Via RESS

May 29, 2026

Mr. Ritchie Murray, Registrar
Ontario Energy Board
PO Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Mr. Murray:

Subject: Hydro Ottawa Limited (Hydro Ottawa)
Custom Incentive Rate-Setting (Custom IR) Application for 2026-2030
Electricity Distribution Rates and Charges
OEB File: EB-2024-0115

Introduction

Following the OEB's Decision and Order issued on May 12, 2026, Hydro Ottawa submitted its Draft Rate Order (DRO) on May 21, 2026. On May 28, 2026, OEB Staff submitted comments recommending the exclusion of carrying charges from the calculation of the forgone revenue rate riders. No intervenors submitted comments in response to Hydro Ottawa's DRO.

Withdrawal of Carrying Charge Request

OEB Staff's submission objects to the inclusion of interest/carrying charges as part of the forgone revenue calculation and rate riders. In order to maintain the ability to implement rates June 1, 2026 and eliminate the need for further potential steps, Hydro Ottawa hereby withdraws its request to include carrying charges related to forgone revenue without prejudice to its position on this particular issue.

To ensure the record is complete in terms of understanding Hydro Ottawa's without prejudice position on the issue of forgone revenue carrying charges, Hydro Ottawa has provided several comments below. For clarity, Hydro Ottawa is not seeking for the OEB to make a determination on these comments; rather, the purpose of these comments is to ensure that the withdrawal of the request to include carrying charges related to forgone revenue is not misunderstood as agreement with OEB Staff.

Withdrawal of Tracking Account

OEB Staff's submission objects to the use of a tracking account for forgone revenue. In order to maintain the ability to implement rates June 1, 2026 and eliminate the need for further potential steps, Hydro Ottawa hereby withdraws its request without prejudice to its position on this particular issue.

To ensure the record is complete in terms of understanding Hydro Ottawa's without prejudice position on the issue of a forgone revenue account, Hydro Ottawa has provided several comments below. For clarity, Hydro Ottawa is not seeking for the OEB to make a determination on these comments; rather, the purpose of Hydro Ottawa's commentary in this letter is to ensure that the withdrawal of the request related to the forgone revenue account is not misunderstood as agreement with OEB Staff.

OEB Staff's characterization of the Approved Settlement Agreement

In OEB Staff's submission, they appear to have overlooked an essential binding component of the Approved Settlement Agreement which stated:

> *Hydro Ottawa will also propose, as part of the draft rate order, the time period over which the forgone revenue amount will be recovered, which will be subject to the OEB's determination.*[1]

At the time the settlement proposal was finalized, neither the value nor the implementation timing of forgone revenue was known. Consequently, it was premature to determine the exact deferral or variance account mechanism at that time.

The approved Settlement Agreement established a mechanism for Hydro Ottawa to propose the required recovery timeline at the time of the DRO. OEB Staff had the opportunity to make a submission on this matter or to seek clarification of what was included if they had deemed it necessary at that stage of the proceeding.

Operationalizing the Mandated 12-Month Timeline

As part of the DRO, Hydro Ottawa accepted the OEB's determination of a 12-month recovery period for forgone revenue, despite not having the opportunity to propose the recovery period as agreed to in the approved Settlement Agreement. Hydro Ottawa appreciates that the Board likely prioritized regulatory efficiency in taking such a step.

The purpose of the DRO process is to convert the OEB's Decision and Order into a tariff sheet and finalize accounting entries resulting from the implementation of the OEB's Decision and Order. To operationalize the OEB's Decision and Order approving recovery of forgone revenue over 12 months and to manage the year-end financial statements under regulated Modified IFRS reporting, Hydro Ottawa was intending to establish a regulatory account as part of the DRO that enables the forgone revenue recovery over the current 2026 and future 2027 financial years.

A deferral and variance account (DVA) supports both financial statement reporting and regulatory reporting, and is a common practice of the OEB to support the amortization of an approved regulatory asset, especially when recovery spans multiple financial years.

OEB Staff indicate in their submission that there is no mechanism[2] to track and true-up the balance of the forgone revenue collected at the end of the distribution period.[3] For clarity, Hydro Ottawa did not request a true-up mechanism, nor did it intend to request true-up in a future proceeding. As such, Hydro Ottawa is unclear of the relevance or intent of OEB Staff's observation.

In their submission, OEB Staff assert that "the issue of carrying charges was not before the OEB for consideration and further, OEB staff did not have the opportunity to review or make submissions on this

[1] Hydro Ottawa Limited, *2026-2030 Custom Incentive Rate-Setting Settlement Proposal*, EB-2024-0115 (December 19, 2025) Page 16

[2] For completion of the record, Hydro Ottawa notes the COVID-19 forgone revenue account allowed for a true-up mechanism. OEB Staff did not make mention of this in their reply.

[3] Ontario Energy Board Staff Submission, *Hydro Ottawa Limited, Application for Electricity Distribution Rates and Other Charges Beginning January 1, 2026*, EB-2024-0115 (May 28, 2026), page 2.

matter.“[4] Hydro Ottawa notes that the DRO is the process that provides the appropriate forum for such review, and that OEB Staff clearly researched, formed and supplied their opinion during that process.

Precedents and Policy Impacts of Uncompensated Cash Flow Implications

OEB Staff claimed that “While OEB staff acknowledges that there is no specific policy document or code prohibiting the collection of carrying charges for forgone revenue, past OEB practice has been to not apply carrying charges to forgone revenue amounts.”[5] Hydro Ottawa notes that this characterization fails to account for the context in past OEB proceedings.

The OEB previously provided guidance on interest being recorded related to forgone revenue in relation to the delay of rate implementation due to COVID-19 within a DVA.[6] In addition, OEB Staff’s reference to previous decisions fails to acknowledge that in those cases carrying charges were simply not requested by the applicants. In contrast, in the proceeding where carrying charges were requested, they were granted[7]. Furthermore, the OEB has previously permitted interest related to forgone revenue in its Decision and Rate Order on the 2021 Uniform Transmission Rates.[8]

Hydro Ottawa believes it is important to note the practical financial implications of OEB Staff’s position. When a 12-month recovery timeline is mandated, the utility is required to utilize its own cash flow to finance the deferral of an already-approved revenue requirement. Mandating that this balance be recovered interest-free creates an unbudgeted and unfunded cash-flow obligation that the utility must actively manage. OEB Staff’s submission appears to suggest utilities should routinely absorb this cost during implementation gaps as a standard cost of business, without providing regulatory rationale.

To even be considered eligible for the recovery of forgone revenue, utilities are held to a regulatory standard that supports an efficient procedural process.[9] Under the Chapter 2 Filing Requirements, any applicant-caused delay risks the forfeiture of a retroactive effective date.[10]

In order for OEB Staff, intervenors, and applicants to collectively support a process of timely and efficient rate implementation, carrying charges should not be subject to an automatic disallowance. A disallowance of carrying charges forces utilities to balance providing meaningful rate mitigation to customers against their cash flow capacity and managing program tradeoffs, potentially limiting proposal periods/rate mitigation of forgone revenue.

[4] Ontario Energy Board Staff Submission, *Hydro Ottawa Limited, Application for Electricity Distribution Rates and Other Charges Beginning January 1, 2026*, EB-2024-0115 (May 28, 2026), page 1.
[5] Ontario Energy Board Staff Submission, *Hydro Ottawa Limited, Application for Electricity Distribution Rates and Other Charges Beginning January 1, 2026*, EB-2024-0115, (May 28, 2026), page 2.
[6] OEB, Forgone Revenue Guidance , August 6, 2020, https://www.oeb.ca/sites/default/files/OEB-Foregone-Revenue-Guidance-20200806.pdf
[7] Hydro One Networks Inc., EB-2019-0082.
[8] Ontario Energy Board, EB-2020-0251.
[9] Ontario Energy Board, *Rules of Practice and Procedure,* (Revised November 13, 2025), Section 2.01, page 1.
[10] Ontario Energy Board, *Chapter 2 Filing Requirements for Electricity Distribution Rate Applications, 2025 Edition for 2026 Rate Applications* (December 9, 2024; Corrected May 7, 2025), s. 2.0.6, pages 4-5.

HydroOttawa

DVA Description and Attachments

Although not mentioned in OEB Staff's submission, a DVA was missing the full description of "Group 1 Deferral/Variance Account Balances (excluding Global Adjustment)" in the 2026 Draft Tariff of Rates and Charges submitted on May 21, 2026. Updated Rate Orders have been provided that reflect the change related to the withdrawal of the request for interest and the updated description of the Group 1 rate rider.

The following updated Excel Attachments have been submitted:
- Attachment 13 - 2026-2030 Bill Impacts Model - Updated May 29, 2026
- Attachment 14 - OEB Workform - 2025 Current and 2026 Draft Tariff of Rates and Charges - Updated May 29, 2026
- Attachment 15 - Dry Core Calculations - Updated May 29, 2026
- Attachment 18 - Forgone Revenue Calculation - Updated May 29, 2026

While Hydro Ottawa has noted that it can accommodate a Final Decision past June 1 and still implement rates for June 1, an earlier Final Decision will ensure a more streamlined and efficient process.

Should you have any questions, please do not hesitate to contact me.

All of which is respectfully submitted.

Sincerely,

Signed by:
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