa provide the calculations underlying this figure. Unfortunately, Hydro Ottawa cannot provide a derivation for how to calculate this figure without supplementing the record. The exact breakdown of this labour between categories is not accessible through the standard application financials. Had SEC requested the detailed labour allocations earlier in the process, Hydro Ottawa would have been able to provide the required information to SEC so that SEC could perform this calculation accurately. However, SEC opted to wait until the Oral Hearing to suggest this type of analysis.

171. **Combining Management, Union and Non-Union Groups:** SEC's revised model combines union and non-union employees into one group in an effort to use the limited data to construct a statistically significant population.[213] But, as Mercer explained in the undertaking response, "[u]nionized populations are subject to collective agreements and thus have different staffing and compensation practices from Non-union and management roles. The mix of unionized and non-unionized employee populations and the different compensation practices used in each group should be taken into account when assessing the reasonableness of an organization's total compensation costs. The SEC model does not account for these differences and the population base."[214] With this critique having been made, SEC's decision to keep "management" as a separate category while combining union and non-union positions in its revised analysis reflects a blatant disregard for Mercer's methodological expertise.[215] Contrary to SEC's bald accusation, Hydro Ottawa is not advocating to segregate employee groups because "segregation makes the results look better as non-union is the one employee category where the company is below the market median."[216] Rather, Hydro Ottawa is pointing out these problems with SEC's analysis to demonstrate the inaccuracy of what SEC's has done, and to assist the OEB in rendering a decision that is not skewed by data and methodological errors. To that end, Hydro Ottawa has provided a corrected analysis in Oral Hearing Undertaking J2.3 and has further provided an alternative analysis in paragraphs 186-189 below.

172. **Using 2024 Data To Analyze The 2026 Test Year:** All of SEC models have inappropriately applied the 2024 market compensation data results to Hydro Ottawa's 2026 compensation levels. As Mercer unequivocally explained in the Oral Hearing undertaking response J2.3, the "2024 benchmarking results and any dollar variances they represent should not be applied on a percentage basis to overall 2026 compensation, as SEC's counsel has done," because this approach:

[213] Reply Submission of SEC, p. 16.
[214] Oral Hearing Undertaking J2.3, p. 9.
[215] If SEC was truly concerned about creating a bigger sample size while doing its best to compare apples to apples, SEC would have grouped the non-union positions with the management positions, rather than grouping them with union roles who are subject to a markedly different employment regime and compensation structure. The result is that SEC's analysis chooses to mix apples with oranges, instead of grouping together two similar types of apples.
[216] Reply Submission of SEC, p.16.

a. "Excludes any market fluctuations, data variability, introduction of new roles, 'hot skills' and corresponding changes in compensation for specific jobs at P50 between those years which is not best practice."

b. "Fails to recognize that as senior incumbents are retiring, their roles are typically being replaced at lower levels in the pay band, which we would reasonably expect to impact (improve) the benchmarking results."

c. "Risks not taking into account Hydro Ottawa's continued efforts to manage the company's compensation levels in a manner that results in outcomes below levels seen in that market."

173. In response to Mercer's expert opinion, SEC makes no effort to modify its analysis or the conclusions it draws from it. SEC states instead that "Hydro Ottawa has not provided any evidence that the differential between its compensation costs and the market median has changed since" 2024. This is the second time SEC suggests Hydro Ottawa should have provided benchmarking data on results that are not yet available. Regardless, Hydro Ottawa has provided evidence in the form of Mercer's expert opinion. Mercer has stated on the record that directly applying the results of a 2024 study to the 2026 Test Year is inaccurate. SEC ignores this evidence rather than trying to grapple with its implications.

174. SEC also claims that according to Hydro Ottawa's argument, "one could never use a compensation benchmarking study to assess forecast costs included in an application" because such an analysis necessarily relies upon historical compensation data to evaluate forecast compensation.[217] This is a misleading assertion. Hydro Ottawa never claimed that this could not be done in general; only that it could not be done on the basis of the study that Mercer completed in this application.

175. What's more is that SEC knows (or ought to know) from its involvement in other major rate applications the circumstances in which a Mercer compensation study can be used to assess forecast costs. Specifically, based on its direct experience with the Mercer compensation study completed for Hydro One in EB-2021-0110, SEC should know that it is only possible to assess the overall reasonableness of a utility's compensation levels in the forecast period using

[217] Reply Submission of SEC, p.17.

historical data if the methodology employed by the study is designed to provide such an assessment by factoring in the year-over-year market and inflationary changes as well as the utility's internal turnover and retirement rates and replacement costs at a job category level, among other variables.[218] Neither the Mercer study provided in this application nor does SEC's model perform such an analysis, despite the fact that SEC brought a motion in the Hydro One application (during the discovery process) to compel this type of forward-looking assessment and a detailed explanation of the methodology used.[219]

176. Not having raised this matter at the appropriate stage of the current proceeding, it is inappropriate for SEC to characterize Hydro Ottawa's position as limiting the ability to use historical data to assess forecast compensation. The only conclusion that the OEB should draw from this part of SEC's argument is that there is a methodological appropriate way to extrapolate the implication historical data to forecast information, which was pursued by SEC in other major rate applications involving Mercer compensation studies, but was not requested of Mercer here, and could not have been achieved within the timelines for responding to an Oral Hearing undertaking.

177. **Relationship between Compensation And Salary:** In its original model, SEC applied its conclusions with respect to P50 to the total compensation amounts (including benefits) allocated to OM&A. In the Oral Hearing undertaking response, Hydro Ottawa noted that this approach was methodologically unsound and overstated the impact that reducing compensation has on benefit costs. Approximately 40% of benefits are salary-driven, such as pension and life insurance. The remaining 60%, including health and dental, are independent of salary levels.

[218] For example, the analysis performed by Mercer in response to a settled SEC motion in Hydro One's 2023-2027 Joint Rate Application, EB-2021-0110. To forecast the difference between Hydro One's compensation levels and P50 from 2023-2027 using 2020 data and an already representative sample of Hydro One positions, Mercer: (1) calculated the 2008-2020 CAGR for the market compensation of each benchmarked job, using upper and lower boundaries for rates based on industry data; (2) escalated the market compensation in 2020 for each position by the ascertained growth rates from step 1. This is the market comparison data for the forecast period. Then, (3) established and applied a range of potential bargaining outcomes following the end of the current collective bargaining agreements at Hydro One during the forecast period and made similar assumptions for future salary increases related to the non-union group for the forecast period; (4) made (at the job category level) and applied (at the job incumbent level) turn-over and retirement and replacement cost assumptions; and (5) estimated Hydro One's compensation by position for the forecast period. Using this information, Mercer benchmarked Hydro One's compensation to the market median using Mercer's typical methodology. For further details, see EB-2021-0110, Updated Undertaking Responses (Feb. 4, 2022), JT-5.13, pp. 1-2.

[219] Hydro One Networks Inc., EB-2021-0110, SEC Motion (Jan. 17, 2022), pp. 3-4.

178. SEC now "accepts that not all benefit costs are salary driven;" however, SEC believes that the ratio presented by Hydro Ottawa should be flipped, with 60% of benefits being salary driven (instead of 40%). The arguments that SEC presents for this alternative figure are unsupported.

    a. SEC attempts to justify a higher proportion of benefits by arguing that Hydro Ottawa has overlooked some wage-dependent benefits, such as the Ontario Employer Health Tax.[220] But this is much smaller than the items Hydro Ottawa listed in its response and as such would not change the 40% figure Hydro Ottawa provides.

    b. SEC also suggests (with CCC's support) that its 60% figure is warranted because pension benefits become more generous at higher salary levels. The implication is that only those high-income positions would be affected by a downward adjustment to P50. SEC presents no basis for that claim, in fact the results of the Mercer study contradict that claim.[221]

179. **Applying The Competitive Range:** As Mercer explained in oral hearing undertaking response J2.3, SEC's use of the market median (P50) as a precise cut-off conflicts with Mercer's standard practice of using a ±10% range around P50 to define competitive *when benchmarking individual jobs,* as the study in this application did. Mercer uses ±10% to define what is "market" compensation for individual jobs for several reasons:

    a. Statistical Rationale: Market data is inherently variable due to factors in both data collection as well as differences in company size, geography, industry, incumbent tenure/seniority, and specialized skill factors. A ±10% band around the statistical median accounts for these market fluctuations and data variability, and is accepted by compensation experts to define the range of compensation that is aligned to market.

    b. Industry Standard Practice: Using a deadband to define market competitiveness is the standard industry practice used by compensation surveys and consulting practices. It is the practical reality that employers require flexibility to differentiate pay among individuals in similar roles based on factors like merit, individual performance, tenure, or

[220] The amount of the Ontario Employe Health Tax is set by law and ranges from less than 1% to 1.95%, depending on the level of total remuneration.
[221] Compare the salary levels at Attachment 1-3-3(F) - Compensation Benchmarking Study, p. 10 with Oral Hearing Undertaking J1.1, p. 2, Table A.

skills specialization. Moreover, labour market conditions are in a state of constant flux, so what is appropriate market compensation may vary over time. A hyper focus on the market median overlooks these key practicalities involved in assessing compensation levels.

180. Hydro Ottawa agrees with Mercer's expert opinion on the appropriateness of the ±10% range for assessing the market competitiveness of compensation at the job level.

181. That said, Hydro Ottawa acknowledges that the OEB has, in the past, been willing to assess compensation against the rigid market-median data point. In those proceedings, however, the utility at issue had repeatedly been warned by the OEB about its compensation levels. After repeated instances in which the utility failed to take adequate corrective action, the OEB used the blunt tool that is the P50 analysis to impose a downward compensation adjustment on the utility based on a *methodologically appropriate study*. As has been discussed above, no such pattern of equivocation towards rising compensation costs can be found in Hydro Ottawa's case. To the contrary, as discussed above, the record shows an impressive record of containing cost pressures in a tumultuous labour market.

182. **MEARIE / MBD Weighting:** In addition, both SEC and CCC maintain that it is appropriate for the SEC analysis to rely primarily on the MBD database in the extrapolation analysis, and use the MEARIE dataset only when MBD data is unavailable. Hydro Ottawa disagrees that this approach is reasonable. As explained in J2.3, it is Mercer's expert opinion that using both data sources when they are available results in the most accurate results because the analysis built off of a larger, less skewed dataset. In this regard, it is worth noting that Mercer—the creator of the MBD dataset—advocates for its use in conjunction with other datasets to maximize reliability and accuracy. The MEARIE/MBD 50/50 data weighting is a more accurate approach than the alternatives, although it too is subject to the same overarching methodological flaws already discussed.

iv. CCC's Extension of SEC's Analysis

183. Building on SEC's compensation analysis, CCC argues that SEC's analysis underestimates the difference between Hydro Ottawa's compensation levels and the market median because SEC's

analysis uses base salary data instead of target total cash (TTC) data.[222] Had TTC data been used, CCC argues that the differential between Hydro Ottawa's compensation and the market median would be higher and the OEB should therefore increase the disallowance proposed to reflect this.[223]

184. CCC's argument rests on a faulty premise. As explained in the Oral Hearing Undertaking J2.3, only one survey (MBD) has complete TTC information and the positions for which TTC data is available is not representative of the Hydro Ottawa workforce.[224] As a result of these flaws, the picture of Hydro Ottawa's compensation that is painted by the TTC dataset is even more unreliable and inaccurate than what is created with the base salary information.

    a. **Missing MEARIE Datapoints:** TTC is base salary plus short-term incentives. For positions where short-term incentives are not offered, MEARIE does not provide a TTC datapoint. Therefore, any TTC-based benchmarking analysis using MEARIE data is skewed to only benchmark those roles that offer short-term incentives, a specific subset of roles within Hydro Ottawa that is not representative of the entire organization.[225]

    b. **Key Roles With No TTC Data:** Furthermore, the System Operator and Powerline Technician roles do not have TTC market datapoints in either the MEARIE or MBD databases. These two positions represent more than half of the FTE base used for the base salary analysis. Since these roles carried a base pay closer to P50 median, their exclusion from the TTC market compensation analysis creates a skewed sample that does not accurately represent the benchmarked group, let alone the total organization.[226]

185. Because of these limitations with the TTC data, it would be wrong to draw any conclusion about Hydro Ottawa's overall market competitiveness based on this information.

v. Hydro Ottawa's Alternative to SEC's Analysis

186. For all the reasons articulated above, Hydro Ottawa submits that it is inappropriate for the OEB to rely on SEC's analysis (or CCC's modification of it) in assessing the reasonableness of Hydro

[222] Reply Submission of CCC, p. 15.
[223] Ibid.
[224] Oral Hearing Undertaking J2.3, pp. 12-13.
[225] Ibid.
[226] Ibid.

Ottawa's compensation levels. Mercer, a compensation expert relied upon by the OEB for its knowledge in this area, has examined SEC's model and found it to be unreliable and inaccurate. And, SEC's revised model includes numerous data and methodological errors that prevent it from being a reliable or accurate source of information, even after needing to refile the model after submitting their reply.

187. If, however, the OEB is compelled to reduce Hydro Ottawa's Test Year budget by some amount for compensation-related reasons, Hydro Ottawa submits that there are only two reasonable alternatives consistent with Mercer's expert evidence. The first approach focuses on the new positions that Hydro Ottawa plans to add in the coming rate term. Hydro Ottawa believes that it could be appropriate to focus on these new positions because, as a practical matter, Hydro Ottawa cannot decrease the wages of its current employees to bring their compensation in line with a P50 figure (nor does the company have P50 evidence for the majority of positions). Taking such an action would not only be legally questionable (i.e. constructive dismissal), but it would also undermine Hydro Ottawa's ability to retain the skilled and qualified workers needed to operate the utility in an era of increasing complexity. Hydro Ottawa also notes that this scope for the analysis is consistent with how Commissioner Duff characterized the SEC analysis in the Oral Hearing exchange which ultimately led to undertaking J2.3, as "saying if every new job, the new hire was at the 50th [percentile], calculate what that difference would be, and sum them up for all positions."[227] If the benchmarking results per employee group (management, union, non-union) are applied to the 81 new positions in 2026, the difference between the compensation for those positions and P50 is $167,233.[228] A second alternative view prepared by Mercer considers the cost differential between market median and the base salary for only those benchmarked positions. Of the twenty positions benchmarked by Mercer, seven were above the market median by 10% or more. The output of both calculations is reflected in Table 14 below.

[227] Oral Hearing Transcript , Day 1, p. 142.
[228] Oral Hearing Undertaking J2.3, p. 19 & Table D.

Table 14 - Summary of Corrected Compensation Extrapolation Scenarios

Model Scenario	Extrapolated Result
Extrapolation of P50 to the 81 new positions in 2026 – calculated by Hydro Ottawa[229]	$167,223
Extrapolation using P50 ± 10% (7 Positions above) – calculated by Mercer[230]	$625,120

188. In addition, Hydro Ottawa further proposes that the OEB should not adjust Hydro Ottawa's 2026 Test Year budget by the full amount of the compensation differential identified above. To be consistent with those past proceedings in which the OEB has been concerned by evidence of above-market compensation, the OEB should first instruct Hydro Ottawa to take steps to reduce above-market compensation and study the issue further through benchmarking updates. Only after receiving such a caution from the OEB would Hydro Ottawa propose it would be reasonable for the OEB to take further steps related to any continued concern regarding Hydro Ottawa's compensation and the market median. Such an approach is consistent with the treatment given to other utilities in the past, reflects the fact that the P50 metric is not a precise measure of what level of compensation is reasonable (for the reasons discussed above and articulated by Mercer in J2.3), recognizes that above-market compensation has not been an issue before for Hydro Ottawa and gives Hydro Ottawa the opportunity to address any issue before imposing financially-punitive reductions.

189. As emphasized throughout Hydro Ottawa's pre-filed evidence and in witness testimony at the Oral Hearing, Hydro Ottawa needs a qualified, experienced, and supported workforce in the coming rate period to navigate this period of significant sectoral change. The reductions proposed by the intervenors undermine the progress that Hydro Ottawa has made in recent years, following the labour strike, to better support its workforce yet still manage labour costs. They also fail to recognize the significant efforts that Hydro Ottawa has undertaken to manage its total compensation envelope below the OEB's labour inflation parameter, and to negotiate wages with its union that are below the rates agreed upon by peer utilities in recent collective agreements.

[229] Ibid., p. 19 & Table D.
[230] Ibid., p. 3 & Table A.

B. Hydro Ottawa's Overtime Assumption is Reasonable and Should be Approved

190. In addition to challenging Hydro Ottawa's compensation on the ground that it is above market, SEC and CCC (with VECC's support) also contend that Hydro Ottawa's compensation budget for 2026 overestimates overtime expenses.[231]

191. In 2026, Hydro Ottawa expects to spend approximately $4.75M in overtime pay, constituting 5.8% of salary expenses for this period.[232] The expected share of overtime as a percent of salary expenses for 2026 mirrors the share in 2024 and 2025, as shown in Table 15.

Table 15 - Overtime as a Percentage of Salary[233]

	2021	2022	2023	2024	2025	2026
Overall	6.1%	9.7%	11.0%	5.9%	5.7%	5.8%

192. SEC and CCC argue the 5.8% overtime assumption is unreasonable because Hydro Ottawa is adding more resources in 2026 and so the amount the organization spends on overtime should decrease.[234] SEC submits that a more appropriate overtime assumption is less than 5%, and CCC suggests that the assumption should be 4.5%, as shown in Table 16 below.

Table 16 - Proposed Overtime Assumptions

Party	Overtime as % of Salary	Test Year	Disallowance
Hydro Ottawa	5.8%	$4.75M	–
SEC[235]	4.9%	$4.00M	$0.75M
CCC	4.5%	$3.95M	$0.80M

193. SEC and CCC's overtime arguments should be rejected because they overlook the practical reality of what drives overtime expenses. As explained in the Oral Hearing, overtime is not only

[231] Reply Submission of CCC, pp. 11-12; Reply Submission of SEC, pp. 20-21; Reply Submission of VECC, p. 7 (supporting CCC and SEC's analysis).
[232] Oral Heading Undertaking Attachment J2.2(A) - Updated Breakout of Appendix 2-K.
[233] Ibid.
[234] Reply Submission of CCC, pp. 11-12; Reply Submission of SEC, pp. 20-21.
[235] In its submission, SEC argues that "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." SEC Submission, p. 21. However, these numbers are not interchangeable, so it is not clear to Hydro Ottawa what exactly SEC is advocating for. Hydro Ottawa has presented SEC's middle option in the table as also presented in Table 6 of SEC's reply.

caused by understaffing. It is also caused by the need to perform operational work at off-peak times.[236] With Hydro Ottawa's planned capital program growing significantly, the volume of this type of after-hours work will have to increase in the coming period in order to manage the impact of construction on local communities. The addition of more resources will not alleviate these overtime needs.

a. For example, to eliminate 4 kV stations and convert to different voltage levels, Hydro Ottawa must perform work on individual homes and businesses. Completing this work during business hours can be quite disruptive, so in many cases Hydro Ottawa works with customers to complete the work after business hours so as not to disrupt service.[237]

b. Similarly, pole renewals can also be complex and require road closures in high traffic-areas. So, again, Hydro Ottawa works with the City of Ottawa to complete the work during off-peak traffic hours or on weekends to avoid disrupting streets and traffic plans.[238]

194. Another category of overtime occurs when there is a severe weather event or outage requiring immediate emergency response. In those circumstances, this restoration work often involves overtime due to its unplanned and all-hands nature.[239] As discussed in the Argument-in-Chief, the Ottawa area is increasingly experiencing severe weather events,[240] and Hydro Ottawa's supplemental benchmarking shows that it is an outlier among its peers in terms of the frequency of major weather events.[241] It is clear from Table 15 above that Hydro Ottawa has not assumed that a significant weather event of the magnitude of the 2022 derecho will recur in the coming rate period. Nonetheless, considering the extreme weather patterns that Hydro Ottawa has experienced in recent years, it is clear that severe weather will continue to be a challenge that Hydro Ottawa will have to manage over the 2026-2030 rate term—and this requires an adequate provision for overtime labour to conduct reactive work during storms.

[236] Oral Hearing Transcript. Day 2, pp. 113-115.
[237] Ibid.
[238] Ibid.
[239] Ibid.
[240] Argument-in-Chief, pp. 7-21, 19-22.
[241] Argument-in-Chief, Figure D, p. 20; Attachment 1-3-3(D) - Supplemental Industry Benchmarking Analysis, pp. 4-5.

195. For all these reasons, Hydro Ottawa maintains that it is reasonable to assume that overtime costs will equal 5.8% of salary in the 2026 Test Year. This figure is representative of Hydro Ottawa's recent historical experience, and it appropriately balances the expansion of Hydro Ottawa's workforce alongside the increasing volumes of planned and reactive work that the utility will have to execute in the 2026-2030 rate term.

196. Finally, Hydro Ottawa notes that to the extent that the OEB finds persuasive Staff and intervenors' arguments in favour of a reduced headcount, it would be inappropriate to further reduce Hydro Ottawa's overtime as a share of salary percentage. SEC and CCC argue that a reduction of the overtime assumption is warranted because Hydro Ottawa is adding headcount. If the OEB reduces the number of positions that Hydro Ottawa is adding in 2026, SEC and CCC's argument that Hydro Ottawa's overtime percentage is too high because of the new positions being added falls apart. To the contrary, if the OEB were to reduce Hydro Ottawa's 2026 headcount from what is proposed, Hydro Ottawa respectfully submits that its overtime percentage would increase because the utility would lack the necessary resources to execute the significantly larger capital plan, thus having to rely on more overtime to get the work done. By attempting to simultaneously cut headcount and reduce the overtime budget, intervenors are once again analyzing intertwined operational realities in a vacuum and ignoring the inherent interdependence of these cost drivers.

V. IT INVESTMENTS ARE NECESSARY TO BUILD CAPABILITIES ACROSS THE ORGANIZATION AND SUPPORT AN ELECTRIFIED, MODERNIZED GRID

197. Hydro Ottawa's 2026 Test Year budget includes $6.1M of incremental technology investments. As explained in the pre-filed evidence and in the Argument-in-Chief, these investments, which relate to cloud computing, cybersecurity and grid modernization, are necessary to keep pace with the rapid evolution of the demands on IT and OT systems.

198. SEC "accepts that many of these cloud-based solutions are required for Hydro Ottawa to perform its work and hopefully become more efficient;" however, SEC questions whether the level of investment Hydro Ottawa intends to make in 2026 is appropriate and seeks to undermine the benchmarking evidence Hydro Ottawa has provided regarding its technology

expenditures.[242] Based on these two arguments, SEC argues that a 10% disallowance for Hydro Ottawa's IT expenditures or $1.7M is appropriate.[243] For the reasons that follow, Hydro Ottawa strongly disagrees.

A. The Pacing of Cloud Computing Investments Is Appropriate

199. As explained in the Argument-in-Chief, Hydro Ottawa is undergoing a multi-year effort to move to cloud-based platforms.[244] The initial stages of this cloud-computing effort consist of two major cloud-computing initiatives: the Enterprise Asset Management (EAM) and Customer Relationship Management (CRM) projects.[245]

200. SEC argues that the implementation of these two projects should be paced more slowly[246] However, this argument does not account for the pressing and immediate needs that are driving these investments, and the fact that these projects have been relied upon by the organization to keep headcount levels flat in numerous areas of the business despite increasing volumes of work.

201. To demonstrate the need for these investments, Hydro Ottawa created what amounts to a material investment plan[247] for these two projects given this transition from capital to OM&A no longer requires one in the DSP[248].

202. **EAM:** Hydro Ottawa's existing EAM processes and technology are largely manual and are unable to scale to meet rising demands. As discussed in the Argument-in-Chief, a 2022 assessment of the current asset management system highlighted critical gaps, which impede efficient management and ISO audit compliance. The EAM project responds to these deficiencies in Hydro Ottawa's current asset management program by implementing a unified, cloud-based system that can replace a largely manual system and facilitate real-time data collection and condition-based monitoring. With Hydro Ottawa's asset portfolio expected to reach $3 billion by 2030 along with deteriorating asset conditions, it is an operational imperative

[242] Reply Submission of SEC, p. 24.
[243] Ibid., p. 26.
[244] Argument-in-Chief, pp. 36-42.
[245] Attachment 4-1-1(A) - Transition to Cloud Computing.
[246] Reply Submission of SEC, p. 24.
[247] Attachment 4-1-1(A) - Transition to Cloud Computing
[248] Oral Hearing Transcript, Day 2, p. 25.

that Hydro Ottawa improve its EAM system. Deferring this project would harm the organization's ability to address compounding inefficiencies as the number of assets and the complexity involved in their integration into the grid increases. Table 17 below details some of these risks presented by a deferral of this investment.

Table 17 - Risks Associated With Deferring EAM Investment[249]

Risk	Impact	Risk Category
Asset Register continues to be manually updated, and Asset Health Index calculation continues to be performed in spreadsheets	Data inaccuracies due to source information stored in multiple locations, extensive data validation and reconciliation, risk to projects	Asset Failure
Testing, Inspection & Maintenance (TIM) data continues to be stored in multiple places	Manual integration of asset information results in a very labor intensive process	Operational
Asset Management Plans (AMPs) is currently updated manually	Requires significant manual effort from engineering resources to maintain ISO-55001 certification renewal.	Regulatory
Lack of data availability to perform rapid engineering analysis for increasing numbers of DER connections	Potential for missed deadlines set by OEB for completion of impact assessments of DER connections	Regulatory
Inconsistent maintenance activities exist and auto-scheduling, efficient routing capabilities are not utilized	Increased on-field and overhead costs impacting productivity	Customer Satisfaction
Lack of automation of repetitive tasks such as inspection & maintenance activities, outage prediction and restoration	Reduced efficiency and productivity, resulting in more expensive operations	Operational

203. **CRM:** The CRM project is a continuation of an ongoing customer service-driven initiative. By expanding Hydro Ottawa's current use of Salesforce, Hydro Ottawa will be able to better and more efficiently serve its growing customer base that has increasingly complex needs. As discussed in the Argument-in-Chief, the Ottawa region is one of the fastest growing metropolitan

[249] Attachment 4-1-1(C) - Transition to Cloud Computing, pp. 7-11; Attachment 1-3-4(B) - Digital Strategy, p. 13.

areas in the province. Hydro Ottawa's customer base is also increasingly relying on Hydro Ottawa for more complex advice relating to electrification and bill management, and Hydro Ottawa is seeing a significant increase in customer requests for DERs, large loads, and even simple connections.[250] The CRM upgrades provide a way for Hydro Ottawa to manage this growth in an efficient manner. Hydro Ottawa specifically opted to keep headcount in its front line customer service areas flat, and instead leverage investments in its CRM tool to meet this growing need. As outlined in Table 18 below, deferring or postponing this investment creates numerous concrete risks across the utility.

Table 18 - Risks Associated With Deferral Of The CRM Project[251]

Risk	Impact	Risk Category
Persistence of Data Silos	Inability to form a holistic view of the customer leads to inconsistent messaging and fragmented service delivery across touchpoints.	Strategic / Data Integrity
Increased Agent Onboarding Time	Without an intuitive Salesforce interface, new agents must learn multiple disparate systems (CIS), leading to higher training costs and slower time-to-productivity.	Operational Efficiency
Sub-optimal Resource Allocation	Lack of centralized data prevents leadership from identifying where field operations or billing processes are failing, leading to wasted spend and inefficiency.	Financial / Operational
Customer Experience Stagnation	Inability to personalize interactions or proactively resolve issues results in lower customer satisfaction scores and increased complaints.	Reputational / Customer Focus
Ineffective Outreach Campaigns	Limited customer segmentation means marketing and information campaigns remain "broad brush," reducing engagement and failing to resonate with specific needs.	Strategic / Marketing
Delayed Decision-Making	Leadership continues to rely on fragmented reports rather than real-time, data-driven insights, hindering the ability to adapt to evolving market needs.	Governance / Strategic
Increased Resolution Times	Agents spend more time navigating legacy systems rather than solving problems, leading to longer call durations and frustrated customers.	Operational / Customer Focus

[250] Schedule 1-2-3 - Business Plan, p. 33, Attachment 4-1-3(C) - Workforce Growth, p. 10; Schedule 2-5-5 - Capital Expenditure Plan, p. 18.
[251] Attachment 4-1-1(A) - Transition to Cloud Computing, pp. 16-20.

204. As these tables show, deferring the EAM or CRM investments, as SEC proposes, would undermine Hydro Ottawa's ability to maintain its aging grid infrastructure and respond to a rising volume of complex customer inquiries. SEC's argument that Hydro Ottawa's IT investments can be more prudently paced ignores these operational needs.

205. Furthermore, SEC's argument also fails to appreciate that Hydro Ottawa's investment plan for cloud computing is reflective of Hydro Ottawa's overall Digital Strategy,[252] which includes, as part of its planning process, a commitment to prudently pace technology projects. By prioritizing projects with the greatest immediate need and by treating major cloud transitions as multi-year projects, Hydro Ottawa has avoided an "everything now" scenario. That said, deferring technology investments itself comes at a cost. Delays in transitioning IT solutions can exacerbate existing inefficiencies, as the organization must navigate a fragmented hybrid state with manual interventions to circumvent technological gaps. Hydro Ottawa has meaningfully weighed these decisions in order to allow for the realization of operational efficiencies while balancing affordability.

206. Demonstrating this commitment is Hydro Ottawa's decision to defer significant investments in a new Enterprise Resource Planning (ERP) system in this rate period. Hydro Ottawa's existing ERP is limited and outdated, preventing the utility from being able to make system improvements that would increase efficiency and facilitate better organizational management. To address this need, Hydro Ottawa initially planned on upgrading this system in the 2026-2030 rate period. However, due to affordability concerns, Hydro Ottawa scaled back the original investment plan and decided to defer investment in a new ERP system until the next rate period (i.e., after 2030).

207. In deciding to prioritize investments in CRM and EAM, Hydro Ottawa balanced affordability against critical business needs. These investments are immediate upgrades that are critical to distribution operations and customer services and respond to the obsolescence of critical vendor-supported infrastructure. Delaying these investments further would be imprudent and create undue operational risk.

[252] Attachment 1-3-4(B) - Digital Strategy pp. 18, 21.

B. The Gartner Benchmarking Study Reinforces The Evidence On The Record Showing The Reasonableness of Hydro Ottawa's IT Expenditures

208. As part of Hydro Ottawa's evidence supporting the reasonableness of its IT investments, Hydro Ottawa provided a benchmarking study from Gartner. That study compared Hydro Ottawa's IT expenditures to a group of peers in Gartner's proprietary benchmarking database. This study showed that Hydro Ottawa's IT spend is reasonable and in line with its peers overall.[253]

209. SEC makes two arguments with respect to the Gartner benchmarking report. First, SEC contends that the study is "useless" and should be disregarded due to Gartner's refusal to name the individual study participants.[254] Second, SEC contends, in the alternative, that even if the OEB were to consider the study, the study shows that Hydro Ottawa's IT expenditures are unreasonable and therefore should be reduced.[255] In the sections that follow, Hydro Ottawa will explain why SEC is mistaken as to both arguments.

i. The Peer Group Selected Is Appropriate

210. SEC's first argument relates to the information that Gartner has disclosed about the make-up of the peer group in the benchmarking study. In particular, SEC challenges Gartner's decision not to disclose the identities of the utilities included in the eight-member peer group in the study. Unless the peers are named, in SEC's view, the entire study should be disregarded.[256] Hydro Ottawa firmly disagrees.

211. Although the identity of those peers was anonymized, key features regarding the peers' size, location, revenue, and operations were disclosed on the record. The group of eight peers are located in Canada, USA, Europe, and New Zealand; have an average total revenue of $1.5 billion, average total operating expenses of $1.2 billion, and average total employees of 1,096. Three peers are distribution only utilities, one is a generation only utility, and four are generation, transmission, and distribution utilities.[257]

[253] Attachment 1-3-3(E) - Hydro Ottawa Enterprise IT Spending & Staffing Benchmark, pp. 4-5.
[254] Reply Submission of SEC, p. 24.
[255] Reply Submission of SEC, p. 26
[256] Reply Submission of SEC, p. 24.
[257] IRR 1-SEC-22, part b).

212. SEC is well aware of Gartner's contractual confidentiality requirements, which require Gartner not to share client information unless in an anonymized and aggregate fashion. SEC made the same request in Hydro One's recent joint rate application proceeding, and Hydro One was unable to provide this information.[258] However, SEC and Hydro One were able to reach an agreement for a modified undertaking, whereby Hydro One confirmed that they have no knowledge of the identity of the custom peer group, nor of the ITKMD-Utility Industry companies, Gartner confirmed that all organizations within the custom peer group have generation, transmission, and distribution operations, and Gartner provided further information about employee totals and total revenue of peer group organizations.[259]

213. Had SEC pressed this issue at an earlier stage in the proceeding with Hydro Ottawa and expressed dissatisfaction with the information that Gartner had provided regarding the peer group, it is possible that a similar compromise could have been reached here and SEC's concerns could have been addressed. However, because SEC raises this issue now, during argument after the discovery process and oral hearing have concluded, Hydro Ottawa is unable to supplement the record as needed to address SEC's concerns.

214. The purpose of the discovery process—and intervenors' participation in the ratemaking process—is to ensure that the OEB has a full, complete and tested record before it when making a decision on a utility's rate application. By delaying raising this issue until the end of the process, SEC has undermined the central purpose of the discovery process. In this regard, Hydro Ottawa notes that if SEC intended to rely on this argument to discredit the Gartner benchmarking study, it should pursue this matter more vigorously during discovery, as it has been done in other major rate applications.

215. Procedural concerns aside, however, the thrust of SEC's argument regarding the peer group misses the mark. SEC claims that it is "impossible to determine" whether the peer group is comparable to Hydro Ottawa.[260] This ignores the information that has been provided to date about the peer group as well as Gartner's role as an expert intermediary.

[258] Hydro One Networks Inc., EB-2021-0110, B4-SEC-162.
[259] Hydro One Networks Inc., EB-2021-0110, Undertaking JT-2.31.
[260] Reply Submission of SEC, p.25

216. As described above, Gartner has provided the key features of the peer group that make that group of utilities comparable to Hydro Ottawa in Gartner's expert opinion. Those features are utility size, revenue, operating expense, and number of employees. For IT expenditures in particular, size is crucial, as IT infrastructure often benefits from economies of scale.

217. Gartner's proprietary data is crucial for obtaining valid benchmarks to assist with IT planning. The reality is that there are not nine other utilities in Ontario that match Hydro Ottawa's specific characteristics of revenue, operating expenses, employees, operating models, and geography. Utilities only provide the information at the required granularity due to the confidential treatment of their information, and the granularity itself is what makes these benchmarks so valuable. The benefit of Gartner's database is that it is robust, validated, and broad, enabling a closer apples-to-apples comparison—it is a database that many other utilities in Ontario rely on to gain insight into their IT expenditures and disclosure of the kind that SEC requests would jeopardize the availability of that information.

218. Hydro Ottawa respectfully submits that the foundational information required for regulatory fairness and methodological scrutiny is not the names of the participants, but the criteria for their selection. The information that Gartner has provided about the peer group is sufficient for the OEB to decide whether the peer group is a useful one, despite the anonymity of the specific participants.

219. The Gartner study is a reputable, independent, and standard industry tool. Dismissing it because it protects the privacy of its data contributors would deprive the OEB of a high-quality, objective benchmark that cannot be replicated using a limited pool of local Ontario utilities.

220. Finally, Hydro Ottawa does note that a similar study was completed in its last rate application, where the same question regarding the visibility of peers was asked in IR-OEB-48(a). Intervenors party to the Settlement, for which SEC was one, agreed the Study met the OEB requirements and supported the plan as modified.[261] Although Hydro Ottawa can understand

[261] The 2021-2025 Hydro Ottawa Settlement Agreement notes at page 48:
Q: Are the benchmarking studies and analyses provided responsive to the OEB's expectations in the Rate Handbook, and are the results supportive of Hydro Ottawa's Custom IR plan?
A: The Parties agree that Hydro Ottawa has satisfied the OEB's expectations and requirements for the provision of internal and external benchmarking to support its capital spending and business plans, as modified by this Settlement Proposal.

each rate application is different, the contrast from believing a similar study conducted by the same organization using the same peer methodology has now become “useless” appears to be an extreme shift that frustrates the regulatory process and lacks merit.

221. In any event, even if the OEB were to decide that the Gartner study was not a valuable input into its consideration of the reasonableness of Hydro Ottawa’s IT spend, Hydro Ottawa notes that the Gartner report is only one additional piece of evidence that Hydro Ottawa has provided to demonstrate the reasonableness and prudence of its historical expenditure levels. In addition to the Gartner report, Hydro Ottawa has included in its evidence a detailed description of the investments it has made in the historical period, the continuous improvement and productivity gains that have resulted from those investments, the Digital Strategy document that guides Hydro Ottawa’s future IT investments, a description of the capital investments and cloud computing OM&A investments planned for the coming rate period, a detailed breakdown of the resources in the IT program, and the labour costs of those resources.[262] The Gartner report is intended to supplement this evidence with an additional third-party perspective regarding the reasonableness of Hydro Ottawa’s IT expenditures relative to its peers. But Hydro Ottawa has provided sufficient evidence on the record to independently justify the investments it plans to make in the 2026 Test Year.

ii. Gartner Study Reinforces The Reasonableness of Hydro Ottawa’s IT Program Expenditures

222. SEC argues, in the alternative, that if the OEB were to find that the Gartner study provides some value, then the OEB should focus on two metrics that SEC suggests show that Hydro Ottawa’s IT program spend is too high: IT expenditure allocation to growth or transformation and IT expenditures per employee.[263] Hydro Ottawa disagrees with SEC that either of these metrics undermine the reasonableness of its IT expenditures.

223. **Allocation of IT Expenditures To Growth Or Transformation**: The Gartner report shows that Hydro Ottawa allocates 52% of its IT expenditures to “growth” and "transformation" activities, and the remaining amount to “run” activities. Although this metric shows that Hydro Ottawa spends more on the former categories than its peers, that allocation is offset by “run” costs that

[262] Attachment 4-1-1(A) - Transition to Cloud Computing, pp. 7-22.; IRR Attachment 4-CCC-36(A) - Hydro Ottawa Current State Analysis Final; Schedule 2-5-9 - General Plant Investments, pp. 4-50, pp.75-87; Attachment 4-1-3(C) - Workforce Staffing and Compensation, p. 27 .
[263] Reply Submission of SEC, p. 26.

are materially lower than the peer average (48% vs 74%). Hydro Ottawa disagrees with SEC that this profile of resource allocation indicates anything concerning; rather, the relatively low allocation to the "run" categories shows that Hydro Ottawa is a highly efficient IT organization that has minimized the cost of maintaining legacy systems to prioritize strategic investments in digital transformation and customer service excellence.

224. **IT Expenditures Per FTE:** The Gartner report also shows that Hydro Ottawa's average IT expenditures per FTE are higher than its peers. This is the inevitable result of Hydro Ottawa's lean staffing, coupled with fixed IT infrastructure costs.[264] Hydro Ottawa maintains 41% fewer employees than the peer average, meaning fixed IT infrastructure costs are spread across a significantly smaller denominator.

225. **IT Expenditures As A Share Of Revenue and Operating Expenses:** An alternative view of the proportionality of Hydro Ottawa's IT spend is provided by IT expenditures as a share of revenue and as a share of operating expenses. These key metrics show that Hydro Ottawa's IT expenditures are consistent with its peers.

226. SEC seeks to shift focus away from these favourable results by noting that these figures include pass-through commodity and transmission costs and revenues. This, SEC argues, artificially inflates Hydro Ottawa's revenue "with costs that have nothing to do with the company's own operations." For the reasons that follow, SEC is mistaken and misguided in advancing this argument.

227. As a general matter, Hydro Ottawa submits that benchmarks are useful precisely when the same yardstick is used for every participant. To that end, total revenue and total operating expenses provide a helpful standardized metric across jurisdictions and utility business models (i.e. whether vertically integrated or unbundled).

228. Furthermore, SEC incorrectly separates financial pass-through costs and revenues from the digital infrastructure required to manage them. However, from an operational standpoint, IT systems like Billing, and Meter Data Management must process every dollar and every kilowatt-hour, regardless of whether that dollar stays with Hydro Ottawa or is passed to other

[264] Attachment 1-3-3(E) - Hydro Ottawa Enterprise IT Spending & Staffing Benchmark, pp. 19-20.

participants in the energy system. An IT system processing $1.1[265] billion in total financial throughput made up of multiple rates and rate structures requires significant complexity of billing engines, settlement algorithms, processing power, storage capability and regulatory reporting requirements. Larger financial flows necessitate more rigorous, multi-layered testing environments to prevent errors and to minimize risk as well as higher levels of cybersecurity, auditability, and data availability than a system managing a fraction of that amount. For Hydro Ottawa this also includes the settlement embedded generation payments, of approximately 1,000 contracts,[266] for which each generator has their own agreed rate and each program has their own rate structure. For a more detailed understanding of the complex rates and settlement that Hydro Ottawa manages, please see Table 19 below. This Table shows that distribution rates account for just 17% of the rates that Hydro Ottawa must manage. The vast majority are multi-faceted pass-through revenue rates that are the most complex to manage and require sophisticated infrastructure.

Table 19 - Distribution and Flowthrough Rates

Count type	Distribution Rates	Multi-Faceted Pass-through revenue	Total
Category 1 - fixed amount	11	2	13
Category 2 - conditional logic		16	16
Category 3 - total or highest value-based	8	33	41
Category 4 - time based and involves external integration		33	33
Category 5 - Class A (customer specific)		2	2
Category 6 - Generation - conditional logic (customer specific contract rates)		4	4
Total	**19**	**90**	**109**

229. In short, SEC's suggested method of reading the study necessitates cherry-picking what looks to be the negative results and asserting inaccurate conclusions and overlooking the favourable

[265] Attachment 1-3-3(E) - Hydro Ottawa Enterprise IT Spending & Staffing Benchmark, p.13
[266] Attachment 8-4-2(A) - Proposed Generation Charge Calculation, based on March 2024.

ones. This is an unfair and unhelpful lens on the study's results. Hydro Ottawa submits that the Gartner benchmarking study shows that its IT expenditures are, on the whole, consistent with peers.

230. Furthermore, Hydro Ottawa submits that the 2026 IT budget funds prudent and pressing investments needed to ensure the continued safety, reliability, and efficiency of the distribution system. SEC's proposed $1.7 million[267] reduction to this budget is unsubstantiated by the extensive evidence on the record justifying the program's expenditures. It represents an arbitrary 10% cut to the budget that would underfund the IT program throughout the entire 2026-2030 rate term, during a critical time of digital evolution and transformative change in the energy sector. This disallowance is not in the best interests of customers, as it would expose Hydro Ottawa to significant operational and security risks, and limit its opportunities to leverage technology to improve long-term cost-efficiency and effectiveness. For these reasons, Hydro Ottawa submits that the OEB should reject SEC's proposal and approve 2026 IT budget as proposed.

VI. DISTRIBUTION OPERATIONS INVESTMENTS ARE REASONABLE AND NECESSARY

A. Investments In Inspection and Maintenance Are Necessary To Maintain the Reliability of Hydro Ottawa's Aging and Deteriorating Asset Base

231. Hydro Ottawa plans to invest $3.2M in enhancements to its testing, inspection, and maintenance program.[268] As discussed in the Argument-in-Chief, 54% Hydro Ottawa's distribution infrastructure has reached the end of its typical useful life and is rapidly deteriorating, with 8% of assets projected to be in degraded condition by the end of the rate term even with the proposed levels of investment.[269] To manage the increasing reliability and safety risks posed by these challenging asset demographics while constraining capital investment in system renewal, Hydro Ottawa is transitioning to an enhanced, data-driven

[267] Reply Submission of SEC, p. 2.
[268] Undertaking Response JT1.11, Table A. $3.2M includes $1.4M on current testing, inspection and maintenance efforts and $1.8M in new enhancements to the distribution system's testing, inspection and maintenance program. This $3.2M figure does not include the $2.8M that will be invested in a testing, inspection, and maintenance program for managing modern asset systems (including grid-scale Battery Energy Storage Systems or BESS) and monitoring third-party DERs that can be utilized as NWS. Argument-in-Chief, pp. 35-36. For further discussion of Hydro Ottawa's NWS program, please see the discussion of the SSM.
[269] Schedule 2-5-1 - Distribution System Plan Overview, p. 69, Table 3.

maintenance strategy—rigorous testing and inspection enhancements play a critical part in this strategy.

232. CCMBC challenges the need for this spending, arguing that the need for increased testing and maintenance is a sign of imprudent asset management.[270] Hydro Ottawa rejects this bald assertion and contends the opposite is true. By investing in testing, inspection and maintenance Hydro Ottawa plans to optimize the utilization of its existing assets, and obtain more rigorous data that will enable Hydro Ottawa to better identify and direct renewal capital dollars towards the assets that pose the greatest risk to grid reliability and safety. CCMBC's argument also fails to acknowledge that in the current 2021-2025 rate period, Hydro Ottawa has had to make incremental investments in O&M programs to manage its deteriorating asset base, despite not being funded for this higher level of costs.[271]

233. SEC and CCC also argue against Hydro Ottawa's proposed investments levels in testing, inspection and maintenance improvements, challenging these budgets on the basis that: (i) renewal capital spending is increasing significantly in the coming rate period, (ii) the investments in automation and new IT solutions can be paced more slowly, and (iii) Hydro Ottawa's reliability performance has been strong in recent years. These arguments fundamentally misunderstand the need for these investments and should be rejected.

234. Hydro Ottawa 2026 Test Year budget for testing, inspection and maintenance is prudent and necessary to address the safety and reliability risks posed by its aging and deteriorating distribution system. In light of the significant constraints that have been placed upon Hydro Ottawa's capital renewal budgets through the planning process,[272] and further reductions implemented by the settlement agreement, the consequences of disallowing these O&M expenditures are significant. As the Government of Ontario noted in striking the Panel for Utility Leadership and Service Excellence (PULSE): "If the backbone of Ontario's electricity grid — Ontario's utilities that bring power to homes, businesses and factories — cannot keep up, Ontario risks falling behind."

[270] Reply Submission of CCMBC, pp. 2-3.
[271] Schedule 4-1-2 Operations, Maintenance and Administration Program Costs, Table 4, p. 9.
[272] IRRs 2-Staff-73, 2-SEC-41, 2-Staff-55, 2-SEC-42, Attachment 1-CCC-13(A); Technical Conference Transcript, Day 1, p. 21, Day 2, pp. 35-36.

i. The Renewal Capital Plan Does Not Alleviate The Need For Proactive Maintenance

235. As explained in the Argument-In-Chief and Oral Hearing, the approved capital program for 2026-2030 does not reduce the need for investments in testing, inspection and maintenance. In fact, it increases O&M expenses, as large investments in capacity upgrades and new infrastructure to serve load growth, increase the overall volume of assets that Hydro Ottawa is required to inspect and maintain.

236. But the primary driver of Hydro Ottawa's need to invest in its testing, inspection and maintenance programs is the deterioration of Hydro Ottawa's existing, aging assets. As Table 20 shows, without any investment, a majority of Hydro Ottawa's asset base will have reached or exceeded the end of its useful life by 2030. Even after renewal capital investments are considered, the share of distribution assets in degraded condition is expected to grow over the rate period as further explained below.

Table 20 - Asset Age Demographic Projections (No Investment)[273]

Asset System	2024 – Reached or ExceededTUL	2030 Reached or Exceeded TUL	2035 Reached or Exceeded TUL	2040 Reached or Exceeded TUL
Metering	67%	81%	N/A[274]	N/A
Overhead	23%	30%	36%	46%
Stations	59%	65%	69%	75%
Underground	26%	37%	46%	52%
Total	**54%**	**67%**	**42%**	**50%**

237. Due in part to the deteriorating nature of its asset base, Hydro Ottawa initially drafted a capital plan of $2 billion. Due to concerns about affordability, that capital plan was reduced to $1.2 billion through the business planning process. Within the total $1.2 billion budget, approximately $261 million (22%) is allocated to system renewal for asset classes governed by a calculated health index. However, as illustrated in Table 21 and further detailed in the Argument-in-Chief, this level of funding is insufficient to keep pace with the rate of asset deterioration. The evidence shows that $261 million is only sufficient to address 30% of the total investment required to replace assets projected to reach a degraded state by 2030. This means that even with the

[273] Schedule 2-5-4 - Asset Management Process, p.151, Figure 29; p. 164, Figure 43; & p. 171, Figure 51.
[274] As noted in IRR 2-SEC-51.

proposed investments in system renewal, the proportion of assets in degraded condition will inevitably rise from 6% to 8% by the end of the period—a measurable decline in overall system health which necessitates incremental investment in O&M to manage the ensuing safety and reliability performance risks.

Table 21 - 2024 and 2030[275] Asset System Renewal Needs by Condition

Asset System	% of Assets in Degraded Condition in 2024	Investment Required to Replace all Assets Projected to be Degraded by 2030	2026-2030 Proposed System Renewal Investment	% Assets in Degraded Condition in 2030 (with proposed investment)
Overhead	12%	80 Overhead (OH) Switches, 5,737 Poles **$199M**	340 OH Switches, 1,975 Poles **$68M**	10%
Stations[276]	13%	53 Station Batteries,177 Station Breakers, 12 Station Transformers **$205M**	14 Station Batteries, 83 Station Breakers, 11 Station Transformers **$90M**	15%
Underground	3%	114 Cable Chambers, 28 Underground (UG) Switchgear, 336 km XLPE Cable, 1,972 Vault Transformers, 18 Vault Switchgear **$458M**	30 Cable Chambers, 30 UG Switchgear, 61 km XLPE Cable, 90 Vault Distribution Transformers, 30 Vault Switchgear **$103M**	6%
Total	**6%**	**$862M**	**$261M**	**8%**

238. Further, as a consequence of the settlement agreement reducing the 2026-2030 capital plan by 17%, Hydro Ottawa's envelope for system renewal investments is even smaller than the original proposal of $261M for asset classes governed by a calculated health index. As a result, the share of assets in degraded condition in 2030 will be even higher than what is shown in Table 21 above.[277]

[275] All costs are in 2024 dollars.
[276] For Stations, the dollars shown don't consider relays, RTUs, station minor assets, buildings/facilities and transfer trip installations, as these asset types don't have condition information associated with them. These specific station assets follow an age-based replacement criteria and Hydro Ottawa has considered them in the 2026-2030 system renewal investment plans.
[277] Oral Hearing Transcript, Day 2, p. 198 (explaining that Hydro Ottawa has already decreased system renewal as part of the rationalization exercise, with further cuts to be made).

239. As explained in the Oral Hearing, these capital constraints pose significant challenges for Hydro Ottawa that can be mitigated by having better asset data and analytics to identify risk and prioritize projects :

> "With the reductions that we have made in the overall capital program, specifically the reductions that will likely need to take place in the system renewal, coupled with the degradation and the overall age of our station assets, it's very critical to us that we are able to collect more detailed information …and that we are able to get real-time information"[278]

240. In short, because of the significant top-down constraints that have been imposed on Hydro Ottawa's system renewal programs through the utility's planning process and via settlement, the capital investments that Hydro Ottawa will make in the upcoming rate term are simply not sufficient to address the asset deterioration risk indicated by condition and age demographics. Hydro Ottawa needs to invest in its testing, inspection and maintenance programs to maintain grid safety and reliability while managing asset degradation. These investments are critical as they enable Hydro Ottawa to have the data and capabilities necessary to use predictive analytics to improve its risk prioritization and optimize capital delivery.[279]

241. Failing to appreciate this nuanced context and the purposeful OM&A and capital trade-offs that Hydro Ottawa has factored into its planning to address the system challenges it faces, SEC and CCC propose reductions to the testing, inspection and maintenance program that would make it more difficult than it already will be for Hydro Ottawa to manage the risks associated with its deteriorating asset base. Simply put, CCC and SEC's proposed cuts would jeopardize system performance outcomes in the near-term and prevent the utility from implementing robust predictive analytics and capabilities that will provide long-term value for customers. Hydro Ottawa submits that these proposals are not in the best interest of customers and the OEB should therefore reject them.

ii. Proactive Maintenance Requires Better Data Processed In A Timely Manner

242. Hydro Ottawa proposes to invest $1.8M on technology, automation, and artificial intelligence investments to refine condition assessments and improve overall asset management. Coupled

[278] Oral Hearing Transcript, Day 2, p.133.
[279] Schedule 2-5-1 - Distribution System Plan Overview, pp. 68-69.

with other testing, inspection, and maintenance initiatives, these investments will enable Hydro Ottawa to more effectively manage its assets in a proactive, risk-based manner.

243. Enhancement of data acquisition and analytical processing is a key component of Hydro Ottawa's asset-intelligence strategy. This involved the following investments:[280]

a. **Image Recognition Anomaly Detection:** To take full advantage of the data gathered from other testing, inspection and maintenance enhancements (e.g., from drone inspections), Hydro Ottawa plans to implement image recognition software to more quickly and accurately identify anomalies and establish asset degradation mechanisms, eliminating the reliance on time-consuming manual reviews, improving labour efficiency.

b. **Automated Station Inspections:** To increase productivity and reliability within the stations program, Hydro Ottawa plans to automate station inspections forms using image-based recognition capabilities to identify nameplate information and asset deficiencies thereby eliminating manual entries, reducing the chance of transposition errors and improving labour efficiency.

c. **Machine Learning For Regional Analysis:** Hydro Ottawa plans to use k-means clustering and other machine learning techniques to process the data it has gathered about asset condition to pinpoint distinct regional and thematic patterns, understand underlying drivers of asset degradation, and support reliability performance. These investments are integral to Hydro Ottawa's strategy to leverage enhanced data and analytics to mitigate safety and reliability risks associated with its aging infrastructure, and provide the necessary tools to improve Hydro Ottawa's long-term asset management capabilities to improve capital risk-efficiency optimization.

d. **Real-Time Asset Condition Assessment:** For critical assets, such as station transformers, Hydro Ottawa plans to develop intelligent models (e.g., Duval's Pentagon) to perform dynamic, real-time condition assessments to immediately identify issues to maximize value and support reliability.

[280] Technical Conference Undertaking JT1.12, pp. 1-2.

244. Although CCC sees value in these investments and appreciates that "there may be merit in further exploration of new tools to support the asset management plan," CCC proposed that the 2026 Test Year budget for this program should be reduced by 50%, arguing that these investments should be implemented at a slower pace. This necessarily means that many of these investments would have to be deferred into the next rate period. Hydro Ottawa submits that CCC's argument should be rejected because it fails to appreciate the interlocking nature of these technology investments and the other testing, inspection, and maintenance enhancements planned for 2026.

245. As explained above, obtaining more granular data on actual asset health allows Hydro Ottawa to efficiently prioritize its limited System Renewal capital, targeting the assets that pose the absolute greatest risk and avoiding large costs from unplanned asset failure and expensive corrective renewal projects. This is especially crucial for overhead and underground assets, approximately 25% of which have reached or exceeded their Typical Useful Life (TUL). Because replacing all of these assets by 2030 is financially impractical, enhanced inspection is required to safely manage them. Enhanced inspection requires both better data and better data-processing capabilities, the latter part is the focus of Hydro Ottawa's automation and machine learning investments.

246. Said differently, these proposed technology, machine learning and AI investments unlock the value gathered by other enhancements to the inspection programs because these technological solutions are able to better process and decode the images and scans captured. Without corresponding technology investments, Hydro Ottawa would be unable to get the full value of the testing and inspection enhancements planned for the 2026 Test Year.

    a. For example, historical reliability data indicates an increase in equipment failures since 2021, particularly for overhead switches, underground transformers, and cables, necessitating more sophisticated inspection techniques. Enhanced component-level inspection data enables crews to proactively repair or replace specific degrading parts (e.g., bushings, insulators, elbows, splices) before they fail, extending the overall useful life of the asset without full capital replacement. To fully take advantage of the enhanced component-level data, Hydro Ottawa must have supporting technologies to be able to process and analyze that data.

b. Moreover, ground-based inspections lack visibility into pole-top anomalies (like hot spots), and traditional cable testing cannot easily detect specific localized degradation mechanisms. Using advanced data collection (like drone inspections and advanced cable testing) enables a strategic shift from traditional time-based maintenance to proactive, condition-based asset-component level maintenance. But gathering the information takes Hydro Ottawa only part of the way. Hydro Ottawa needs to have the tools to process these increased volumes of images and data sets in a timely manner in order to be able to get the full benefit of the information gathered from these enhanced inspection techniques.

c. The insights gained from enhanced testing and inspection efforts feed into and support the following years' planned prioritization of investments and maintenance. With better information, Hydro Ottawa is able to more effectively identify those higher-risk assets for maintenance or renewal to maximize the value of each dollar spent. Delaying investments in the technologies that allow Hydro Ottawa to process the information it gathers from its enhanced testing and inspection efforts will prevent Hydro Ottawa from being able to unlock the value of better data during these annual planning periods.

247. Hydro Ottawa is counting on these investments to increase labour productivity within Distribution Operations, Engineering & Design and Metering functions. As discussed above, the ratio of capital expenditures to Distribution Operations, Engineering & Design and Metering FTEs is significantly increasing in the next rate term, as is the total number of assets Hydro Ottawa is managing due to system growth and expansion.[281] Hydro Ottawa must find productivity improvements to manage this growing work portfolio without proportionally scaling its resources (i.e. to increase the throughput of work handled by each FTE). These technology investments to automate testing and inspection activities are key to Hydro Ottawa finding the incremental efficiencies that are necessary to be able to deliver its outcomes and manage within the funding levels set for 2026-2030.

248. For all these reasons, Hydro Ottawa firmly opposes CCC's proposal to limit the number of technology investments in the testing, inspection and maintenance program in the 2026-2030

[281] Argument-in-Chief, p. 28, Figure F, showing net capital expenditures per Distribution Operations, Engineering & Design and Metering FTE increasing by approximately 25% in 2026.

rate period, and submits that the OEB should reject this proposal as it is not in the best interests of customers in the near or long-term.

iii. Proactive Maintenance Prevents Future Erosion of Reliability Performance

249. Finally, SEC notes, in challenging the appropriateness of Hydro Ottawa's testing, inspection and maintenance investments, Hydro Ottawa's history of reliability performance.[282] However, the fact that Hydro Ottawa's reliability metrics have been strong recently does not obviate the need to invest in testing, inspection and maintenance today. Testing, inspection and maintenance programming is an investment in future reliability. It is not reactive, but is rather proactive—supporting the prioritization of investments so as to extend the life of an overall degrading system that cannot be entirely replaced due to capital constraints.

250. As discussed above, Hydro Ottawa's aging asset base is deteriorating and it is deteriorating at a rate that outpaces the renewal capital program. By 2031, there will be an increased percentage of assets reaching a degraded state, even after renewal capital investments are factored into the analysis. Hydro Ottawa's reliability will deteriorate in the future if investments in the maintenance program are not made today.

251. Key to maintaining Hydro Ottawa's system reliability is the prudent management of the lifecycle of aging assets. Hydro Ottawa's asset management strategy prioritizes extending the life and value of its assets through targeted renewals, timely repairs, and proactive maintenance—all of which depend upon the data collected from the testing, inspection and maintenance program. The investments Hydro Ottawa is making to the testing and inspection program help to prevent minor issues from becoming major problems, which in turn, directly supports Hydro Ottawa's future reliability performance.

252. Customers need and expect improved reliability, and their willingness to pay for it is evidenced by the customer engagement results. As shown in Table 22 below, residential and small business customers alike prioritized "maintaining reliable electricity service" as their top priority.[283] Similarly, with the 2022 derecho still on customers' minds, investments to strengthen the grid, modernize it, and replace aging assets were customers' top three priorities across classes.

[282] Reply Submission of SEC, p.21.
[283] Schedule 2-5-1 - Distribution System Plan Overview, p. 52, line 23-27.

Table 22 - Customer Priority Ranking by Category[284]

Investment Priority	Customer Category		
	Residential	Small Business	Commercial & Industrial and Key Account
Grid Resilience	1	1	2
Grid Modernization	2	2	2
Aging Infrastructure (replacing equipment)	3	3	1
Metering Renewal	4	5	5
Growth and Electrification	5	4	4

253. If SEC and CCC's arguments were accepted and the OEB were to reduce spending in the testing, inspection and maintenance program by $0.9 million to $1 million in the 2026 Test Year,[285] this would result in an overall reduction of approximately $4.7 million to $5.3 million over the five-year rate period or approximately 30% of the total investment planned for the period.[286] Such a cut would significantly hinder or in some cases eliminate Hydro Ottawa's ability to enhance data processing and reduce planned improvements to its health index and predictive analytics framework. This would limit Hydro Ottawa's ability to engage the type of proactive asset management that is key to maintaining and where possible improving reliability in the future.

B. Vegetation Management Cut Cycle Reflects A Risk-Based And Prudent Approach

254. A key element of Hydro Ottawa's vegetation management program is its comprehensive planned tree trimming program which is central to minimizing the risk of outages caused by vegetation interference.[287] Hydro Ottawa's tree-trimming program is planned on a five-year cycle for the entire service territory. However, that cycle is varied for individual geographic areas depending on specific tree growth patterns and associated maintenance needs.[288]

[284] Customer priority ranking was determined by adding support for Accelerated Pace and Draft Plan. Schedule 2-5-1 - Distribution System Plan Overview, p. 53, Table 2. Within the "commercial and industrial and key accounts" customer category, Grid Resilience and Grid Modernization received the same ranking
[285] Reply Submission of CCC, p. 7; Reply Submission of SEC, p. 22.
[286] As discussed above, Hydro Ottawa plans to spend $3.2M on the testing, inspection and maintenance program enhancements over the period (excluding the investments relating to NWS) or $16.9M over the five-year rate period.
[287] Schedule 4-1-2 - Operations, Maintenance and Program Administration Costs, p. 20.
[288] IRR 4-CCC-38.

255. CCC notes that one of Hydro Ottawa's 28 regions is slated for trimming in back-to-back years as shown by Table A of Interrogatory Response 4-CCC-38. CCC infers from this that the trimming for this region is duplicative and unnecessary.[289] However, this inference overlooks the thoughtful and risk-based approach that Hydro Ottawa takes to vegetation management. Through the recent implementation of the Overstory program, Hydro Ottawa is continuously updating its assessment of the needs of the regions and adjusting trim cycles based on updated and improvement assessments. The particular region identified is on a two-year trimming cycle, indicating that it is a high-risk area that warrants more frequent trimming than a lower-risk area requires.

256. In addition, because Table A does not indicate the month in which a particular cycle is completed, it does not perfectly capture the number of months between cycles. Vegetation management is completed year-round. A cycle may be completed in January of one year, with the following cycle completed in December of the subsequent year. This would result in a twenty-three month gap (consistent with a two-year cycle), but appear as back-to-back years in Table A.

VII. CUSTOMER ENGAGEMENT SUPPORTS HYDRO OTTAWA'S PLAN AND 2026 TEST YEAR BUDGET

257. Hydro Ottawa's 2026-2030 rate application, including its proposal with respect to the 2026 Test Year OM&A budget, reflects customer needs and priorities and is necessary to deliver the outcomes that customers want. As explained in Schedule 1-4-2 - Customer Engagement on the 2026-2030 Application, Hydro Ottawa's customer engagement for this rate application primarily consisted of two phases. The first, the Phase I focus groups and survey, focused on strategy and gathered insights on customers' priorities, preferences and needs. These were used to inform the focus areas for Hydro Ottawa's investment plans.[290] The second, the Phase II survey, presented Hydro Ottawa's draft investment plan to customers, soliciting input to help guide decision-making for the draft plan. Over 25,000 customers participated in this initiative.[291]

[289] Reply Submission of CCC, p. 23.
[290] Schedule 2-5-4 - Asset Management Process, Section 3.3, p. 11, line 11.
[291] Schedule 1-4-2 - Customer Engagement on the 2026-2030 Application, p. 1, lines 7-8.

258. The majority of surveyed customers supported Hydro Ottawa's proposed application and the associated bill impacts. The average acceptance among the three rate classes totaled 87% in response to a question in which customers were asked whether they supported the total magnitude of the rate increases contemplated by the plan, inclusive of both capital and OM&A expenditures.[292]

259. SEC, CCC, and VECC challenge Hydro Ottawa's customer engagement, arguing that the methodology Hydro Ottawa employed is inadequate and that Hydro Ottawa has misread the results. In both regards, the intervenors are mistaken.

A. The Customer Engagement Survey Design is Consistent with Past Proceedings

260. Consistent with previous proceedings and prior approvals that accepted Hydro Ottawa's customer engagement, Hydro Ottawa engaged Innovative Research Group Inc. (Innovative) to conduct a survey that is analogous to what was undertaken in the utility's last rebasing application (EB-2019-0261).[293] Innovative has more than thirteen years of experience conducting robust consumer research and engagement for distributors in Ontario.

261. Since the OEB's outcome-based Renewed Regulatory Framework was enacted in 2012 mandating alignment with customer preferences, Hydro Ottawa and many other large distributors in the province have used Innovative's surveys to help discern these preferences and use them to inform their business plans.[294] The OEB has repeatedly found in other rate applications, including Hydro Ottawa's 2021-2025 proceeding, that these surveys meet the utilities' customer engagement obligations,[295] and "are helpful to the OEB's understanding of customers' priorities."[296]

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[292] Attachment 1-4-2(A) - Customer Engagement Report on Hydro Ottawa's 2026-2030 Rate Application, p. 15.
[293] Hydro Ottawa Limited, EB-2019-0261, 2021-2025 Rate Application, Schedule 1-2-2 - Customer Engagement on the 2021-2025 Application; Hydro Ottawa Limited, EB-2019-0261, Settlement Proposal (September 18, 2020), pp. 44-45; Hydro Ottawa Limited, EB-2019-0261, Decision and Order (November 19, 2020), p. 12.
[294] Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach (October 18, 2012), pp. 2, 57-58, https://www.oeb.ca/sites/default/files/uploads/Report_Renewed_Regulatory_Framework_RRFE_20121018.pdf
[295] Including, but not limited to: Alectra Utilities, EB-2022-0013, EB-2023-004,EB-2025-0252; Algoma Power Inc, EB-2024-0007**;** Burlington Hydro, EB-2020-0007; Elexicon Energy, EB-2025-0312; Entegrus Powerlines Inc., EB-2025-0044; Enwin Utilities, EB-2019-0032; Essex Powerlines, EB-2024-0022; Festival Hydro, EB-2024-0023; Guelph Hydro, EB-2015-0073; Hydro One, EB-2019-0082, EB-2021-0110; Hydro Ottawa, EB-2019-0261, EB-2024-0115; Lakefront Utilities Inc., EB-2021-0039; London Hydro, EB-2021-0041; Niagara Peninsula Energy, EB-2020-0040; Ontario Power Generation, EB-2025-0297; Toronto Hydro, EB-2018-0165, EB-2023-0195; Waterloo North Hydro, EB-2015-0108, Welland Hydro, EB-2016-0110
[296] Ontario Energy Board, *Decision and Order*, Toronto Hydro-Electric System Limited, EB-2018-0165 (December 19, 2019), p. 9.

262. Despite this OEB-mandated and recognized framework of customer engagement in Ontario, VECC takes issue with the studies, claiming that they are "next to useless" as a way to understand customers.[297] This strategy to de-legitimize the surveys is not new. In Alectra's 2022 incremental capital module (ICM) proceeding, CCMBC complained that professionally designed customer surveys make it trivial to prove that customer needs and preferences are addressed. The OEB still found that the survey was informative and that Alectra had adequately met its customer engagement requirements.[298] VECC raised substantially the same arguments in the 2020-2024 Toronto Hydro custom rate application, casting doubt on the veracity of these types of studies and their usefulness to the OEB.[299] The OEB again found that the survey was informative and that Toronto Hydro adequately met its customer engagement requirements.[300] In light of these prior decisions, Hydro Ottawa questions VECC's use of time in the current proceeding to draft submissions advancing the same arguments that the OEB has already considered and ruled upon in other proceedings.

263. VECC takes the attack a step further suggesting that Hydro Ottawa's engagement of customers—consistent with the OEB's requirements to do so—is imprudent spending. This is a meritless criticism, since (i) the amount spent on the survey is consistent with the prior rate application[301] and (ii) there is significant evidence on the record demonstrating that the customer needs, priorities and preferences gathered by surveys were invaluable to the development of Hydro Ottawa's business plans.[302]

    a. The results of Phase 1 informed Hydro Ottawa's efforts to scale back the original investment plan, balancing affordability with other customer priorities.

    b. Phase 2 sought customer feedback on investment trade-offs and confirmed that Hydro Ottawa got the balance right between price and other outcomes that customers value. The results showed that an average of 87% of respondents supported the draft investment plan or one that does even more to advance key outcomes.[303]

[297] Reply Submission of VECC p. 7.
[298] Alectra Utilities Corporation, EB-2022-0013, Decision and Order (Nov. 17, 2022), pp. 18-19.
[299] Toronto Hydro-Electric System Limited, EB-2018-0165, VECC Submission, pp. 3-4.
[300] Toronto Hydro-Electric System Limited, EB-2018-0165, Decision and Order, pp. 8-9.
[301] Hydro Ottawa Limited, EB-2019-0261, 1.0-VECC-31.
[302] Schedule 1-2-3 Business Plan, p. 5-6 & 22-26, Schedule 1-4-2 Customer Engagement on the 2026-2030 Application, p.2, Attachment 1-CCC-13, p. 23.
[303] Schedule 1-2-3 - Business Plan, p. 24; Schedule 2-5-3 - Performance Measurement for Continuous Improvement, p. 11.

264. VECC takes issue with customer research terms such as “social permission” and “net promoter score”.[304] “Net promoter score” is neither a novel term in market research, nor is it novel in submissions to the OEB.[305] Furthermore, contrary to VECC’s suggestion, “social permission” is not a pseudo-scientific word; it is a commonly used term that refers to the percentage of customers who responded to the survey either in favour of investment levels (i) beyond the draft plan for better outcomes, (ii) in line with the draft plan, or (iii) necessary to address the draft’s plan objectives, even if it will cost more.[306] As explained at the Oral Hearing, social permission describes a range of customer opinions that ultimately reflects customer support for the plan:[307]

> “There are customers out there who felt like we should be doing more, we should be accelerating our spending, who felt like the drivers that we identified required further investment than what we had proposed.
>
> There are … customers who think that we did hit it right on the head and support the pace that we are proposing.
>
> And there are … customers who, while they don't really want to pay more, they do recognize the importance of what we are trying to do and therefore support it.”

265. The customer engagement survey employed in this application provided Hydro Ottawa with valuable insights into customers needs, priorities and preferences regarding trade-offs between price (affordability) and other key outcomes that customer value, such as reliability and resilience. The surveys were designed by Innovative (a well-recognized industry expert) in accordance with established practice and methodology used in other major rate applications, and recognized by the OEB as satisfying distributors’ obligations to engage customers and ensure that their investment plans are informed by and aligned with customer preferences.

B. Customers Were Presented With The Bill Impacts And Approved Them

266. As briefly discussed above, Hydro Ottawa’s Phase 2 survey culminated in a question which asked respondents to provide an overall assessment of Hydro Ottawa’s plan. The majority of

[304] Reply Submission of VECC, p. 7.
[305] See, e.g., Hydro Ottawa Limited, EB-2019-0261, Exhibit 1, Tab 2, Schedule 1E, page 80.
[306] Attachment 1-4-2(A) - Customer Engagement Report on Hydro Ottawa's 2026-2030 Rate Application, p. 15.
[307] Oral Hearing Transcript, Day 2, p. 107, lines 3-15.

respondents supported the plan and its proposed impacts, with a more detailed breakdown by specific response and rate class provided below.[308] Through the response to this question, Hydro Ottawa ascertained that the vast majority of customers surveyed (87%) support its investment plan. This result included feedback from many vulnerable customers surveyed, an average of 78% LEAP qualified customers said they supported the draft plan.[309]

Table 23 - Phase II Customer Engagement Results

Support for Proposed Investment Plan	Residential	Small Business	Commercial and Key Account
I think Hydro Ottawa should accelerate spending beyond its proposed draft plan to deliver better system outcomes	19%	20%	8%
I support the proposed bill increase when it comes to preparing Hydro Ottawa's grid for the future	28%	25%	32%
I don't like the proposed bill increase, but I think it is necessary to maintain the grid to a reasonable standard and prepare for the future	37%	39%	54%
Total Social Permission Score for Investment Plan	84%	83%	94%
I oppose the bill increase and think Hydro Ottawa needs to scale back its plan	11%	13%	2%
I don't know	5%	4%	4%

267. SEC and CCC challenge Innovative's expert opinion of interpreting these results, arguing that the survey should have had a more diverse array of options to indicate a lack of support, and that the third option should be read as not supporting the proposed plan.[310] Hydro Ottawa firmly disagrees. A customer who did not support the proposed plan and wanted Hydro Ottawa to reduce investment had a clear choice to indicate their lack of support with little ambiguity. That clear choice was the fourth option in Table 23 above, which concretely says "I oppose the bill increase and think Hydro Ottawa needs to scale back its plan."

268. Hydro Ottawa reiterates that the survey design and the interpretation of the survey results is consistent with past practice and methodology employed by industry expert Innovative for Hydro

[308] Schedule 1-4-2 - Customer Engagement on the 2026-2030 Rate Application, p. 10.
[309] Specifically, 14% of LEAP qualified customers supported accelerated spending, 23% supported the proposed bill, 41% did not like bill increases but believed that the proposed bill was necessary to maintain the grid, 14% opposed the bill increase, and 8% did not know. See Attachment 1-4-2(A) - Customer Engagement Report on Hydro Ottawa's 2026-2030 Rate Application, p. 17.
[310] Reply Submission of SEC, pp. 5-6; Reply Submission of CCC, pp. 3-4.

Ottawa in its last rate application and for many other utilities.[311] In accordance with this long track-record, Hydro Ottawa maintains that it is appropriate to group the top three choices together as expressing approval for the proposed plan. Having a survey option that allows customers to express qualified acceptance ensures that a sufficient range of customer views can be captured in evaluating whether the investment plan achieves an appropriate balance between price and other outcomes that customer value.[312]

269. SEC further suggested that customers may not have understood the survey, even if they expressed support. In support of this view, SEC selectively quotes the first sentence of the following customer comment: “After post-2030, will customers see a decrease in their bills?.”[313] To begin with, we do not know how this particular customer responded to the social permission question and if the customer opposed the plan (therefore had no confusion about the social permission question). Moreover, when the comment is read in full, Hydro Ottawa does not read this comment as showing customer confusion. The full comment states that, "After post-2030, will customers see a decrease in their bills? Maintenance to the system would be the main concern, yet shouldn’t be as expensive.” Rather than indicating confusion, the customer’s consideration of the tension between long-term system needs and affordability indicates engagement with and understanding of the trade-offs inherent in the plan. Regardless, a single comment in a sample size of 21,839[314] respondents in the Phase II survey would not prove that customers on the whole were generally confused. To the contrary, customers indicated that they found that the survey provided the right amount of information necessary to provide input on the utilities’ plans.[315] SEC unfortunately ignored this finding, just as it overlooked other helpful facts on the record, including on the same page quoted by SEC where another customer says:

> This was a very interesting survey and has helped me to understand all the implications of the draft plan for the next few years.

270. In sum, it is puzzling that the intervenors, who fulfill an important role advocating for customers, are arguing that the results of a customer survey do not matter and should be disregarded.

[311] Hydro Ottawa Limited, EB-2019-0261, Schedule 1-2-2 - Customer Engagement on the 2021-2025 Application.
[312] EB-2024-0115, Oral Hearing Transcript, Day 2, p. 106, lines 6-20.
[313] Reply Submission of SEC, p. 6, para 2.2.3; Attachment 1-4-2(A) - Customer Engagement Report on Hydro Ottawa’s 2026-2030 Rate Application, p.337.
[314] Attachment 1-4-2(A) - Customer Engagement Report on Hydro Ottawa’s 2026-2030 Rate Application p 15.
[315] Attachment 1-4-2(A) - Customer Engagement Report on Hydro Ottawa’s 2026-2030 Rate Application, page 332. Results for Small Business are on page 424, and for GS>50kW are on page 497.

Intervenors cannot overrule customer opinion simply because they disagree with it or think that they know better. Hydro Ottawa thus submits that the OEB should reject their criticisms and recognize that customers have spoken and expressed their supporting views with respect to Hydro Ottawa's investment plan and its rate impacts.

VIII. BENCHMARKING SUPPORTS THE REASONABLENESS OF THE 2026 TEST YEAR OM&A BUDGET

271. Hydro Ottawa submits that benchmarking provided in its application supports the general reasonableness of its 2026 Test Year OM&A budget. Specifically, the utility relies on three key metrics to substantiate the overall prudence of its proposed expenditures from a top-down benchmarking perspective:

a. **FTEs per 1,000 Customers:** Hydro Ottawa submits that between 2016-2026, its number of FTEs per 1,000 customers is essentially flat, demonstrating that workforce growth is appropriately calibrated to the size of its customer base and aligned with what the OEB has found reasonable in the utility's past proceedings. This is despite: (i) growing complexity with respect to serving existing customers, as they choose more electrified technologies (such as EVs) and rate optionality programs (such as net metering and ULO), (ii) notable change in the multi-unit residential building market, whereby more new residential customers are being served by competitive unit-sub metering providers, placing downward pressure on the utility's customer numbers, (iii) a notable increase in the number large load connections many of which reflect the expansion of existing service rather than new customer additions.

b. **OM&A Expenditures as a Share of Capital Additions:** The utility notes that the ratio of OM&A to capital additions is decreasing from 71% during the 2021-2025 rate period to 64% in the 2026-2030 rate period.[316] Hydro Ottawa argues this demonstrates it will spend less in OM&A per dollar of capital expenditures than in prior years.

c. **FTEs per $1M of Capital Additions:** Historically, Hydro Ottawa's FTE-to-capital-additions ratio has been lower than its peers, illustrating that it has proportionally fewer resources to execute its capital program than its peers.

[316] Argument-in-Chief, p. 48, Table 18.

272. Together with other detailed evidence on the record substantiating the specific need for investments in certain aspects of OM&A, these top-down benchmarking results—crafted using publicly available yearbook data from the OEB's open data source initiative—demonstrate that certain key ratios underpinning Hydro Ottawa's 2026 OM&A budget are better than or consistent with (i) ratios that the OEB has found to be reasonable in prior Hydro Ottawa rate applications, and/or (ii) ratios of relevant peers to Hydro Ottawa.

273. The OEB's set out a clear expectation in the 2016 Rate Handbook with respect to the use of benchmarking in Custom IR:[317]

> With the Custom IR rate setting options, a utility can customize the rate setting mechanism for their specific circumstances. Given this flexibility, the OEB will place greater reliance on benchmarking evidence for a Custom IR application to assess proposals over the five year term.

274. Yet despite this, Staff and intervenors argue that the OEB should give these favourable benchmarking results little consideration. For the reasons that follow, Hydro Ottawa strongly disagrees.

A. The Purpose and Use of Top-Levels Benchmarks in Rate Applications

275. Staff and SEC expressed concern with Hydro Ottawa's benchmarking evidence, arguing that this information is of limited value for various reasons. Specifically, they challenged the benchmarking involving capital additions, noting that different types of capital additions have varying proportions of labour and OM&A requirements, and that practices regarding contracted labour and construction techniques can significantly impact this measure. Hydro Ottawa submits that these arguments miss the mark in terms of the purpose and use of top-down benchmarking metrics in a rate application.

276. First, Hydro Ottawa is not arguing that the OEB should look at only these two metrics when evaluating the reasonableness of the 2026 Test Year budget. Hydro Ottawa has submitted thousands of pages of evidence that demonstrates that the 2026 budget is reasonable, prudent, and necessary to achieve the outcomes that Hydro Ottawa's customers expect from their utility.

[317] Ontario Energy Board, *Handbook for Utility Rate Applications,* pp. 18-19.

It is together with this body of detailed bottom-up evidence on the record, that these top-down benchmarking results support the overall reasonableness of Hydro Ottawa's 2026 OM&A.

277. Second, Hydro Ottawa recognizes that there are practical limitations with benchmarking and has expressed those concerns on this record with respect to the PEG total cost benchmarking models. No benchmarking result using RRR data is going to be a perfect apples-to-apples comparison, but that does not mean that information is not useful.

278. One of the fundamental questions before the OEB in this case is whether Hydro Ottawa's overall workforce strategy is reasonable and appropriate given the scope of its capital program. FTEs relative to capital additions provides a helpful top-level indicator of the proportionality of workforce to capital needs. SEC's suggestion that such comparisons require normalization for differences in internal versus contracted labour mix would lead the OEB down a rabbit hole of complexity that is neither necessary nor productive. If Hydro Ottawa's FTE-to-capital ratio is lower than its peers, this demonstrates that—regardless of the specific resourcing strategies employed—the utility is executing a larger capital program with proportionally fewer internal resources. This is informative evidence through which to consider the overall reasonableness of the utility's workforce needs, in conjunction with all the detailed bottom-up evidence of staffing needs and constraints in key aspects of the company's operations.

279. Lastly, if the OEB were to accept Staff and intervenors' argument to dismiss the benchmarking results that Hydro Ottawa put forward in its argument, on the premise of these practical limitations that inherently exist in benchmarking top-level metrics, it would cast fundamental doubt on the entire benchmarking regime that is at the heart of OEB's current rate-making policy. Doing so, would send a chilling effect throughout the sector, and discourage electricity distributors from conducting benchmarking (using RRR open source data) to inform their business plans and rate applications. Hydro Ottawa respectfully submits that this outcome is contrary to the OEB's expectations in the 2016 Rate Handbook.

B. Benchmarking The 2024-2026 Period

280. SEC further argues that the benchmarking results Hydro Ottawa has provided are "of limited value" because "no peer group data" is provided for 2025 onward. As discussed above, RRR data for 2025 is not available at the time of writing this reply, and it will not be available until the

third quarter of this year. The same is true for 2026 – this data will not be available until the third quarter of 2027. The lack of availability of forecast data does not mean that the historical information provides limited value. If that were the case, what would be the point of reporting all this data through RRR and making it publicly available through the OEB's open data source initiative? If the OEB's policy goal is to encourage utilities to leverage open source RRR data to conduct benchmarking and support their business planning and rate applications, SEC's criticism lacks merit and should be dismissed. Giving it weight would only serve to discourage utilities from pursuing these efforts and/or drive up the regulatory cost of doing so in future proceedings.

281. SEC further criticizes Hydro Ottawa for introducing updated numbers for 2024-2026, calling it ironic that the company put this forward in Argument-in-Chief despite objecting to SEC's compensation analysis being introduced at the Oral Hearing. This procedural criticism should be dismissed, as SEC clearly overlooked or failed to appreciate that: (i) the 2024-2026 FTE, customer and capital additions numbers relied upon in the benchmarking section of the Argument-in Chief can be readily found in the application and the Settlement Agreement, and (ii) the analyses using these numbers reflect simple division math that is entirely consistent with what was outlined in the company's pre-filed evidence.[318]

IX. THE 2026 TEST YEAR BUDGET INCLUDES SIGNIFICANT INCREMENTAL PRODUCTIVITY GAINS

282. Intervenors acknowledge that Hydro Ottawa has presented evidence of continuous improvement in productivity efficiency, but criticize that the majority of Hydro Ottawa's claimed productivity savings are from continuation of existing initiatives rather than new measures. With respect, these critiques fail to recognize how the productivity incentives work in the current rate-setting regime.

283. An incentive is set through the stretch factor to encourage the utility to become more productive over the forecast rate term. Customers get the benefit of this productivity upfront through the rate-setting mechanism which reduces the utility's revenue by the stretch factor. Customers also

[318] By contrast, SEC's compensation analysis required dozens of complex calculations and inappropriate extrapolations that were inaccurately completed by SEC and proved to be unreliable per Oral Hearing Undertaking J2.3.

get the benefit of the enduring productivity benefits that the utility unlocked over the historical rate term under the incentive regime.

284. Altogether, the past incentives produce enduring savings for customers in this application, and the new incentives reduce revenue and rates on a forecast basis, creating the economic conditions necessary for the utility to pursue additional enduring savings which will be delivered to customers in the next rebasing. Table 24 summarizes the productivity benefits that customers are getting the benefit from in the 2026-2030 rate terms:

Table 24 - 2026-2030 Productivity benefits ($M)[319]

	2026	2027	2028	2029	2030	2026-2030
Sustained OM&A Efficiencies	$3.20	$3.30	$3.40	$3.50	$3.60	$17.00
X-Factor Efficiencies	--	$0.63	$0.65	$0.66	$0.68	$2.62
OM&A Total	**$3.20**	**$3.30**	**$3.40**	**$3.50**	**$3.60**	**$17.00**
Sustained Capital Efficiencies	$0.8	$1.3	$2.1	$2.5	$2.9	$9.7
Capital Stretch Factor	$0.0	$1.2	$2.6	$4.0	$5.6	$13.4
Capital Total	**$0.8**	**$2.6**	**$4.7**	**$6.6**	**$8.5**	**$23.1**
Total Efficiencies	**$4.0**	**$5.9**	**$8.1**	**$10.1**	**$12.1**	**$40.1**

285. In addition to these quantified productivity benefits, there are numerous instances, which are summarized in the Argument-in-Chief, of incremental productivity benefits, in the form of avoided costs, that have been built into Hydro Ottawa budget and workforce plan. SEC argues that it's impossible for these benefits to exist because they haven't been quantified with precision. This argument is flawed and refuted by the evidence on the record, which clearly shows that workforce avoided cost benefits resulting from new systems like EAM and CRM have been relied upon to eliminate or curtail staffing increases that would have otherwise been required in various areas of Hydro Ottawa's business to support the execution capital program. Specifically:

[319] OM&A Efficiencies and per Updated IRR 1-SEC-24, X-Factor (0.45%) efficiencies calculated using $140.M OM&A escalated by growth only. Sustained Capital Efficiencies, per JT3.16 based on Capital Additions as provided in Table 4 (as originally calculated) of the Approved Settlement Agreement and Capital Stretch Factor (total 0.675%) as calculated in the Approved Settlement Agreement on agreed Capital Additions and impact of Rate base and presented in Table 1 and Table 2.

a. **Supply Chain:** Managing a doubled capital program without adding positions, relying on efficiencies from the Enterprise Asset Management (EAM) system.

b. **Customer-Facing Programs:** Serving a growing customer base with flat headcount through investments in Customer Relationship Management (CRM) cloud technology.

c. **Engineering:** Fewer maintenance and reliability engineers needed due to EAM investments.

d. **Finance:** Headcount lower in 2026 than in 2021 despite increased workload through technology-enabled efficiencies.

286. By adding no additional headcount for a number of areas such as Supply Chain and Finance, and reducing proportional headcount growth in other areas like engineering and Customer-Facing programs, Hydro Ottawa is taking the risk that workforce-related productivity benefits will occur. Should these benefits not occur as expected, the required headcount will not be funded for the 2026-2030 period. That's a risk on Hydro Ottawa to manage, and customers will get the upfront benefit of these avoided costs which were not included in the plan.

287. Despite the numerous productivity benefits that this application provides Hydro Ottawa's customers, as summarized above, SEC recommends a $1.6M[320] reduction to incorporate a "more aggressive productivity target"[321] in the 2026 OM&A budget. Hydro Ottawa submits that this proposal is unsubstantiated by the facts on the record, and should be rejected.

288. SEC's proposal is tantamount to imposing an additional 1.1%[322] stretch factor on Hydro Ottawa's OM&A budget of $140M, or a 1.3% stretch if the amount is applied to SEC's proposed OM&A disallowances. There is no benchmarking or other evidence to support the reasonableness of imposing this stretch factor on Hydro Ottawa, and no industry precedent for setting such a punitive stretch factor on any utility. Table 24 above shows that enduring and incremental productivity benefits of Hydro Ottawa's rate framework are clear and real. In light of

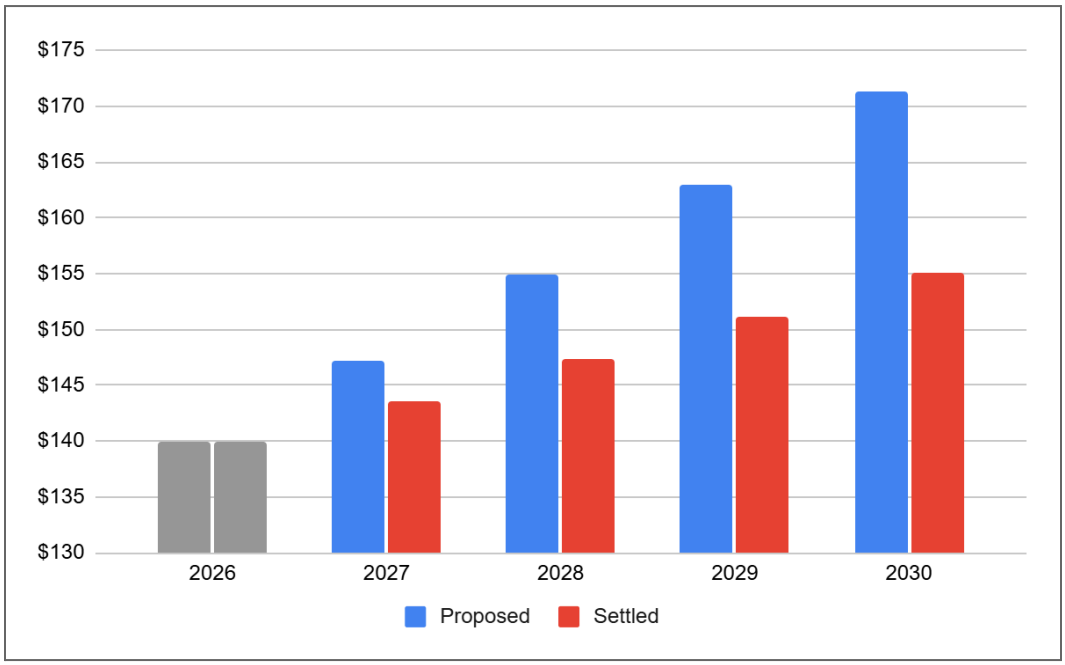
[320] SEC appears to indicate an additional aggressive target of $1.6M should placed on Hydro Ottawa, however in adding this amount to Table 6 of their reply they instead add $2.0M
[321] Reply Submission of SEC, p. 27.
[322] Based on the understanding that SEC intended to add an additional $1.6M rather than the added $2.0M in Table 6 within SEC's reply.

these facts and considerations, Hydro Ottawa submits that there is no legitimate reason or basis to impose an additional "aggressive" productivity target that SEC has suggested.

X. A REASONABLE AND INFORMED DECISION ABOUT THE 2026 TEST YEAR REQUIRES CONSIDERATION OF THE SETTLED OM&A ESCALATOR

289. The OM&A escalator (Custom Revenue OM&A Factor or "CROF") has been settled and as a result, the 2026 Test Year budget escalates at a much slower rate than Hydro Ottawa proposed, as shown by Figure F below. As a consequence of settling the CROF, Hydro Ottawa has accepted a significant $39 million revenue reduction over the rate term. To manage within this reduced funding envelope, the utility will need to scale back its OM&A expenditure plan in the outer years, and achieve incremental productivity improvements. As noted above, the area that will be the most impacted by the settled CROF is the workforce plan, specifically those resources that would have been hired to support the pre-settlement capital plan.

Figure F - OM&A Expenditures: Proposed vs. Settled Escalator ($M)



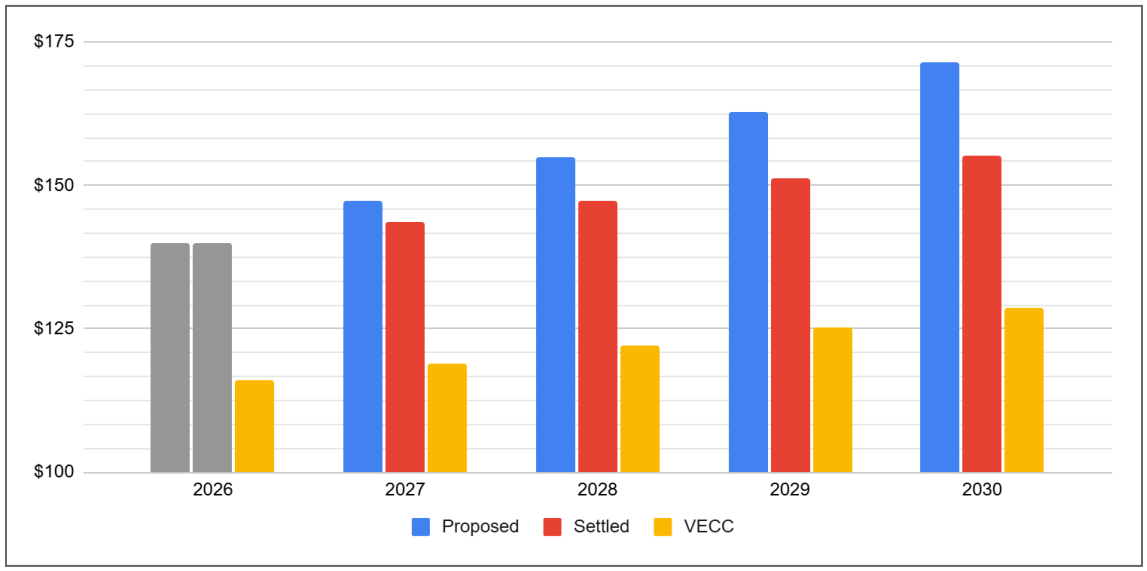
290. Despite this, intervenors and Staff argue that the OEB should not consider the effects of the settled CROF when deciding the Test Year budget, yet also argue to pace investment into the

future which relies on the CROF. In their view, the Test Year budget is completely separate from the CROF factor that escalates that Test Year budget. Hydro Ottawa disagrees. The 2026-2030 OM&A funding envelope is a product of two factors: the 2026 Test Year budget and the CROF. By setting the base test year upon which the CROF will be applied, it is a mathematical fact that this proceeding determines the size of the OM&A envelope for the entire rate period. As Staff notes in its submission, a $1 million disallowance in 2026 OM&A equals approximately $5.27 million disallowance to the five-year funding envelope.

291. Intervenors argue that the OEB should ignore this fundamental relationship between the Test Year budget and the CROF. However, the two are inextricably intertwined, and a reasonable and prudent decision about one cannot be made without consideration of the other. The OM&A envelope set by this proceeding must be adequate to support the execution of the five-year capital plan and enable Hydro Ottawa to deliver reliability and other key outcomes that customers need and expect over the 2026-2030 rate term.

292. Because the CROF has been significantly reduced through settlement, any further reductions to the 2026 Test Year will have a reverberative effect on funding and performance outcomes over the next rate term. To illustrate, consider the interplay and magnitude of the 2026 Test Year and the CROF as it applies to VECC's proposal to set the 2026 Test Year budget at $116M (a $24M disallowance). If the OEB were to accept this proposal it would result in a 2026-2030 OM&A funding envelope that is $126.4M lower than what Hydro Ottawa has determined to be reasonable and necessary in this rate term, and supported by customers. Please refer to Figure G below for more detail.

Figure G - VECC 2026 Test Year Proposal Grown By Proposed and Settled Escalator ($M)



ISSUE 4.2: SHARED SERVICES

I. HYDRO OTTAWA'S CORPORATE COST ALLOCATED AMOUNT IN 2026 TEST YEAR BUDGET IS REASONABLE

293. Hydro Ottawa Limited's (Hydro Ottawa) 2026 Test Year OM&A includes $7.7 million of corporate shared services that the utility obtains from Hydro Ottawa Holding Inc. (HOHI), based on a corporate cost allocation methodology that is consistent with the utility's last rebasing application.[323] In addition, pursuant to the same methodology and the Affiliate Relationships Code (ARC), Hydro Ottawa charges shared services to its affiliates, including HOHI, of approximately $4.7M in 2026.[324] These costs are recovered through Other Revenues, which was settled by the parties except for the Net Metering Charge revenues as discussed in Issue 7.5 below.

294. Hydro Ottawa submits that the shared services cost allocation methodology and resulting amounts to be included in the 2026 OM&A budget are appropriate and reasonable. These amounts are set in accordance with a methodology that is consistent with the utility's practice, and there is extensive evidence on record that describes the methodology and explains the resulting amounts. This evidence includes the following pre-filed schedules, in addition to numerous questions answered in writing and orally during the discovery and oral hearing phases of this proceeding:

a. Schedule 1-6-1 - Corporate Structure and Governance provides a detailed description on the corporate and governance structure.

b. Schedule 4-2-1 - Corporate Cost and Shared Services describes the corporate cost allocation methodology and provides explanations of year-over-year variances above Hydro Ottawa's materiality threshold. In addition, this evidence is housed in OEB Appendix 2-N, an Excel model which provides further financial details consistent with the OEB's Filing Requirements.

[323] Hydro Ottawa Limited, *2021-2025 Custom Incentive Rate-Setting Distribution Rate Application*, EB-2019-0261 (February 10, 2020).
[324] Schedule 4-2-1 - Shared Services and Corporate Cost Allocation, Table 3, p. 4; Attachment 4-2-1(A) - Appendix 2-N (April 15, 2025).

c. Schedule 6-3-5 - Other Income & Deductions shows how shared services from the distribution company are incorporated in the Other Revenue component of Revenue Requirement. OEB Appendix 2-H further explains how shared services flow from the distribution company to its affiliates.

295. Several key facts emerge from the evidence related to shared services and corporate cost allocations, which collectively demonstrate that Hydro Ottawa's methodology is appropriate and that the resulting amounts are reasonable and should be approved:

a. Hydro Ottawa is the largest subsidiary of the entire Hydro Ottawa group,[325] as demonstrated by the fact that in 2024, the utility's revenue represented 70%[326] of the total revenue generated by the group of companies in the corporate structure.

b. Hydro Ottawa completed a time cost study in 2018 in preparation for its last rate application (EB-2019-0261). As indicated in the Oral Hearing,[327] Hydro Ottawa reviews the allocation annually to understand the impacts of emerging or changing cost drivers.[328]

c. The total percentage of allocated FTEs from HOHI to the utility remains unchanged at 61% from 2024 to 2026, as shown in Table 25 below (reproduced from IRR 4-VECC-40).[329]

d. As shown in Tables 25 and 26 below, the allocation of labour cost from HOHI to the utility decreased from 81% in 2021 to 67% in 2026. The allocation of labour did increase from 63% in 2024 to 67% in 2026, however the number of FTEs allocated from HOHI to the utility remains unchanged from 2024 to 2026. The addition of 1 FTE in 2025 represents a reorganization of the Chief Operating Officer role from the utility to HOHI.

[325] Oral Hearing Transcript, Day 2, p. 13.
[326] Hydro Ottawa Holding, Inc., *2024 Annual Report*: https://reports.hydroottawagroup.com/wp-content/uploads/2025/06/AR_2024_English.pdf
[327] Oral Hearing Transcript, Day 2, p. 19.
[328] Oral Hearing Transcript, Day 2, p. 20.
[329] IRR 4.0-VECC-40.

Table 25 - 2021-2026 FTEs Working for Hydro Ottawa

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

Table 26 - 2021-2026 Labour Related Costs Proportion ($'000s)[330]

Provided By	Provided To	Historical Years			Bridge Years		Test Year
		2021	2022	2023	2024	2025	2026
Hydro Ottawa Holding Inc.	Hydro Ottawa	81%	75%	67%	63%	67%	67%

296. Staff does not object to the corporate cost allocation amounts included in the 2026 OM&A Test Year, referencing Hydro Ottawa's cost drivers, including the increased need for executive management time, changing regulatory landscape and digital transformation of the industry.

297. Staff recommends that Hydro Ottawa should undertake a third-party study of the cost sharing methodology in its next rate application. Several intervenors echoed this recommendation. Pollution Probe and CAFES indicated that any third party review should "also include an assessment of whether the use of common employees for regulated and non-regulated activities has the potential to create any disadvantage for third party community energy solutions compared to those delivered by Hydro Ottawa and its affiliates." Hydro Ottawa submits this added scope is inappropriate and should be rejected by the OEB. The scope proposed by Pollution Probe and CAFES does not align with the evaluation of cost allocation principles of the ARC.[331] In fact, it would require completely different skill sets and is essentially a second study. In addition, this is a generic topic that is being discussed as part of DER policy initiatives

[330] IRR 4.0-VECC-40, Table B.
[331] Ontario Energy Board, *Affiliate Relationships Code for Electricity Distributors and Transmitters* (ARC) (March 15, 2010), s. 2.3.4.3.

currently underway at the OEB.[332] Hydro Ottawa does not believe it is appropriate for Pollution Probe and/or CAFES to approach this generic discussion within Hydro Ottawa's rate application under the guise of a shared services cost allocation study. Lastly, it is likely the OEB itself will determine an outcome in the generic policy consultation prior to Hydro Ottawa's next rate filing for which this study would be prepared for and reported on.

A. Shared Services from HOHI to the Utility

298. Several intervenors challenge the level of corporate costs allocated from HOHI, to the regulated utility Hydro Ottawa.[333] Pollution Probe and CAFES make assertions regarding the overall increase of corporate costs and the corporate structure, but do not recommend a cost reduction. CCMBC, supported by Energy Probe, suggests the increase in cost is too high, but also did not suggest a specific reduction.

299. CCC argues that corporate costs should be reduced to reflect the settled 17% reduction in capital. CCC further argues that there is a connection between the demand for executive management time and the total headcount at the regulated utility (i.e. that if the headcount is reduced, executive management time should decrease as well). These arguments are flawed and should be rejected for the following reasons:

a. As shown in Table 25 above, the total number of FTE allocated from HOHI to the utility have remained steady from 2024 to 2026, despite a growing capital program and incremental headcount to support the execution of that capital. The only thing that has changed is the allocation percentage, with capital plan being one of many factors driving the increase in allocation, it certainly is not a factor that has a one-to-one relationship as CCC suggests. Therefore there is no reasonable basis to reduce the corporate cost allocation based on the capital or headcount plan. In fact, the opposite is the case. Hydro Ottawa submits that the challenge of delivering the utility's investment plan outcomes in light of the top-down funding reductions (including FTE constraints imposed by the CROF in the outer years) that have been agreed upon in this proceeding, will require increased executive leadership oversight and direction compared to 2024 levels.

[332] E.g. Ontario Energy Board, *Framework for Energy Innovation: Distributed Resources and Utilities Incentives* (EB-2021-0118); and *Distributed Energy Resources (DER) Connections Review* (EB-2017-0207/2021-0117).
[333] CCMBC (supported by Energy Probe), CCC, Pollution Probe and CAFES, SEC & VECC challenged the issue of corporate costs and shared services. BOMA, DRC and ED did not challenge this issue.

b. Furthermore, with the exception of HR where costs are allocated based on the number of employees, no other executive costs are allocated based on FTE count.[334] HR staff within HOHI represents 1.62 of the 23.3 FTEs.[335] Therefore, CCC's argument that reducing distribution company employees should result in a corresponding reduction in corporate costs is not supported by Hydro Ottawa's corporate cost allocation methodology which is entirely consistent with what was approved in the utility's last rebasing application.

300. SEC argues that there was not sufficient evidence to support the continued need for executive management time and proposes to use 2022 and 2023 in order to normalize the change. The calculation is described to first reduce 2022 and 2023 amounts by $500K year-over-year and then apply Hydro Ottawa's annual percentage increase. The result of this is then divided by 3. However, in their calculations (as depicted in Table 5 of their Reply Argument) SEC missed the annual increase in 2024. After correcting this formula error, the updated proposed reduction by SEC would be $400K. Despite this correction, Hydro Ottawa submits that SEC's argument should be rejected because it ignores the reasons behind the step increase in HOHI allocated time between 2021 and 2022, as noted in Table 25 above. Hydro Ottawa explained in evidence that the change in allocation which occurred in the 2022 year was due to a culmination of factors (and as described in the prefiled evidence):[336]

a. more frequent severe weather events that required additional leadership and increased communication with customers and city councillors;

b. the growth of Hydro Ottawa's customer base as the utility experienced one of the fastest rates of growth in the province over the 2016-2024 period;[337]

c. providing leadership and corporate support in a rapidly changing industry landscape, including navigating (i) an emerging energy security threat landscape, (ii) climate change readiness expectations from customers and stakeholders, and (iii) a fast-paced digital transformation of the industry—all of which have continued and intensified since 2022.

[334] Schedule 4-2-1 - Shared Services and Corporate Cost Allocation, p.3, Table 2.
[335] Oral Hearing Undertaking J2.1, p. 3, Table B.
[336] Schedule 4-2-1 - Shared Services and Corporate Cost Allocation, p. 6.
[337] Schedule 1-2-3 - Business Plan, p.12; Argument-in-Chief, p.12, Table 4.

301. SEC also ignores that the 4% increase of executive time in 2023 due to the 84-day strike no longer exists in 2024. Therefore normalization related directly to the strike is not required as SEC suggested, as this has already occurred and been reflected in the allocation shown in Table 25 above.

302. CCC argues that the corporate cost allocation should reflect the same vacancy rates as Hydro Ottawa and that there is no evidence on the record to support a 5% vacancy rate. Hydro Ottawa disagrees with both statements. HOHI employees make up a different scale in terms of the number of FTEs and consist only of management group employees. Both of these factors change a vacancy profile, including not having historical impacts directly related to staff being on strike. Furthermore, the record shows that 1 vacancy existed in 2021, which results in 3.13% vacancy rate[338] if the position was assumed to be vacant for the entire year.

303. For the foregoing reasons, Hydro Ottawa submits that CCC and SEC's arguments do not align with the evidence on record and therefore should be dismissed.

B. Shared Services from Hydro Ottawa to Affiliates

304. VECC claims that Hydro Ottawa's evidence does not adequately explain why the costs of services provided by the utility to its unregulated affiliates have remained virtually unchanged at around $4.8 million since 2021, while OM&A costs within the utility have increased over the period.

305. Firstly, Hydro Ottawa would like to remind the OEB and the parties that the shared service revenues collected by Hydro Ottawa from the affiliates has already been settled as part of Other Revenue. Although the amounts are not directly in scope, Hydro Ottawa further submits that the shared services provided to its affiliates have been sufficiently explained. Specifically, Table 27 below (reproduced from pre-filed evidence) describes how the utility charges its affiliates for the cost services charged to its affiliates. To dispute VECC's criticism, the last column summarizes the explanations that have been provided throughout the record for each of these services, which demonstrates why the quantum of shared services provided by the utility to its affiliates has increased at a slower pace than the utility's OM&A cost growth.

[338] Based on FTE numbers and vacancy provided for 2021 - 1 Vacancy / 32 positions (31 FTE plus 1 Vacancy).

Table 27 – Pricing Methodology for Services Provided by Hydro Ottawa to Affiliates

Functional Service	Pricing Methodology	Summary of Explanatory Evidence that Addresses VECC's Concerns
Human Resources, Safety, Environment, Business Continuity	Cost per employee	Smaller overall FTE increase in HOHI than the distributor[339]
Information Technology		
Facilities	Market based rate for rent, proportionate share of cost for operations and maintenance, property taxes, property insurance, and furnishings	One of the affiliates and subsidiary of Hydro Ottawa Capital Corporation, no longer uses Hydro Ottawa owned warehouse or office space, and reduced their reliance on certain technology systems.[340]
Finance	Mainly based on the number and / or value of transactions processed	Representing 70% of revenue, the utility generates a higher value of financial transaction than the affiliates.[341]
Regulatory, Legal, Customer Services, Corporate Communications, Engineering	Proportionate share of cost factored by time spent	Less use of these services as the affiliates have hired additional staff which has allowed them to perform some duties that were previously supported by Hydro Ottawa.[342]
Meter Data Reporting	Market based, based on number of accounts	Services have increased since 2021
Mechanic Services	Internal labour rate factored by time spent	Costs have increased since 2021[343]

i. Hydro Ottawa's Allocated Cost Increase is appropriate

306. SEC and CCC both argue that Hydro Ottawa's allocated cost increase is inappropriate due to compensation-related concerns and cite the Mercer study for support. SEC recommended a reduction of $750K, which represents 75% of the change in direct labour costs or 14.4% of total labour costs. CCC recommended a reduction of $600K which represents a similar amount of labour costs.

[339] Oral Hearing Undertaking J2.1, p. 1, Table A.
[340] IRR 4-SEC-78, p. 2; Oral Hearing Transcript, Day 2, p.197.
[341] Hydro Ottawa Holding, Inc., *2024 Annual Report*, p. 11: https://reports.hydroottawagroup.com/wp-content/uploads/2025/06/AR_2024_English.pdf
[342] IRR 4-SEC-78, p. 2.
[343] IRR Attachment 1-Staff-1(A) - Chapter 2 Appendices, Appendix 2-N.

307. CCC and SEC's arguments and proposed disallowances should be rejected for the simple reason that none of the positions within the Mercer study reflect a single job within HOHI. Therefore, Hydro Ottawa submits that there is no factual basis from which to draw any conclusions about HOHI compensation levels from the Mercer Study.[344]

308. Seemingly in recognition of this limitation of the Mercer study, SEC argues that HOHI employees "are among the highest-paid employees, with some of the largest incentive compensation, and would therefore be materially impacted by compensation adjustments identified in total cash compensation (TTC) portion of the Mercer benchmarking study."[345] But SEC's logic is flawed.

309. Although there is no relationship between the Mercer study and the HOHI positions, Hydro Ottawa would like to point out further gaps in SEC's application of the Mercer Study: First, SEC's extrapolation of the Mercer Study is based on an extremely small sample: 2 out of 20 positions or 6 out of 204 FTE have incentives that contribute to a higher TTC than the corresponding base salary. Given the small sample size, it is not reasonable for SEC to extrapolate the findings of this study to all utility employees, let alone a different set of employees entirely.

310. Second, as discussed above in paragraphs 183-185, TTC information is unavailable for many positions in the MEARIE dataset. While MBD and Hydro Ottawa provided TTC data for all positions with base salary information regardless of whether short-term incentives were offered, MEARIE omitted TTC data for 10 such positions where short-term incentives were not offered. As a result, some positions without short-term incentives are benchmarked against both MBD and MEARIE at the base salary level but are only benchmarked against the MBD database at the TTC level. This creates a misperception that the differences between the base-salary and TTC benchmarking results for some positions are because of short-term incentive payments when the differences are due to the dataset that is being used.

311. In summary, for many positions, there is insufficient information to support the conclusion that the incentive pay variance to market is any different than the base salary variances to market.

[344] Any analogous comparison to the Mercer study (which Hydro Ottawa submits is not appropriate since the Mercer study did not include any HOHI positions) must exclude union employees as no union employees exist in the holding company.
[345] Reply Submission of SEC, p.18.

And potentially even worse, SEC appears to be using positions without incentives to extrapolate an incentive-based conclusion by using TCC in this manner.

312. Finally, as evidenced in Oral Hearing Undertaking J2.1, HOHI has employees at all management salary levels, including summer students. Thus, even if an inference could be drawn from the Mercer study (which Hydro Ottawa maintains is not appropriate for the reasons articulated above and below) it is important to recognize that not all HOHI employees are eligible for an incentive.

ii. Hydro Ottawa's Corporate Structure aligns with the ARC (VECC Reply)

313. VECC raises concerns about Hydro Ottawa's corporate structure and its alignment with the ARC.[346] VECC's central argument is that there is an "inherent conflict of interest" because all of Hydro Ottawa's executive leadership is employed by HOHI rather than by the utility itself. VECC argues that utility staff who are responsible for reviewing and reporting on affiliate cost allocations are in an untenable position because they report to the same executives who determine and benefit from those allocations. VECC claims there are no clear, formalized rules governing how time is allocated between the regulated utility and affiliates. Based on these concerns, VECC initially suggests the full Corporate Cost amount should be disallowed entirely, then alternatively proposes a reduction of $4 million, which would bring the allocation below 2021 actual levels.

314. VECC's arguments related to cost allocation and methodology are addressed above. This section addresses VECC's arguments related to the ARC, which appears to be based on a fundamental disagreement with the ARC itself, rather than Hydro Ottawa's adherence to ARC principles and rules.

315. The *Ontario Energy Board Act, 1998* allows for affiliates of distributors.[347] The ARC sets rules governing affiliate relationships, including with respect to shared corporate services between the distributor and its affiliates. Hydro Ottawa believes shared services bring value to customers as common corporate services can be shared among regulated and unregulated affiliates within the corporate structure.

[346] Ontario Energy Board, *Affiliate Relationships Code for Electricity Distributors and Transmitters* (ARC) (March 15, 2010), s. 2.3.4.3.
[347] *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Sched. B, s. 70(9).

316. Hydro Ottawa has a strong culture and history of understanding and adhering to the ARC. In 2016, the OEB undertook a review of Hydro Ottawa's shared corporate services cost allocation methodology.[348] No deficiencies were identified and no report was received.[349] At the time of the review, the corporate structure was essentially the same as it is today.[350]

317. Throughout this proceeding, Hydro Ottawa has provided responses to all requests for additional information regarding its corporate shared services,[351] and has committed to undertake a study in its next rebasing application if the OEB would find it helpful.

318. Despite the extensive evidence provided, VECC seems to question the integrity of employees like Ms. Barrie and Ms. Collier who assess shared services and corporate cost allocations, while also arguing that the ARC itself promotes a conflict of interest because it permits regulatory and finance staff (tasked with overseeing shared services and corporate cost allocations) to be within the affiliated corporate services or report to a position within an affiliate.[352] Respectfully, these arguments are inappropriate and unhelpful to this process, and should be rejected.

319. In addition to the annual ARC attestation that forms part of the RRR process, Hydro Ottawa has a layered approach to ensuring the ARC is understood and followed through education, annual reviews and reminders, and through its procurement processes where the ARC is embedded in the Procurement Policy as follows:

> "Employees must comply with the Ontario Energy Board's Affiliate Relationships Code for the procurement of services to or from Hydro Ottawa Limited and its affiliates"[353]
>
> and

[348] Hydro Ottawa Limited, EB-2019-0261, IRR CCC-69, p.1.
[349] Hydro Ottawa Limited, EB-2015-0004, A-8-1 Corporate Structure and Governance, p. 4.
[350] Ibid. The notable change is the Chief Operating Officer role was moved into HOHI.
[351] A formal time study report did not exist and the outcome was described Oral hearing on Day 2: "It's just, ultimately, from that cumulation of the data they looked at, they created a chart that created the percentages." The chart was not requested.
[352] As per s. 1.2 of the ARC, shared corporate services "means business functions that provide shared strategic management and policy support to the corporate group of which the utility is a member, relating to legal, regulatory, procurement services, building or real estate support services, information management services, information technology services, corporate administration, finance, tax, treasury, pensions, risk management, audit services, corporate planning, human resources, health and safety, communications, investor relations, trustee, or public affairs."
[353] Attachment 4-2-2(A) - Procurement Policy, p. 4.

"Adhere to the Affiliate Relationships Code for transactions involving Hydro Ottawa Limited and its affiliates and seek guidance from the Regulatory Affairs group for any related compliance questions or issues."[354]

320. VECC's ARC-related criticisms vis-a-vis Hydro Ottawa are meritless, and should be interpreted as grievance towards the ARC itself rather than Hydro Ottawa's application of the ARC principles and rules. For this reason, Hydro Ottawa refutes VECC's recommendation for a full or partial disallowance of corporate costs.

iii. Pollution Probe and CAFES Reply Arguments

321. Pollution Probe and CAFES' joint reply make a number of assertions regarding the corporate costs and the corporate structure, many of which are based on a fundamental misunderstanding of the facts in this proceeding, the rules related to shared services and the ARC. These comments are addressed below.

322. Pollution Probe and CAFES criticize the utility for not having an independent board, but as evidenced in Schedule 1-6-1 - Corporate Structure and Governance (and recognized by Pollution Probe and CAFES in their submission), Hydro Ottawa complies with the ARC requirements related to board independence. As such, Pollution Probe and CAFES appear to be commenting on a generic ARC issue, rather than a specific Hydro Ottawa matter. The OEB should dismiss this commentary as it's not relevant to the issues in this proceeding.

323. Pollution Probe and CAFES further state Hydro Ottawa's corporate structure is complex and not transparent. In support of this meritless argument, they reproduce a simplified version of the corporate structure, rather than the more detailed version of the structure provided in evidence.[355] To say there is no transparency is incorrect and disingenuous. Hydro Ottawa clearly explained the corporate structure in the pre-filed evidence and responded to all interrogatory questions asked by CAFES[356] (Pollution Probe did not ask any during interrogatories) related to this topic. In addition, witnesses were available to answer questions about evidence at both the technical conference and oral hearing, for which there were few.

[354] Ibid., p. 5.
[355] Schedule 1-6-1 - Corporate Structure and Governance, p.4.
[356] IRR 1-CO-1.

324. Furthermore, Pollution Probe and CAFES appear to have confused Hydro Ottawa Capital Corporation (HOCC) with Hydro Ottawa Holding Inc. (HOHI), and made a number of statements which are not accurate and must be dismissed. HOCC is a newly established holding company and parent of the utility, while HOHI is the parent company of HOCC and consequently, the broader group of companies, as clearly noted in Schedule 1-6-1 - Corporate Structure and Governance. Appendix 2-N confirms that no corporate costs are charged from HOCC to the distributor; therefore, Pollution Probe and CAFES' claim that this new structure adds cost is simply inaccurate.

325. With respect to the newly established HOCC, Pollution Probe and/or CAFES further claim that "If there are incremental benefits being generated by the new corporate structure, they should be objectively assessed and identified so that they can be appropriately allocated to Hydro Ottawa and its customers." This argument is misguided and should be dismissed. Consistent with section 86(2)(b) of the *Ontario Energy Board Act, 1998,* a MAADs application was submitted to the OEB when HOCC was established to acquire 100% of the shares of the utility from HOHI. The OEB applied the "no harm" test in assessing the MAADs application and concluded that the transaction underlying the corporate reorganization meets this test. The OEB noted the following in its findings:

> This Application is being made as a result of an internal corporate Reorganization. The evidence filed by the Applicants indicates that the Reorganization will have no impact on HOL's rates, operation, service area, or customer base, and that HOL will incur no costs as a result of the Reorganization. The OEB finds that no person will be adversely affected in a material way by the outcome of this Application and has proceeded to determine this matter without a hearing.[357]

326. Furthermore, in this application Hydro Ottawa confirmed that its employees did not switch companies as a result of HOCC's establishment. Pollution Probe and CAFES are thus mistaken in their assertion that FTEs were moved out of the utility once HOCC was established: "It seems that the actual FTEs allocated within Hydro Ottawa over the current rate term should have gone down once HOHI [sic] was established and those utility employees were moved from HOL to

[357] Hydro Ottawa Holding Inc. & Hydro Ottawa Limited, EB-2024-0164, Decision and Order (July 2, 2024), p. 6.

HOHI [sic]."[358] This is not accurate, and therefore there is no employee double counting as Pollution Probe and CAFES have asserted.

327. Pollution Probe and/or CAFES go on to say that simply moving executives out of HOHI into the utility will create "savings" as the majority of their time is spent on the utility. These claims are unfounded, and should be rejected for the following reasons:

a. First, the ARC permits the sharing of corporate services which includes executive time, and it is common practice for large distributors to house executives providing shared corporate service in the parent company. There is nothing improper or non-compliant about this structure.

b. Second, as detailed in interrogatory response 4-CCC-57, there is no evidence to suggest (and no logic to support) that where an executive resides from a corporate structure perspective affects the cost borne by the utility associated with their management services. To illustrate, if an executive spends 70% of their time managing the utility, the cost of this service is the same whether the executive resides in the utility and allocates the remaining 30% time to the affiliates, or vice versa.

328. Pollution Probe and/or CAFES suggest it's best practice for executives to complete a timesheet but provides no evidence to back this up, and no clarity around whether the best practice refers to an ongoing (daily requirement) rather than a period of time study. Hydro Ottawa submits that it is the latter, as evidenced by ARC which states: "Where a utility pays a cost-based price for a service, resource, product or use of asset that is obtained from an affiliate, the utility shall obtain from the affiliate, from time to time as required to keep the information current, a detailed breakdown of the affiliate's fully-allocated cost of providing the service, resource, product or use of asset."[359] Hydro Ottawa adheres to this best practice and the ARC requirement as its corporate cost allocation methodology for executive services is predicated on a time study and annual review process to adjust the time requirements.[360]

[358] Reply Submission of PP & CAFES, p. 13
[359] Ontario Energy Board, *Affiliate Relationships Code for Electricity Distributors and Transmitters* (ARC) (March 15, 2010), s. 2.3.4.3.
[360] Oral Hearing Transcript, Day 2, p. 21.

329. Once again failing to understand how the corporate shared service pricing rules work under the ARC, Pollution Probe and CAFES criticize Hydro Ottawas because "[a]ffiliate services are not conducted on a competitive procurement process."[361] However, the ARC does not require competitive procurement for shared corporate services; in fact, it specifically states that for shared corporate services, fully-allocated cost-based pricing may be applied in lieu of market-based pricing.[362]

330. In addition, Pollution Probe and CAFES relate their ARC commentary with a concern that "[t]he intermixing of regulated monopoly and unregulated services using the same employees can also impede the enablement of community energy solutions that are urgently needed to enhance local DERs benefits and clean energy supply."[363] This concern relates to the same generic concern noted above in paragraph 297, which is under OEB consideration as part of a policy consultation. Thus, it is not a relevant or appropriate issue to consider in this proceeding.

331. The majority of Pollution Probe and/or CAFES' concerns appear to be ARC-related criticisms, confusion with regards to the evidence and a concern regarding DER initiatives. The latter of which seems to suggest rate payers should lose the ability of cost sharing in case DERs are impacted. Ultimately Pollution Probe and CAFES recommend a third party study for which Hydro Ottawa has indicated they are willing to complete if the Board would find it helpful, with the recommendation of excluding Pollution Probe and/or CAFES' expanded DER generic scope, as outlined above.

[361] Reply Submission of PP/CAFES, p. 11.
[362] Ontario Energy Board, *Affiliate Relationships Code for Electricity Distributors and Transmitters* (ARC) (March 15, 2010), s. 2.3.5.1.
[363] Reply Submission of PP/CAFES, p. 11.

ISSUE 7.5: NET METERING

I. HYDRO OTTAWA'S PROPOSAL AND REPLY ARGUMENTS

332. Hydro Ottawa's proposal to eliminate the Net Metering service charge is grounded in the principles of fairness, cost causality, and operational efficiency. Following the automation of billing for the majority of its net metering customer base, the utility has realized significant cost savings that negate the need for a separate fixed charge. The proposal ensures that net metering customers—who already pay for the standard monthly fixed distribution charge for their rate class—are not treated differently for choosing a self-generation rate option. The utility maintains that a dedicated service charge is no longer required.

333. OEB Staff and several intervenors, including BOMA, CAFES, DRC, ED, PP and SEC, support, or do not oppose the removal of the charge. VECC, CCC, EP and CCMBC oppose the removal of the charge and disagree with underlying principles and raised concerns which are addressed below.

II. HYDRO OTTAWA'S PROPOSAL IS DRIVEN BY CHANGES IN COST CAUSATION

334. Hydro Ottawa's proposal is grounded in cost causation. The Net Metering charge was originally implemented to recover incremental administrative and billing costs associated with manually managing net-metered accounts. Since that time, Hydro Ottawa has implemented automated billing processes for residential and small commercial net metering customers, who represent more than 95%[364] of net-metered accounts and had planned[365] to automate the > 50KW Commercial customers. As a result, the incremental administrative effort that previously justified a dedicated charge has largely been eliminated.

335. In these circumstances, continuing to charge a dedicated Net Metering charge would not be consistent with cost causation principles. Net metering customers will continue to pay the standard fixed monthly service charge associated with their distribution rate class, ensuring they contribute to the recovery of shared distribution system costs like any other load customer.

[364] Technical Conference Undertaking JT 2.15, p. 1.
[365] Schedule 6-3-4 - Other Operating Revenue p.4; Oral Hearing Transcript, Day 2, p.159; Oral Hearing Transcript, Day 3, p.11.

336. Additionally, if the OEB were to decide that the Net Metering charge should continue to be imposed, the Net Metering charge would be the only incremental rate optionality charge Hydro Ottawa customers would incur. Hydro Ottawa does not impose extra charges for the incremental costs associated with other rate optionality (e.g., global adjustment, retailers), so the Net Metering charge would treat net metered customers differently than others.[366]

III. HYDRO OTTAWA'S RESPONSE TO INTERVENORS

A. Clarification Regarding Materiality

337. Next, Hydro Ottawa wishes to clarify that the proposal to remove the charge from its rate orders is not based on materiality. While some intervenors supporting the proposal referenced the relatively small amount of revenue generated by the Net Metering charge as justification for removing it, Hydro Ottawa agrees with the broader principle articulated by VECC[367] that the objective of rate design is to ensure that customers using a service pay the costs of providing that service, such that they are not subsidized by other customers. Hydro Ottawa's proposal to remove the net metering charge is consistent with this principle.

338. The proposal to remove the charge is not based on the fact that revenues from the charge fall below Hydro Ottawa's materiality threshold, nor does Hydro Ottawa suggest that a charge should be removed simply because it generates limited revenue. Rather, the key consideration is that the incremental costs that originally justified the charge have largely been eliminated through automation and that similar rate optionality services do not incur a charge. Where costs are longer incurred, a dedicated charge is no longer warranted.

339. Furthermore, Hydro Ottawa does not believe that the appropriate regulatory response to future growth in net metering participation would be to simply reinstate the charge. Instead, any future rate design considerations should continue to be grounded in actual cost drivers.

B. Jurisdictional Comparisons Are Not The Basis For The Proposal

340. While some intervenors supporting Hydro Ottawa's Net Metering proposal noted that several other Ontario distributors do not have a similar charge for net metering, Hydro Ottawa

[366] Oral Hearing Transcript, Day 2, pp. 42, 58, 62.
[367] Reply Submission of VECC, p. 23.

emphasizes that jurisdictional comparisons are not the basis for its proposal. Hydro Ottawa's position is that Specific Service Charges, including net metering, should be evaluated based on the specific operational and cost circumstances of each utility.

341. More broadly, Hydro Ottawa maintains that DER-related cost recovery and DER remuneration should be considered separately. Maintaining this distinction promotes transparency and supports the development of a competitive DER market. It also preserves the ability to introduce targeted incentives where DERs provide system value, rather than creating broad subsidies that may encourage deployment where system benefits are limited or create costs.

C. Response To Intervenor Concerns Regarding Cross-Subsidization

342. VECC, CCC, Energy Probe and CCMBC argue that eliminating the Net Metering charge would violate the "user-pay" principle and result in cross-subsidization. Hydro Ottawa respectfully disagrees.

343. As noted above, the incremental costs that the charge was designed to recover have largely been eliminated for the vast majority of these load customers. Maintaining the charge in the absence of those costs would no longer reflect cost causation.

344. To the extent that limited incremental administrative activities remain for certain commercial accounts whose billing is not yet fully automated, those costs are appropriately addressed through existing distribution cost recovery mechanisms, rather than a separate fixed charge applied to net metering customers. Such treatment, whereby these administrative costs are addressed through existing distribution cost recovery mechanisms, is similar to how Hydro Ottawa manages the administration costs associated with providing the other rate optionality choices that are available to any load customer.

345. Energy Probe also suggests that net metering customers impose additional costs related to activities such as billing, data capture and settlement with the IESO. Hydro Ottawa notes that many of these activities are standard elements of non-distribution billing operations and are not unique to customers with net metering.

346. Hydro Ottawa notes that the existence of optional rate structures or program participation does not, in itself, justify the creation of a separate administrative charge. As briefly discussed above,

Hydro Ottawa does not apply distinct administrative fees to other forms of rate optionality available to customers. For example, customers who elect Time-of-Use, Ultra-Low Overnight Time-of-Use, Tiered pricing or Class A Global Adjustment rate options are not subject to separate administrative charges for exercising those options - notwithstanding that those rate structures require additional billing configurations, data processing or settlement activities. The same principle applies here. Participation in net metering is simply one of several customer choices available.

D. Response To Procedural Concerns

347. In its Reply Submission, Energy Probe asserts that Hydro Ottawa "resiled" from a prior settlement and "surreptitiously" stopped charging an OEB-approved rate,[368] thereby calling into question the utility's ability to comply with OEB Directives. Hydro Ottawa disagrees with this characterization. Energy Probe is itself a signatory to the Approved Settlement Agreement in this proceeding, in which parties accepted that Hydro Ottawa has responded appropriately to all relevant OEB Directives from previous proceedings, including commitments arising from prior approved Settlement Agreements.[369] There is no evidence on the record that Hydro Ottawa has failed to comply with any OEB Directive or settlement obligation.

348. Further, Energy Probe's characterization of Hydro Ottawa's decision to cease imposing this charge as "surreptitious" is misguided criticism that should be dismissed. Hydro Ottawa notes that the charge in question is a Specific Service Charge associated with an optional program, and was designed to recover incremental administrative and billing costs that have largely been eliminated through automation. By waiving the charge, Hydro Ottawa did not alter the approved amount of the charge or amend its tariff.

349. Specific Service Charges are cost-based and event-driven, not base distribution rates applied uniformly to all customers. Utilities retain limited operational discretion in the application of its charges, including the ability to waive charges as a customer service measure, provided the

[368] Reply Submission of EP, pp. 2-3.
[369] Hydro Ottawa Limited, Settlement Proposal, EB-2024-0115 (December 19, 2025; refiled January 16, 2026; Approved January 14, 2026), p. 38.

approach is reasonable and non-discriminatory. Hydro Ottawa's approach has been applied consistently and does not result in preferential treatment to any customer.[370]

350. The issue before the OEB in this proceeding is whether the Net Metering Charge remains warranted on a forward-looking basis in light of the demonstrated lack of incremental costs for the vast majority of net metering and the fact that other load rate optionality choices do not have separate administrative charges EP's argument, however, conflates this forward-looking issue with whether there was a historical obligation to charge this specific service charge despite changing circumstances. Hydro Ottawa submits that this is not a relevant consideration before the OEB, and in any event, that Hydro Ottawa acted reasonably and prudently in waiving this specific service charge in the current rate term in light of changing circumstances (i.e. automating the residential net metering billing process).

351. Energy Probe requests that the OEB order Hydro Ottawa to reinstate the charge in its pending decision. Hydro Ottawa submits this is neither necessary nor appropriate. Reinstatement would compel customers to pay a charge that no longer reflects underlying costs and would be inconsistent with the principle of cost causation. The evidence on the record clearly demonstrates that the dedicated charge is no longer warranted. Accordingly, Hydro Ottawa respectfully submits that the OEB should dismiss Energy Probe's request and approve the removal of the Net Metering charge on a prospective basis.

E. VECC Assertion That Similar Charges Exist Is Not Accurate

352. VECC makes reference to two other charges it considers similar to the net metering charge: the Standard Supply Service (SSS) charge and Hydro Ottawa's Standby charge. Hydro Ottawa disagrees with both of these comparisons.

353. When initially set, the SSS charge and the Distributor-Consolidated Billing (DCB) charge were set at very similar rates. Both were set under Chapter 12 - Other Regulatory Charges of the 2006 Rates Handbook.[371] The SSS charge is intended to cover the cost of billing customers who choose to be served by Standard Supply Service. The DCB charge is collected from retailers for

[370] It was also confirmed on Day 3 of the Oral Hearing that any ESM was not impacted, as Hydro Ottawa had underearned during the rate period for which the net metering charge was waived - as noted in the Oral Hearing Transcript, Day 3, p. 12.
[371] Ontario Energy Board, *2006 Electricity Distribution Rate Handbook* (May 11, 2005) p. 126; Ontario Energy Board, *Electricity Distribution Rate Handbook* (March 9, 2000), Chapter 10; Ontario Energy Board, *Report of the Board: 2006 Electricity Distribution Rate Handbook* (May 11, 2005).

the incremental cost of billing their customers, which essentially indirectly recovers the non-distribution cost from non-SSS customers. Hydro Ottawa successfully applied for a utility specific DCB charge in 2015 that was cost based.[372] The DCB was subsequently reset through a generic proceeding of the OEB to reflect an average cost based approach.[373] The SSS charge remains set at its initial rate. Hydro Ottawa has twice applied to adjust the SSS rate to a cost based approach.

354. But regardless of the cost structure, a non-distribution billing service charge is applied to all customers. And, in both cases, the cost is reflected in a non-distribution line of the bill. As a result, these charges are distinct from the Net Metering charge at issue in this proceeding.

355. The Standby charge is not a rate optionality charge but a request to reserve capacity on the grid, essentially stopping other customers from using that capacity.[374] Customers who request this added service are required to pay an incremental fee for capacity that could otherwise generate revenue from another customer. In some cases, this could require an expansion when other customers request to connect to these assets. Once again, this charge and the basis for it are distinct from the Net Metering charge.

356. For these reasons Hydro Ottawa suggests VECC's comparisons are not similar and are designed to collect costs for very different purposes.

IV. SUMMARY

357. Hydro Ottawa's proposal reflects a straightforward application of treating load customers equally. Net metering customers will continue to pay the base monthly distribution charge applicable to their distribution rate class, ensuring appropriate contribution to shared system costs to support rate optionality. Regardless, automation of previously manual billing processes has essentially eliminated the incremental administrative costs that originally justified the Net Metering service charge for the vast majority of net metering customers. In these circumstances, maintaining a dedicated Net Metering charge would no longer reflect the underlying cost drivers and would be inconsistent with efficient and transparent rate design.

[372] Hydro Ottawa Limited, *2016-2020 Custom Incentive Rate-Setting Distribution Rate Application*, EB-2015-0004 (April 29, 2015).
[373] Ontario Energy Board, *Review of Miscellaneous Rates and Charges,* EB-2015-0304 (November 5, 2015).
[374] Schedule 7-1-3 - Standby Service Charge, p. 2.

358. For these reasons, Hydro Ottawa respectfully submits that the OEB should approve the proposal to permanently remove the Net Metering service charge.

ISSUE 5.3: SHARED SAVINGS MECHANISM

359. There is no dispute regarding the fundamental merits of the Non-Wires Customer Solutions Program (NWCSP). The parties broadly agree that the program is a cost-effective and innovative solution for Kanata North, directly addressing the urgent demand growth forecasted by Hydro Ottawa and the IESO. As stated in Hydro Ottawa's evidence, "'[d]o-nothing' is not a viable option and the system need described herein is non-discretionary."[375] Staff has already signaled its support for the program's necessity, specifically noting they are "supportive of the NWCSP, recognizing the strategic use of this NWS program in addressing the particular and imminent system needs in the Kanata North region."[376]

360. With the need for the NWCSP and its viability as a solution fully established and accepted, the central question remaining before the OEB is not whether the program should proceed, but whether Hydro Ottawa should be appropriately remunerated for its success.

361. The NWCSP represents an innovative approach to managing capacity constraints. The proposal reflects a willingness to pursue a lower-cost, flexible alternative in alignment with policy direction, even though traditional infrastructure investments remain the most established method of addressing system capacity requirements and come with a higher level of guarantee. However, being a new solution which relies on customer participation and new technologies, NWCSP carries notable implementation risk. Recent OEB policy recognizes non-wires solutions as alternatives to traditional infrastructure that should be deployed only where determined to be the preferred approach and not presumed to offer equivalent certainty to traditional investments.[377]

362. As noted in Hydro Ottawa's Argument-in-Chief, the policy framework developed by the OEB over the past five years through the Framework for Energy Innovation (FEI) is meant to recognize and address this practical reality through changes to utility remuneration via NWS incentives. Furthermore, this proceeding marks the first time since the release of the FEI Report

[375] Attachment SC-Staff-4(A) - Updated Attachment 2-Staff-67(A) - NWCSP - BCA Summary Report, p. 8.
[376] Reply Submission of OEB Staff, p. 19.
[377] Ontario Energy Board, *Framework for Energy Innovation: Setting a Path Forward for DER Integration* (January 30, 2023), p. 18; Ontario Energy Board, *2024 Non-Wires Solutions Guidelines for Electricity Distributors* (March 28, 2024); Ontario Energy Board, *Benefit-Cost Analysis Framework for Addressing Electricity System Needs* (May 16, 2024).

in 2023 that the OEB will adjudicate a proposal brought under these new policies. Therefore, the Panel's decision here will set a critical precedent for how innovation is valued and remunerated across the province.

363. Hydro Ottawa respectfully submits that Staff's position would effectively leave Hydro Ottawa without any mechanism for just and reasonable remuneration for delivering this innovative solution. This outcome is detrimental to the OEB's policy objectives, and counter to the expectations of the Government of Ontario as set out in the Minister's December 2024 letter to the OEB to: "[p]rovide incentives to utilities to implement non-wire solutions that benefit customers (e.g., DERs/NWAs)."[378]

364. Although some intervenors (CCC, SEC, VECC, EP, PP, CAFES and CCMBC) either support Staff's position, argue utilities should absorb NWS risks, or suggest deferring the decision, Hydro Ottawa's interpretation of SSM eligibility is supported by BOMA, DRC, and ED.

365. ED submits that Staff's interpretation would create an unwarranted restriction on the use of the SSM and would risk setting an adverse precedent: "OEB Staff argues that the shared savings mechanism cannot be used where a non-wires solution is the only feasible option to address distribution needs. The OEB should not accept this submission as it is incorrect and would set a negative precedent. First and foremost, none of the relevant OEB guidelines rule out a shared savings mechanism in this situation, either explicitly or implicitly."[379] ED further notes that while benefit quantification may be more complex where there is no single facilities alternative for comparison, the OEB's Benefit-Cost Analysis (BCA) Framework provides multiple approaches for doing so.

366. Similarly, DRC submits that Staff's framing is overly narrow and does not reflect how the BCA Framework directs distributors to define reference scenarios or apply the OEB's Filing Guidelines. DRC states that "[t]he BCA Framework also recognizes that in certain limited circumstances, such as remote communities at the end of long radial lines, an NWS may become the reference scenario and a formal BCA may not be appropriate or necessary.

[378] Minister of Energy and Electrification,*Letter of Direction* (December 19, 2024), p.7: https://www.oeb.ca/sites/default/files/Letter%20from%20the%20Minister%20of%20Energy%20and%20Electrification%20-%202024-1074.pdf
[379] Reply Submission of ED, p. 5

However, Kanata North is not such a case as it is a non-discretionary capacity constraint in a high-growth area where a long-term wires solution is proceeding. Therefore, the NWS addresses near-term capacity constraints and system reliability risk during the construction window that may influence longer-term system planning in HOL's service territory."[380] Within its summary report, Hydro Ottawa outlines how high growth in the area is impacting its long term forecast, ensuring that capacity acquired in the short term, quantified using the Marginal Capacity Value (MCV) approach, will have value into the future.

367. Staff raises three principal issues with Hydro Ottawa's proposal to fund the NWCSP:

    a. First, Staff argues that the NWCSP is not eligible for a SSM incentive because, in its view, the program does not avoid or defer a traditional wires alternative.

    b. Second, Staff suggests that the proposed incentive is misaligned with the structure and purpose of the SSM and broader policy direction.

    c. Third, Staff questions whether the BCA filed by Hydro Ottawa provides a reliable assessment of the program's costs and benefits, citing uncertainty regarding certain inputs and assumptions.

368. To address Staff's principal issues, the evidence on the record and the submissions below demonstrate that:

    a. The NWCSP is eligible for the SSM;

    b. The proposed incentive is consistent with the structure and purpose of the SSM, aligning with broader OEB and Government of Ontario policy objectives; and

    c. The BCA was appropriately developed following applicable OEB guidelines and provides a reasonable, reliable assessment of the program's costs and benefits.

[380] Reply Submission of DRC, p. 7.

I. ELIGIBILITY OF THE NWCSP FOR THE SHARED SAVINGS MECHANISM IS CLEARLY DEMONSTRATED

369. The decision the OEB reaches regarding the eligibility of the SSM carries implications well beyond the specific dollar amount requested for the Kanata North NWCSP. Staff's opposition to the SSM rests on a fundamentally flawed premise: that because the traditional wires alternative was highly capital-intensive and practically constrained, Hydro Ottawa "had no choice" but to deploy a NWS, and therefore cannot claim any "real savings." Staff arrives at this conclusion by completely ignoring the Marginal Capacity Value (MCV) approach—the exact OEB-approved methodology designed to quantify savings when a single, discrete wires asset cannot be used as a direct comparison.

370. Hydro Ottawa submits that this logic creates a perverse regulatory paradox: by arguing that the feeder extension is too expensive to serve as a viable traditional alternative, Staff establishes a standard where utilities are rewarded for mitigating moderate costs, but actively disqualified from the SSM when they avoid the most extreme capital expenditures.

371. Staff also ignores that utilities traditionally earn returns on capital to offset financial risk. By deploying an NWS, Hydro Ottawa is forgoing these returns yet assumes the operational risk of a novel solution that delivers ratepayer savings. The FEI Report indicates that "[u]ncertainty about the ability to recover DER-related costs and the perceived disincentive of forgoing the opportunity to earn a return when a DER solution displaces a capital project may also hinder the adoption of DER solutions by distributors."[381] And further indicates that "[d]istributors may also propose an incentive tied to implementation of third-party owned DER solutions as NWAs. Adjudicating these proposals and observing impacts of any approved incentives will inform OEB consideration of any future incentives policies, applicable to all distributors."[382]

372. As detailed below, Staff's narrow interpretation not only contradicts the OEB's own BCA Framework, but it also threatens to erect the very regulatory barriers the OEB sought to

[381] Ontario Energy Board, *Framework For Energy Innovation: Setting a Path Forward for DER Integration* (January 30, 2023) p 4.
[382] Ibid., p 5.

dismantle, disincentivizing utilities from solving the exact non-discretionary constraints the Board seeks to mitigate.

373. Staff argues that the Kanata North NWCSP is not eligible for an SSM incentive because, in its view, no "feasible wires alternative" exists during the need window, and therefore the project cannot "generate real incremental savings" for customers. Based on this viewpoint, Staff concludes that "the absence of actual savings makes the project ineligible for an SSM as per the Incentive Guidelines."[383] Using similar flawed logic, Staff asserts that "Hydro Ottawa is not forgoing a traditional investment opportunity in Kanata North"[384] by deploying the NWS program because the Kanata North Municipal Transformer Station still has to be built. For the reasons that follow, Hydro Ottawa disagrees.

374. First, Hydro Ottawa rejects Staff's premise that no traditional wires investment could have reasonably passed a prudence review. This assertion is untested and unsubstantiated by the evidence on the record. By dismissing the traditional wires alternative as imprudent without evidentiary support, Staff's argument seeks to eliminate the baseline against which customer savings are measured. However, the record clearly demonstrates that the avoided costs of traditional wires solutions in the Kanata North region are highly quantifiable. Because the NWCSP is a flexible program rather than a single discrete asset, Hydro Ottawa utilized the MCV approach to establish this baseline. As detailed further in paragraphs 399-400 below, MCV translates flexible program capacity into an equivalent dollar-value based on historical traditional infrastructure expenditures, providing an effective baseline for comparison. In light of these facts, Hydro Ottawa submits that Staff's characterization of traditional alternatives reflects an overly narrow and simplistic view that ignores the very real costs avoided by deploying the NWCSP.

375. Second, although the long-term solution to serve load growth in the region includes the development of the Kanata North Municipal Transformer Station, the NWCSP forms an integral part of the overall capacity strategy for this economically significant area of Hydro Ottawa's service territory over a long term planning horizon. The NWCSP enables the existing grid to

[383] Reply submission of OEB Staff, p.16.
[384] Reply submission of OEB Staff, p.17.

meet near-term customer service and reliability needs and provides long-term planning flexibility as traditional infrastructure is developed. This is entirely consistent with the OEB policy expectations, which clearly state that "the BCA Framework will assist electricity distributors and the OEB in determining whether an NWS, a traditional poles-and-wires infrastructure solution or a combination of the two is the preferred approach… in meeting a system need."[385]

376. Third, Hydro Ottawa submits that Staff's proposed interpretation is not supported by the OEB's Filing Guidelines for Incentives for Electricity Distributors to Use Third-Party DERs as Non-Wires Alternatives (the "NWS Filing Guidelines").[386] The NWS Filling Guidelines state two prerequisites for the SSM:

    a. Applicants must justify the proposed share of savings and quantify total customer savings and the shareholder portion (annual and over the incentive term).

    b. A benefit-cost analysis comparing the DER solution and the wires alternative must demonstrate net savings.[387]

377. Importantly, the NWS Filing Guidelines do not establish the existence of a "traditional" or "feasible wires alternative" as a prerequisite for any incentive mechanism, including the SSM. In fact, the terms "traditional" and "feasible" do not appear in the NWS Filing Guidelines in the context described by Staff. By introducing this concept, Staff is attempting to read an unstated restriction into the Guidelines—one that lacks a textual foundation and, in Hydro Ottawa's view, directly conflicts with the OEB's BCA Framework, which was expressly designed to enable flexible, programmatic solutions like the NWCSP.

378. To the contrary, the OEB's BCA Framework explicitly recognizes that the use of the MCV approach employed by Hydro Ottawa for its BCA, is "useful for more programmatic investments which are not tied to a single, specific traditional investment"[388] and separately is "preferred when the need is not precisely tied to a specific asset."[389] This guidance directly reflects the type

[385] Ontario Energy Board, *Benefit-Cost Analysis Framework for Addressing Electricity System Needs* (May 16, 2024), p.6.
[386] Ontario Energy Board, *Filing Guidelines for Incentives for Electricity Distributors to Use Third-Party DERs as Non-Wires Alternatives* (March 28, 2023).
[387] Ibid., p. 7.
[388] Ontario Energy Board, *Benefit-Cost Analysis Framework for Addressing Electricity System Needs* (May 16, 2024), p. 26.
[389] Ibid., p. 24.

of situation at issue in this proceeding, where a non-wires solution is being deployed to manage system needs in a flexible manner rather than to replace a single defined infrastructure project.[390]

379. As such, Hydro Ottawa submits that the prerequisites for consideration of an SSM incentive have been satisfied: (A) the rationale for the NWCSP is clearly documented on the record and the system need is undisputed, and (B) the required BCA template was filed in accordance with the OEB's established framework and was accompanied by a comprehensive BCA Report detailing Hydro Ottawa's methodology for full transparency.[391]

380. The question in front of the Panel in this proceeding is whether the SSM is appropriate for Hydro Ottawa's BCA. Staff asserts that the proposed incentive does not align with the intended application of the SSM because, in Staff's view, the NWCSP does not produce actual savings to ratepayers. With respect, this is simply incorrect. The record in this proceeding shows that the NWCSP produces net present value distribution benefits of approximately $985,000 over the 2026–2030 period. These customer benefits were quantified by a third-party consultant using the MCV approach outlined in the BCA Framework. In addition, the analysis put forward in the BCA outlines several categories of qualitative benefits that are difficult to quantify but are nonetheless real, including improvements in Reliability and Resilience, Innovation and Market Transformation, Planning Value, and broader energy system benefits.

381. Ultimately, Staff's characterization of the calculated net benefits as "theoretical" is unhelpful and inconsistent with the policy framework. Benefit-cost analyses are inherently forward-looking tools designed to assess the expected costs and benefits of investment decisions before they occur.[392] As such, they necessarily involve projections and assumptions regarding future conditions. The BCA filed by Hydro Ottawa follows the methodology established by the OEB within the BCA Framework and quantifies benefits that are real and meaningful to customers. These benefits are not speculative. Rather, they reflect the practical value of addressing a confirmed system need through a flexible non-wires approach using a method of quantification established in the BCA framework.

[390] The appropriateness of the use of the MCV is further explained in paragraphs 393-395 below.
[391] Attachment SC-Staff-4(A) - Updated Attachment 2-Staff-67(A) - NWCSP - BCA Summary Report.
[392] This in fact is the case for the majority of applications in front of the OEB.

382. If the OEB were to adopt Staff's narrow prerequisite—that savings are only recognized when a discrete capital project is permanently avoided or deferred—such a decision would send an adverse regulatory signal across the Ontario electricity sector. Such a precedent would effectively limit SSM incentives to straightforward, single-asset deferrals, actively discouraging distributors from deploying innovative solutions to manage complex construction gaps or long-term regional growth. It tells the sector that solving the hardest problems yields zero remuneration.

383. For these reasons, Hydro Ottawa submits that the Kanata North NWCSP meets the requirements for consideration under the SSM Incentive.

II. CONSISTENCY WITH OEB AND GOVERNMENT POLICY DIRECTION IS CLEARLY DEMONSTRATED

384. While Staff acknowledges the merits of the NWCSP, they argue that the SSM incentive does not align with the policy objectives outlined in the OEB's FEI. Hydro Ottawa respectfully submits that this interpretation reflects a selective and incomplete reading of the FEI and overlooks the central policy rationale for providing incentives for non-wires solutions.

385. First, Staff's interpretation overlooks the OEB's own explicit recognition of a structural misalignment in the current regulatory framework. As explained in Hydro Ottawa's Argument-in-Chief, the FEI report states that the Board "expects distributors to consider third-party owned DER solutions as NWAs for meeting system needs."[393] It further acknowledges that relying on operational expenditures rather than capital expenditures removes the traditional financial incentives for utilities. Absent an incentive mechanism, such as the SSM, distributors would have limited motivation to maintain or expand such programs, preferring instead traditional infrastructure investments that provide a regulated return and less risk. The FEI therefore concludes that "providing incentives for distributors to deploy third-party owned DERs as NWAs is a way of addressing this barrier in the near term, without revisiting the fundamental approach to how utilities are remunerated and the overall rate-setting framework."[394]

[393] Ontario Energy Board, *Framework for Energy Innovation: Setting a Path Forward for DER Integration* (January 2023), p.24.
[394] Ibid.

386. Second, Staff's characterization of the customer impact of the proposed SSM incentive is incorrect. Staff suggests that approving the incentive would increase customer bills by layering an SSM payment on top of both the NWS program costs and the traditional wires investment. This framing fails to recognize the avoided capital costs and the potential long-term customer affordability benefits of NWSs. Under the traditional rate regulation framework, distributors earn a regulated return on capital investments added to the rate base. If Hydro Ottawa were to address the system need through traditional infrastructure investment, the associated capital costs (plus a regulated rate of return) would be recovered through rates. Since the NWS does not result in immediate capital expenditures, the SSM incentive simply provides a mechanism to appropriately remunerate the utility for delivering net customer benefits in the interim. The benefits have been quantified for the Kanata North NWSCP, and the evidence shows that this investment provides demonstrable value to customers in the 2026-2030 rate period. The benefits also extend well-beyond this specific project, as developing NWS capabilities (supported by the use of appropriate utility incentives) will encourage utilities to work more closely with their customers to develop new solutions and offering for meeting and managing their future energy needs.

387. Third, Staff's narrow interpretation contradicts explicit Government of Ontario directives. Following the work of the FEI, a December 2024 letter to the OEB, Minister Lecce states that "[p]olicy and regulatory frameworks must adapt to better support customer choice, address barriers to adoption, and optimize the use of [DERs] to meet provincial and local energy demands."[395] Furthermore, The Integrated Energy Plan (IEP) emphasizes the role of DERs in strengthening grid resilience and efficiency by relieving local constraints, deferring infrastructure upgrades, and supporting a more flexible electricity system. The NWCSP directly advances these objectives by using distributed flexibility to manage local system constraints and optimize the timing and scale of long-term infrastructure investments.

388. Finally, Hydro Ottawa submits that narrowing the NWS incentives approach as Staff has proposed frustrates the Government's broader energy policy objectives and direction as outlined

[395] Minister of Energy and Electrification,*Letter of Direction* (December 19, 2024), https://www.oeb.ca/sites/default/files/Letter%20from%20the%20Minister%20of%20Energy%20and%20Electrification%20-%202024-1074.pdf

in the IEP. Rather than reducing regulatory barriers associated with NWS adoption, Staff's proposal does the exact opposite. By effectively preventing the use of the MCV approach to quantify distribution system benefits, Staff's proposal increases the regulatory burden associated with the NWS BCA process, and makes it more onerous for Hydro Ottawa and other distributors to access just and reasonable incentives to deliver these innovative solutions. For these reasons, Hydro Ottawa encourages the OEB to consider whether Staff's submission on this issue drives the right outcomes for the sector.

389. In this proceeding, the OEB is being asked to consider the applicability of the FEI framework and principles to the Hydro Ottawa NWCSP. Staff's position (if accepted by the OEB) would signal to the industry that the remuneration mechanisms available under the FEI are meant to be narrowly construed, despite the Government's directives to the OEB to establish a remuneration framework that recognizes and rewards distributors for taking on and managing novels risks related to DER integration. Hydro Ottawa submits that a narrow and restrictive interpretation and application of the FEI framework and principles as Staff has suggested does not align with the desired policy outcomes, and should be rejected. Rather, Hydro Ottawa's proposed SSM (quantified using marginal avoided distribution capacity cost) reflects a fair, efficient and reasonable method of recognizing and rewarding a distributor's efforts to integrate third-party DERs as non-wires alternatives, which supports the government and OEB's policy objectives.

III. REASONABILITY AND COMPLETENESS OF HYDRO OTTAWA'S BCA INPUTS AND ASSUMPTIONS

390. Staff's critiques regarding the treatment of operational costs and the valuation of capacity benefits attempt to retroactively apply standards that are counter to the directions in the OEB's BCA Framework. If accepted, Staff's interpretation would effectively render the MCV approach unusable. Clarity from the OEB on these two issues is essential to ensure regulatory certainty regarding how costs and benefits are being evaluated.

391. While Staff do not state that the NWSCP fails the Distribution Service Test (DST), they raise issues in two categories regarding Hydro Ottawa's BCA: the treatment of OM&A costs, and the magnitude and timing of avoided infrastructure benefits.

392. Hydro Ottawa submits that the BCA filed in this proceeding was developed in accordance with the OEB's BCA Framework and provides a reasonable and transparent assessment of the costs and benefits. Where differences in interpretation exist, they result from Staff's departure from established methodological expectations rather than deficiencies in the underlying analysis.

A. Treatment of O&M Costs

393. With respect to OM&A costs, Staff asserts that Hydro Ottawa's BCA "does not fully account for NWCSP-specific OM&A costs within its DST calculations."[396] Hydro Ottawa acknowledges that program-related costs associated with existing staff resources were not included in the DST calculation. However, this approach reflects Hydro Ottawa's adherence to the term "incremental" within the context of the BCA Framework and prior OEB decisions.

394. Specifically, Hydro Ottawa interpreted incremental OM&A to refer to new or additional expenditures required to implement the program, rather than costs associated with existing staff resources already funded through base rates. This interpretation was consistent with past

[396] Reply Submission of OEB Staff, p.20.

regulatory precedent set through various OEB guidance including, CDM programming,[397] IFRS implementation costs[398] and the Accounting Procedures Handbook.[399]

395. Where existing staff are expected to contribute to either the NWCSP or a wires solution, the associated OM&A costs were not included in the BCA because they are not incremental to what is in base rates.[400] In other words, the existing staff costs are prudent and necessary to provide distribution services whether or not the NWCSP is deployed. Similarly, Hydro Ottawa did not include the avoided OM&A cost and benefits associated with existing staff that would have been required to support the wires solution (i.e. station technicians, Power Line Technicians, forestry resources and other non-capitalizable support staff that are integral to operating and maintaining wires infrastructure).

B. Valuation of Capacity Benefits

396. Staff takes issues with the MCV approach to calculate benefits quantified in the BCA, claiming that Hydro Ottawa is "inflating" the program value. This criticism poses a key question that the OEB must resolve in this application—whether the use of the MCV approach that has been outlined in the BCA Framework, and is used by the IESO for the purpose of eDSM should be applied to determine NWS incentives. Hydro Ottawa submits that quantifying benefits using

[397] Ontario Energy Board, *Accounting Procedures Handbook Frequently Asked Questions* (December 2005), page 5. https://www.oeb.ca/documents/cases/usoa/APH_FAQs_December2005.pdf
"Q.6 In the course of developing and rolling out the CDM programs our LDC uses its existing employees as part of this process. Do the costs for these employees qualify for CDM costs under the approved programs?
A.6 No. Eligibility of any CDM related internal labour costs must be "incremental" employee costs to the LDC. This would otherwise constitute "double counting" of the same costs since the LDCs employee costs are already included in the LDC's revenue requirement. In a previous circumstance related to employee costs, the Board guidelines for transition costs provided specific criteria for the eligibility of the transition costs."

[398] Ontario Energy Board, *Accounting Procedures Handbook Frequently Asked Questions* (October 2009), p.4, https://www.oeb.ca/oeb/_Documents/Regulatory/APH_FAQs_October2009.pdf
"Q.3 Which incremental IFRS transition costs qualify for recording in the subaccounts referred to in the answers to questions 1 and 2 above?
A.3 The costs authorized for recording in the deferral or variance account referenced in the answers to questions 1 and 2 above shall be incremental one-time administrative costs caused by the transition of accounting policies, procedures, systems and processes to IFRS. The incremental costs eligible for inclusion in these accounts may include professional accounting and legal fees, salaries, wages and benefits of staff added to support the transition to IFRS and associated staff training and development costs"
"Only costs that are clearly driven by the necessity of transitioning to IFRS and are genuinely incremental to costs that would have been otherwise incurred will be considered for approval for recovery in rates."

[399] Ontario Energy Board, *Accounting Procedures Handbook for Electricity Distributors* (December 2011), p. 18 "1508 - A distributor shall use this account to record one-time administrative incremental IFRS transition costs, which are not already approved and included for recovery in distribution rates."

[400] Updated SC-Staff-4.

MCV is a reasonable, appropriate, aligned and efficient approach, and its use should be approved by the OEB as part of this proposal.

397. Staff's argument reflects a misunderstanding of both the evidence and the OEB's own BCA Framework. As the record demonstrates, the NWCSP is a "bridging solution." Its purpose is to maintain system reliability and manage peak demand during the precise window before the new station is energized—a period where Staff admits "imminent system needs" exist. Hydro Ottawa is not claiming it is "avoiding" the MTS; rather, it is providing necessary capacity using a programmatic approach rather than traditional wires during this construction gap.

398. The OEB's BCA Framework explicitly states that this programmatic approach is "preferred when the need is not precisely tied to a specific asset" and is designed to account for the "incremental value of NWS capacity on constrained circuits." By dismissing these interim benefits, Staff is effectively arguing that capacity has no value unless it permanently replaces a transformer. This "all-or-nothing" viewpoint contradicts the Board's goal of using Non-Wires Solutions (NWS) strategically and would disincentivize Hydro Ottawa from ensuring reliability during a non-discretionary capacity shortfall.

C. Appropriateness of the Marginal Capacity Value Methodology

399. Building on the baseline established in Section I above, the MCV approach allows Hydro Ottawa to quantify and value benefits acquired by the NWCSP during 2026-2028 in a manner that is equitable to the capacity provided by a "traditional investment" (i.e., the construction of a station[401]). As outlined in its summary report and in evidence, Hydro Ottawa's approach converts NWCSP capacity into the same unit as the avoided cost of a traditional station ($/kW-year[402]), allowing for an appropriate comparison. This methodology is not a departure from standard practice; rather it directly aligns with the IESO's 2025-2027 eDSM plan, which utilizes a similar MCV logic to value incremental capacity on constrained grids. The NWCSP investment must be viewed as part of the overall system solution, working in conjunction with planned infrastructure investments to ensure that customers can be connected and served reliably while longer-term

[401] Technical Conference Undertaking JT1.10.
[402] Ontario Energy Board, *Benefit-Cost Analysis Framework for Addressing Electricity System Needs* (May 16, 2024), p. 28.

capacity is developed. As stated earlier, deploying NWS in combination with traditional investment is a permitted outcome of the framework.

400. Hydro Ottawa's rationale is also supported by some interveners. As DRC articulates, Hydro Ottawa "identified traditional station capacity costs as the reference benchmark for purposes of the BCA and expressly avoided relying on the more expensive temporary option. DRC submits that HOL's approach is appropriate and mitigates the risk of overstating savings."[403] Likewise, ED agrees with Hydro Ottawa's use of the MCV approach: "Hydro Ottawa's proposal to use the marginal capacity value is reasonable. This tool is explicitly approved in the BCA Framework. Although there is insufficient time available to build the facility solution soon enough, that does not undermine the logic or appropriateness of using the marginal capacity value."[404]

D. Study Period, Annual Smoothing and Future Deferrals

401. Staff's critiques regarding the timeframe of the analysis further disregard the clear and explicit instructions established within the OEB's own policy framework. This methodology is intrinsically linked to the analysis timeframe.

402. Staff questions Hydro Ottawa's use of a study period extending beyond the initial 2026-2028 implementation window of the NWCSP. Hydro Ottawa maintains that the use of a study period extending beyond the initial 2026–2028 window is not an "inflation" of benefits, but a mandatory requirement of the BCA Framework. The BCA Framework explicitly states that "the study period (i.e., the length of time into the future considered by the BCA) should be determined by the alternatives being considered and should generally be sufficiently long to capture the costs and benefits under comparison."[405] The BCA Framework then provides an example using a case where a transformer station upgrade is deferred using a non-wires solution, stating the study period should extend through the lifetime of the infrastructure investment in order to "allow for a comparison of the net present value of the lifetime annualized cost to customers."[406] Given that a traditional transformer station has a service life of approximately 45 years, Hydro Ottawa's

[403] Reply Submission of DRC, p.7.
[404] Reply Submission of ED, p.5.
[405] Ontario Energy Board, *Benefit-Cost Analysis Framework for Addressing Electricity System Needs* EB-2023-0123 (May 16, 2024), p. 16.
[406] Ibid.

25-year horizon is a conservative and compliant application of this policy. This duration ensures that the quantified long-term capacity value - using the MCV approach - is appropriately reflected in the analysis in order to make an informed decision.

403. Similarly, Staff take issue with the use of a consistent annual MCV over a 25-year study period. Hydro Ottawa acknowledges that this approach smooths the value of system capacity over time. However, this does not represent an improper inflation of benefits. Rather, it reflects a standard application of the MCV approach that distributes the long-term value of capacity over the relevant planning horizon. Per the BCA Framework, it is expected that "the series of annual values estimated using the [Marginal Capacity Value approach] are to be aggregated into a net present value in constant dollars of the year in which the analysis is being undertaken, using the social discount rate prescribed by the IESO in its Guide to Assessing NWAs."[407] In its summary report, Hydro Ottawa confirmed its use of the social discount rate prescribed by the IESO. This approach is widely used in energy system planning where distributed solutions contribute incremental capacity value over time rather than avoiding a single discrete investment in a single year.

404. Staff further argues that Hydro Ottawa overstates the NWCSP's benefits by including the deferral of a potential second substation in the mid-2030s. This argument is logically inconsistent: Staff supports deploying the NWCSP as a strategic bridging solution for the imminent system needs, yet does not recognize the value of the very capacity that makes that bridge possible. If this use case is appropriate, it is unclear why quantifying the associated benefits of deferring the second sub-station is not. The growth trajectory in Kanata North is not theoretical; it is a documented planning reality that was established in the Ottawa Area Integrated Resource Plan (IRRP). In its summary report, Hydro Ottawa stated, "Despite the current uncertainty on the timing, it remains clear that the NWCSP will provide long-term value by helping to defer or delay the need for a second new station to serve the region in the mid 2030s."[408] Hydro Ottawa utilized the MCV approach precisely because it provides a balanced, conservative, and IESO-aligned approach to quantify these benefits. To value these

[407] Ontario Energy Board, *Benefit-Cost Analysis Framework for Addressing Electricity System Needs* EB-2023-0123 (May 16, 2024), p. 27.
[408] Attachment SC-Staff-4(A) - Updated Attachment 2-Staff-67(A) - NWCSP - BCA Summary Report, p. 11.

contributions at zero, as Staff suggests, would be to ignore the very planning principles that the OEB and IESO have collectively established for the sector.

405. Most importantly, although the analysis term is 25 years, Hydro Ottawa is only using the DST results from 2026-2030 to quantify the SSM for NWCSP, which represents a net present value of approximately $985,000 in net benefits to the distribution system over the 2026–2030 period.

E. Qualitative Benefits Ensure a Conservative Ask

406. Finally, Hydro Ottawa notes that Staff's critique focuses primarily on certain quantitative assumptions while not addressing the qualitative benefits identified in the Summary Report. As described in the evidence, the NWCSP provides several categories of value that are difficult to quantify but are nonetheless relevant to the OEB for consideration. These include improvements in Reliability and system Resilience, Innovation and Market Transformation and Planning Value. Consistent with the BCA Framework, Hydro Ottawa did not assign monetary values to these benefits in the DST calculation. As a result, the quantitative benefits reflected in the BCA are inherently conservative and understate the full value delivered by the NWCSP.

407. Hydro Ottawa has said the NWCSP "intend(s) to build on and be delivered in collaboration with the IESO…the suite of programs detailed within IESO's 2025-2027 eDSM plan."[409] With the NWCSP envisioned to establish an innovative, collaborative model, it is important to note that this model will be particularly useful for both the IESO and distributors in the short term by providing valuable learnings that can be expected to inform the ongoing Stream 2 regulatory process currently under consultation.[410] This process is expected to establish the regulatory process and beneficiary pays funding mechanism and enable distributors to leverage eDSM programming—as the NWCSP proposes to do—to address local distribution needs.

F. Preserving Regulatory Certainty and Framework Integrity

408. Should the OEB accept Staff's proposed limitations on the BCA methodology,[411] it would establish a concerning precedent that undermines regulatory certainty across the sector. Such

[409] Ibid., p. 12.
[410] Ontario Energy Board, *Consultation on Regulatory Framework for Local Energy Efficiency Programs* (July 23, 2025).
[411] As supported by CCC, SEC, VECC, EP, PP, and CCMBC as discussed above.

an outcome would effectively invalidate the BCA Framework and its non-wires objectives while simultaneously severing alignment with established IESO methodologies. Hydro Ottawa suggests that it would signal that relying on the established MCV approach could render a project ineligible for incentives and introduce a level of risk that will actively discourage future innovation. To preserve the integrity of the Framework, Hydro Ottawa submits that its filed BCA is reasonable, conservative, and fully compliant with OEB guidance, providing a robust basis for assessing the value of the NWCSP.

IV. SUMMARY

409. Hydro Ottawa acknowledges that Staff and several interveners have raised concerns regarding the SSM. In particular, Staff, as well as CCC, EP (supported by CCMBC), SEC, and the VECC, argue that the NWCSP does not defer or displace a traditional wires alternative and therefore does not generate customer savings that would justify an SSM incentive. Hydro Ottawa has addressed these concerns above and respectfully maintains that these conclusions are based on an incorrect interpretation of the applicable policy framework and the evidence on the record.

410. Through the NWCSP, Hydro Ottawa is:

    a. Deploying a cost-effective bridging solution that enables to reliably serve customers during the 2026-2028 period prior to the energization of the new station, and

    b. Deferring the future need (projected in the mid 2030's) to build additional capacity to support load growth in the area.

411. Both of these items are quantified by using the MCV approach outlined in the BCA Framework, which per OEB guidance is most suitable for "programmatic investments which are not tied to a single, specific traditional investment." Contrary to Staff's assertion, this approach does not hinge on the existence of a feasible wire solution capable of deployment within the timeline for comparison, nor does it require Hydro Ottawa to know the exact timing of when any future infrastructure would be constructed. Staff takes a post-facto view that these are the requirements of any BCA, but that's not stated within the NWS Guidelines or the BCA Framework.

412. Hydro Ottawa also notes that Staff did not raise material challenges or concerns regarding the eligibility of the SSM during the discovery process. These concerns were only voiced on the record in Staff's settlement submission. Indeed, the level of uncertainty regarding Staff's position was such that interveners sought a procedural change requesting that Staff present its position on this issue before interveners submitted their own arguments. This procedural request illustrates the lack of clarity surrounding Staff's position on this issue throughout the process or that Hydro Ottawa's proposal has a clear misalignment with the framework. As a result, this has led to limited opportunity for parties to consider and test the positions put forward by Staff in its final submissions.

413. Despite Staff's opposition, several parties support Hydro Ottawa's proposal and the broader principle that utilities should be appropriately incentivized to pursue cost-effective non-wires solutions. ED submits that "the OEB should not accept the argument by OEB Staff that Shared Savings Mechanisms are prohibited in instances where no viable facilities alternative exists, and should ensure that an appropriate incentive is available to Hydro Ottawa for its important non-wires investments."[412] Similarly, BOMA Ottawa acknowledges Staff's concerns regarding the fit of the SSM but emphasizes that Hydro Ottawa's NWCSP initiative is "innovative, effective and customer focused" and that utilities "should be encouraged and rewarded by deploying effective non-wire solutions to address system needs. BOMA Ottawa therefore submits that Hydro Ottawa's proposed SSM incentive should be approved."[413]

414. Support for the proposal is also reflected in DRC's submission, which cautions that rejecting the SSM could have broader implications for the adoption of non-wires solutions. In fact, deferring a decision will prolong uncertainty and likely dissuade utilities from coming forward with NWSs given the continuing lack of clarity. As the DRC explains, "rejecting the SSM proposal may cause HOL and other distributors to pursue more capital-intensive solutions, even where flexible NWS alternatives provide incremental value to customers, as a result of increased uncertainty of approval for appropriate incentives such as the SSM proposal."[414] DRC therefore submits that rejecting the SSM proposal "is not appropriate as it enables customers to share in incremental

[412] Reply Submission ED, p. 6.
[413] Reply Submission of BOMA, p. 4.
[414] Reply Submission of DRC, p. 8.

net benefits while enabling Hydro Ottawa to advance cost-effective NWS consistent with Board and provincial policy objectives."[415]

415. Hydro Ottawa recognizes that, should the OEB approve the SSM, it will be necessary to establish a clear methodology for calculating and verifying the realized benefits. Hydro Ottawa agrees that this framework should be established upfront, and that the utility should bear the responsibility for tracking program costs and benefits. This approach was previously outlined in evidence, and the Non-Wires Solutions Variance Account will be established as part of the approved settlement. Under this approach, any incentive payment would be contingent on the demonstrated realization of benefits, with the incentive calculation using actual costs incurred and benefits acquired, not estimates. In other words, Hydro Ottawa will earn the incentive only if the benefits to customers are confirmed through the established regulatory process.

416. Hydro Ottawa does not support the proposal advanced by PP and CAFES to defer the OEB's decision on the SSM until the program is complete. Hydro Ottawa respectfully submits that this proceeding highlights the essential need for regulatory clarity regarding eligibility for the SSM and application of the MCV approach to quantify NWS benefits as outlined in the BCA. As noted in Hydro Ottawa's Argument-in-Chief this will be the first time since the release of the FEI Report in 2023 that the OEB will adjudicate a proposal brought under policies ushered through the FEI Report and subsequent guidelines and framework. Deferring the decision will neither provide clarity, nor evolve the existing framework, nor help resolve the significant differences of interpretation between parties, particularly those expressed by Staff, that have arisen in this proceeding. Lastly, there is no new evidence to add to the record with regards to eligibility.

417. Confirming eligibility at this stage sends the necessary regulatory signal and establishes the framework through which the NWCSP's benefits can be evaluated over time. Approval of the SSM does not constitute a guaranteed payment; instead, it establishes the transparent framework through which Hydro Ottawa is held accountable for demonstrating the program's value as it is realized.

[415] Ibid.

418. For these reasons, Hydro Ottawa respectfully requests that the OEB approve the SSM incentive for the Kanata North NWCSP. Doing so would recognize the demonstrated benefits of the program, align with the policy direction encouraging NWS, align with an approach already used by the IESO, and provide the appropriate clarity on the existing regulatory framework to ensure that utilities remain incentivized and possess a better understanding on how to pursue innovative and cost-effective approaches to meeting system needs.

All of which is respectfully submitted.