

May 5, 2026

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

Submitted via RESS

Dear Mr. Murray:

Re: Letter of Comment of Welland Hydro Electric System Corp. ("**Welland Hydro**")
Hydro One Networks Inc. ("**Hydro One**")
Leave to Construct and Expropriation Application – Welland-Thorold Project
OEB File Number: EB-2025-0290 (the "**Application**")

Welland Hydro submits this letter of comment in respect of the cost allocation methodology addressed in OEB Staff's submissions on the Application. Specifically, the proposed alternative approach to allocating the costs of the Crowland Transformer Station ("**TS**") replacement and associated transmission facilities between the network pool and the connection pool. Welland Hydro is concerned with both the substance of, and the manner in which the OEB Staff's alternative methodology was advanced.

Welland Hydro acknowledges that the quantitative difference between Hydro One's proposed methodology and OEB Staff's counterproposal appears at a high level to be relatively small, with both approaches attributing approximately 70 to 75 % of the total project costs to network assets. However, as we detail below, these small percentage differences translate into material and enduring consequences for Welland Hydro's customers. Welland Hydro submits that Hydro One's approach is conceptually clearer and more consistent with cost causation principles and procedural fairness.

Factual and Technical Drivers of the Project

The approach to replace Crowland TS with a 230 kV supply solution is largely driven by Hydro One and IESO's need to manage upstream constraints, including ORTAC load security violations and capacity constraints on the entire 115kV subsystem in the Niagara Region. We

note that the Crowland TS replacement has been planned for several years and that in the 2016 needs assessment report, it was scheduled for replacement in 2021 under the category of “sustainment”.¹ While capacity needs are a factor today, Crowlands TS being at end of life has resulted in a significantly reduced Limited Time Rating (“LTR”) from prior years. The reduced LTR is a factor related to Welland Hydro’s inability to meet short and medium-term load growth needs.

Welland Hydro Supports Hydro One’s Methodology

Welland Hydro supports Hydro One’s proposed treatment of the Crowland TS as fully attributable to connection-related costs, with the 230 kV line upgrades treated as network assets. This approach more accurately reflects the nature and function of the respective facilities and avoids unnecessary complexity in cost attribution.

For clarity, under Hydro One’s approach Welland Hydro and Hydro One Distribution would be subject to Transmission System Code cost allocation for the entirety of the Crowland TS.

In contrast, OEB Staff’s proposal to allocate the entire project on an aggregate “network vs. customer” basis, and then further subdivide the customer portion between line and transformation pools, introduces additional layering that obscures cost causation and creates ongoing rate impacts for customers that are disproportionate to their responsibility for the underlying assets.

Process Concerns and Procedural Fairness

OEB Staff did not raise its proposed cost allocation framework at the start of the proceeding, nor did it provide supporting evidence that could have been tested through discovery and interrogatories. As a result, affected parties have not had a meaningful opportunity to examine or test the underlying assumptions, modelling, or implications of OEB Staff’s approach.

Had OEB Staff advanced a counterproposal earlier in the proceeding, Welland Hydro would have considered intervening and actively participating in discovery to better understand and respond to the proposal and ensure that the Board has the benefit of a complete evidentiary record on these important issues affecting Welland Hydro’s customers.

Customer Impacts and Economic Considerations

Although the percentage allocation differences between the two methodologies appear small, the customer impacts are not.

¹ Niagara RIP Report, March 2017, p. 7 (PDF) online: <https://www.hydroone.com/abouthydroone/CorporateInformation/regionalplans/niagara/Documents/Niagara%20RIP%20Report.pdf>

Under OEB Staff's counterproposal, Welland Hydro customers would be required to pay both transformation connection rates and line connection rates in perpetuity, not withstanding that Welland Hydro customers are responsible for only a minority portion of the total line investment. Hydro One's methodology avoids this result and limits customer exposure to costs more directly associated with the connection-driven facilities.

OEB Staff's approach also creates a materially greater risk of a significant capital contribution requirement for the line connection portion of the project. This is not an issue under Hydro One's methodology given that the transformation connection rate is approximately three times higher than that of the line connection rate. Welland Hydro's current estimate of the capital contribution requirement for the line connection portion of the project using OEB Staff's methodology exceeds \$40M.

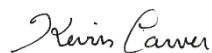
The effect of OEB Staff's counterproposal is to increase both near-term and long-term costs borne by Welland Hydro customers, rendering service in its service territory more expensive relative to neighbouring jurisdictions. This has implications not only for existing customers but also for Welland Hydro's ability to attract and retain new industrial and commercial load to support regional economic development and growth.

Conclusion

Welland Hydro recognizes OEB Staff's important role in assisting the Board. However, Welland Hydro respectfully submits that where OEB Staff advances a materially different framework that departs from the applicant's evidence, principles of procedural fairness favour introducing that framework early enough to permit affected parties the opportunity to meaningfully test the proposal.

For these reasons, Welland Hydro respectfully requests that the Board accept Hydro One's proposed cost allocation methodology for the Welland-Thorold Transmission Project. That approach is conceptually clearer and fairer to Welland Hydro customers.

Yours truly,



Kevin Carver, P. Eng., ME
President & CEO
Welland Hydro-Electric System Corp.