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BY EMAIL

October 1, 2026

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

Dear Ritchie Murray:

**Re: Milton Hydro Distribution Inc. (Milton Hydro)
Application for 2027 Electricity Distribution Rates
Ontario Energy Board (OEB) File Number: EB-2026-0057**

In accordance with Procedural Order No. 1, please find attached the Ontario Energy Board (OEB) staff interrogatories in the above proceeding. The applicant and intervenors have been copied on this filing.

Milton Hydro's responses to interrogatories are due by October 15, 2026.

Any questions relating to this letter should be directed to Urooj Iqbal at urooj.iqbal@oeb.ca or at 416-544-5190. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Original Signed By

Urooj
Iqbal
Urooj Iqbal
Advisor, Incentive Rate-setting

Digitally signed
by Urooj Iqbal
Date: 2026.10.01
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Encl.

**OEB Staff Interrogatories
Milton Hydro Distribution Inc.
EB-2026-0057**

Please note, Milton Hydro is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff interrogatories and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Staff-1

Reference(s):

1. Rate Generator Model, Tab 3, Continuity Schedule

Preamble:

On September 14, 2026, the OEB published Q4 2026 prescribed accounting interest rates applicable to the carrying charges of deferral, variance and construction work in progress accounts of natural gas utilities, electricity distributors and other rate-regulated entities.

Question(s):

- a. Please update Tab 3 (Continuity Schedule) as necessary to reflect the Q4 2026 OEB-prescribed interest rate of 2.87%.

Staff-2

Reference(s):

1. OEB Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589 (Accounting Guidance), April 28, 2025
2. Updated Illustrative Commodity Model, April 28, 2025

Preamble:

The OEB issued final updates to the Accounting Guidance and the updated Illustrative Commodity Model related to the implementation of the Independent Electricity System Operator (IESO)'s Market Renewal Program (MRP), effective May 1, 2025. Page 11 of Ref. 1 states that:

In Tab "Variances in ac 1588" of the updated Illustrative Commodity Model, two new tables are added to quantify the energy variances that are included in Account 1588 for records-keeping purposes. While the quantification tables are not required to be filed with the OEB at this time, these tables assist the distributors in explaining the 1% threshold test in Account 1588.

Ref. 2 introduced two new reconciliation tables under the "Variances in ac 1588" tab to quantify energy cost variances arising from the implementation of MRP. In Page 11 of Reference 1, the OEB stated that these tables are intended for record-keeping purposes and are not required to be filed with the OEB. However, these two reconciliation tables may assist the distributors in explaining the 1% threshold test in Account 1588 where applicable.

Question(s):

- a. Has Milton Hydro utilized Table 42 and/or 43 of Ref. 2 to track or quantify the MRP-related energy variances recorded in Account 1588?
 - i. If so, please explain whether the variances recorded in Table 42 and Table 43 were material in 2025, respectively. Please provide the corresponding quantum of the variances if the variance(s) are material.
 - ii. If not, please explain why not.

Staff-3

Question(s):

- a. In the instance the OEB releases any updated rates/charges (e.g., 2027 preliminary Uniform Transmission Rates) before Milton Hydro provides its responses to OEB staff's questions, please update the Rate Generator Model, as applicable. If any updates are made, please identify the rate and/or charge that have been updated.

Staff-4

Reference(s):

1. 2027 IRM Application, Rate Generator Model, Tab 3, Continuity Schedule, Columns BG and BL.

Preamble:

OEB staff notes that for certain deferral and variance accounts listed below, the closing principal balances as of December 31, 2025 are recorded as credit balances, while the corresponding closing interest balances as of December 31, 2025 are debit balances.

Account Description	Account Balance	Closing Principal Balance as of Dec 31, 2025	Closing Interest Balance as of Dec 31, 2025
RSVA - Global Adjustment	1589	(805,353)	7,235
Disposition and Recovery/Refund of Regulatory Balances (2023)	1595	(127,164)	147,494
Disposition and Recovery/Refund of Regulatory Balances (2024)	1595	(278,687)	281,258
Disposition and Recovery/Refund of Regulatory Balances (2025)	1595	(129,258)	108,446

Question(s):

- a. For each of the accounts identified in the table above, please explain why the closing interest balance as of December 31, 2025 is debit while the corresponding closing principal balance is in a credit position.
- b. Please identify and explain the specific transactions, adjustments, re-classifications, or disposition-related entries that gave rise to the positive closing interest balances in each account.

**Incremental Capital Module – Palermo TS Upgrade and Feeder Expansion Project
(Palermo Project)**

Staff-5

Reference(s):

1. Milton Hydro 2027 ICM Model, Tab 3
2. 2027 IRM Application Rate Generator Model, Tab 4

Preamble:

OEB staff has verified the total metered kW and kWh values reported in Ref. 2 against the supporting Reporting and Record-keeping Requirements (RRR) data. However, OEB staff was unable to reconcile the corresponding total billed kW and billed kWh values reported in Ref. 1 with the verified values in Ref. 2.

Question(s):

- a. Please explain the differences between the total billed kW and billed kWh values reported in Ref. 1 and those reported in Ref. 2.
- b. Please confirm whether the values reported in Ref. 1 are correct.
- c. If any values in Ref. 1 require revision, please provide an updated ICM Model and identify all resulting impacts on the application.

Staff-6

Reference(s):

1. 2027 IRM application, section 3.3.2, Incremental Capital Module Request, pp. 18-31;
2. EB-2026-0057, appendix D, Palermo TS Upgrade Business Case, Sections 5, 6 and 7.

Preamble:

Milton Hydro is seeking ICM funding for the Palermo Project to secure additional long-term system capacity. The evidence indicates that the Palermo TS upgrade and the revised capacity-sharing arrangement with Oakville Hydro will provide Milton Hydro with

permanent access to approximately 75 MW of capacity. Milton Hydro states that the project is required to accommodate future load growth, meet customer connection obligations, and defer the need for a future transformer station. The evidence also indicates that the project will be funded through rates paid by existing customers.

Question(s):

- a. Of the approximately 75 MW of additional capacity secured through the Palermo TS and Glenorchy MTS arrangements, please identify:
 - i. the amount of capacity expected to be utilized upon project in-service;
 - ii. the amount of capacity expected to remain unused in each year from 2027 through 2035; and
 - iii. the percentage utilization of the additional capacity in each year.
- b. Please discuss the extent to which the Palermo Project is intended to serve:
 - i. existing customers; and
 - ii. future customer growth.
- c. Please quantify the proportion of the Palermo Project costs that would be recovered from existing customers through the proposed ICM rate riders and explain why it is appropriate for current customers to fund capacity that may not be utilized until future years.
- d. Please explain why recovery through ICM rate riders starting January 1, 2027, is appropriate instead of seeking recovery through Milton Hydro's next rebasing application.

Staff-7

Reference(s):

1. 2027 IRM application, section 3.3.2.1, Table 6, Eligible Capital Project Costs, p. 23.
2. 2027 IRM application, appendix D, Tables 6, 7, 8 and 9, p.6-7

Preamble:

The Palermo Project consists of the following project components and associated costs:

Project Component	Estimated Cost (\$)
Capital Contribution for TS Upgrade	3,400,600
TS Feeder Egress	2,694,352
Transfer of Ownership – Hydro One Egress Poles	100,000
Feeder Line Extension	7,003,072
Total Project Cost	13,198,024

Milton Hydro states that the Palermo Project represents a prudent and cost-effective solution and references prior OEB-approved incremental capital projects in support of its ICM request.

Question(s):

- a. Please provide benchmarking information comparing the Palermo Project, including each of the project components identified above where available, to comparable transmission station upgrade, feeder expansion, and capacity reinforcement projects previously approved by the OEB within the last ten years.
- b. For each comparator project, provide the distributor, project description, approval year, project cost, applicable unit-cost metric, and explain how the Palermo Project costs compare to, and support, a finding that the proposed expenditures are prudent and reasonable.
- c. Please confirm whether the following four project components are contingent upon one another:
 - i. Capital contribution for the TS upgrade;
 - ii. TS feeder egress;
 - iii. Feeder line extension; and
 - iv. Transfer of selected Hydro One connection assets.
- d. If yes, please explain the nature and extent of the dependency among the four components, including:
 - i. whether each component is required for the other components to deliver the forecast capacity benefits;
 - ii. whether any component could proceed independently while still providing operational, reliability, or capacity benefits;
 - iii. whether a delay in one component would delay, constrain, or otherwise affect the functionality of the remaining components; and
 - iv. which component(s), if any, represent critical-path elements for the overall project.

- e. For each component, please describe the operational, reliability, capacity, and financial implications if the component were deferred, cancelled, or placed in service later than currently proposed.

Staff-8

Reference(s):

1. EB-2026-0057, appendix D, 2027 IRM Application, pp. 2-3

Preamble:

Ref. 1 states that the Palermo Project includes two key 2027 in-service milestones: (i) the construction, transfer and energization of Milton Hydro's Palermo TS feeder egresses to the new switchyard by April 30, 2027, aligned with Hydro One's station in-service date; and (ii) the energization of the two new Palermo TS feeders by September 30, 2027.

Task Name	Completion Date
Procurement of Long Lead Equipment (Egress + Line)	August 30, 2026, for Primary Metering Units; September 30, 2026, for Switches
Engineering Design Complete	August 30, 2026
Contractor Selection Completion	September 30, 2026
Construction Start (Line Extension)	March 2027
Construction Start (Egress)	March 2027
Construction Complete (Egress)	April 30, 2027
Energize Existing 2 Feeders Transfer to New Switch Yard	April 30, 2027
Construction Complete (Hydro One Palermo Upgrade In-Service)	May 31, 2027
Construction Complete (Line Extension)	September 30, 2027
Energize 2 New Feeders at New Switch Yard (In-Service Date)	September 30, 2027

Question(s):

- a. Please provide the current status of the Palermo Project, including the completion status of each major project milestone identified in Ref. 1 and any milestones currently underway.
- b. For milestones not yet completed, please provide the current forecast completion dates and indicate whether they remain consistent with the schedule set out in Ref. 1.
- c. Please explain Milton Hydro's current assessment of its ability to achieve the following milestones:
 - i. Transfer and energization of the existing Palermo TS feeders to the new switchyard by April 30, 2027; and
 - ii. Energization of the two new Palermo TS feeders by September 30, 2027.
- d. If Milton Hydro does not expect to meet either of the above milestones, please explain the reasons for the delay, identify the affected project activities, and quantify the expected impact on project timing, costs, and customer load connections, if any.
- e. Please explain what is encompassed by the milestone "Energize Existing 2 Feeders Transfer to New Switch Yard" with an in-service date of **April 30, 2027**. Please describe the specific work to be completed by that date, the assets being placed into service, and how this milestone is associated with the Palermo Project.

Staff-9

Reference(s):

1. 2027 IRM application, Section 3.3.2, Palermo Project, pp. 18-20.
2. EB-2026-0057, appendix D, Section 5, "Investment Need - Project Background & Chronology of Activities", pp. 9-11.
3. EB-2026-0057, appendix D, Table 3, "Historical and Forecasted Capital Expenditures", p. 5.
4. 2027 IRM application, Section 3.3.2, Table 8, "Historical and Forecasted Capital Expenditures by Category - System Service", p. 26.

Preamble:

Milton Hydro states that the Palermo TS upgrade/rebuild was identified through regional and distribution planning activities, including the 2021 GTA West Integrated Regional Resource Plan (IRRP). Milton Hydro also indicates that expenditures related to the Palermo Project were incurred prior to the proposed 2027 in-service date and has included historical Palermo TS spending in Ref. 4.

Question(s):

- a. Please confirm the date on which the need for the Palermo TS upgrade/rebuild was first identified and the date on which Milton Hydro first initiated investment in the project.
- b. Please explain how these dates reconcile with the planning documents referenced by Milton Hydro and the historical Palermo TS expenditures presented in Ref. 4.

Staff-10

Reference(s):

1. Appendix J, *GTA West Region Scoping Assessment Outcome Report*, p. 7 (Table 1, Regional Planning Status Update).
2. 2027 IRM Application, p. 19.
3. Appendix D, *Palermo TS Upgrade Business Case*, pp. 1-2.
4. Appendix D, *Palermo TS Upgrade Business Case*, pp. 9-10.
5. Appendix D, *Palermo TS Upgrade Business Case*, pp. 24-25.

Preamble:

OEB staff notes that Ref. 1 identifies the "Palermo TS transformer replacement with larger-capacity transformers (T3, T4)" project and indicates that the project status is "In Progress" with an expected in-service date of Q4 2027.

OEB staff also notes that the current ICM application seeks recovery of costs associated with the Palermo Project, which includes Milton Hydro's capital contribution toward the Palermo TS upgrade. OEB staff further notes that Appendix D states that planning activities associated with the Palermo TS upgrade began prior to the current application and that historical expenditures were incurred in 2023, 2024 and 2025,

including engineering, studies, project development activities and advance payments associated with the station upgrade.

Given the project status identified in Ref. 1 and the historical expenditures identified in Appendix D, OEB staff seeks to better understand the relationship between the project identified in the Scoping Assessment, the Palermo TS upgrade that forms the basis of this ICM application, and the treatment of the project in Milton Hydro's 2023 Distribution System Plan (DSP) in its Cost of Service proceeding¹.

Question(s):

- a. Please confirm whether the "Palermo TS transformer replacement with larger-capacity transformers (T3, T4)" identified in Table 1 of the GTA West Region Scoping Assessment Outcome Report is the same project, or a component of the same project, that forms the basis of the Palermo Project for which ICM funding is requested in this proceeding.
- b. If the projects are the same, or substantially the same, please explain:
 - i. what the references to T3 and T4 represent;
 - ii. the scope of work associated with the T3 and T4 transformer replacement project;
 - iii. the date on which the project was first initiated;
 - iv. the date on which the project status was changed to "In Progress"; and
 - v. the activities that had been completed, were underway, or had been contractually committed as of the date of the GTA West Region Scoping Assessment Outcome Report.
- c. Please explain why the Palermo Project should be considered incremental and eligible for ICM treatment rather than a project that could reasonably have been identified, planned, and addressed through Milton Hydro's 2023 rebasing application and capital planning framework. Please identify:
 - i. the specific information that was unavailable at the time of the DSP;
 - ii. the specific developments that occurred after the DSP filing;
 - iii. the point in time at which Milton Hydro concluded that the project qualified for ICM treatment rather than inclusion in a future Cost of Service application; and
 - iv. why the project could not reasonably be deferred until Milton Hydro's next rebasing application.

¹ EB-2022-0049

Staff-11

Reference(s):

1. OEB Report of the Board: Renewed Regulatory Framework for Electricity Distributors
2. Milton Hydro 2023 DSP (Appendix L)
3. 2027 IRM Application, Section 3.3.2, pp. 19-20, 27

Preamble:

Ref. 1 states that distributors are expected to undertake long-term planning that integrates asset needs, system requirements, and investment prioritization in order to deliver value to customers.

Ref. 2 identifies the need for the Palermo TS rebuild and notes that the DSP assumed no capital contribution would be required from Milton Hydro for the incremental capacity solution related to Palermo TS.

Ref. 3 indicates that Milton Hydro is seeking ICM funding for the Palermo Project, consisting of the Palermo TS upgrade contribution, feeder egress works, acquisition of Hydro One-owned connection assets, and feeder line extensions, with a total forecast cost of \$13.2 million. Milton Hydro also states that the Palermo Project was not included in the DSP forecast and is the primary reason for the approximately \$10.6 million increase in forecast 2027 System Service capital expenditures relative to the DSP forecast.

Question(s):

- a. Please explain why the Palermo Project, including the feeder egress, feeder extension, and associated station-related investments, was not included in the capital expenditure forecasts contained in Milton Hydro's 2023 Cost of Service DSP.
- b. Provide the information available at the time the DSP was prepared, regarding:
 - i. the end-of-life condition of the Palermo TS transformers;
 - ii. the potential Palermo TS capacity upgrade;
 - iii. Milton Hydro's forecast capacity requirements; and
 - iv. the need for feeder infrastructure required to utilize the additional capacity.

- c. Please explain what developments, assumptions, or circumstances changed between the filing of the DSP and the current ICM application that resulted in the inclusion of the Palermo Project and the associated ICM funding request.
- d. Please explain how the Palermo Project was evaluated and prioritized within Milton Hydro's asset management and capital planning framework, and indicate whether the project was assessed using the same planning, risk assessment, and investment prioritization criteria described in the DSP.
- e. Please provide any internal planning studies, business cases, asset management assessments, or capital prioritization analyses prepared after the DSP filing that supported the decision to proceed with the Palermo Project and seek ICM funding.

Staff-12

Reference(s):

- 1. EB-2026-0057, appendix D, Palermo Project Business Case, Section 5 "Investment Need", p. 9
- 2. EB-2026-0057, appendix E, Milton Hydro Capacity Needs Assessment (Power Advisory LLC), 2024 Report
- 3. EB-2026-0057, appendix M, Greater Toronto Area West Integrated Regional Resource Plan, July 2021

Preamble:

Ref. 1 indicates that Milton Hydro retained Power Advisory LLC to prepare a Capacity Needs Assessment in 2023. The assessment developed multiple demand forecast scenarios using customer connection requests, municipal and provincial planning information, and electricity planning assessments, including IESO regional planning documents. The assessment also identifies the need for continued coordination with neighboring distributors, Hydro One and the IESO through the GTA West regional planning process.

Ref. 3 indicates that regional planning activities for the GTA West region are led by the IESO in collaboration with Hydro One Transmission and local distribution companies. The regional planning process includes load forecast assessments, identification of system needs, evaluation of alternatives, and development of recommended regional solutions.

Question(s):

- a. Please identify the specific information, analyses, forecasts, or planning conclusions developed through the Capacity Needs Assessment that were not otherwise available through the GTA West regional planning process described in Ref. 3.
- b. Please explain how the findings of the Capacity Needs Assessment affected Milton Hydro's assessment of the need, timing, and scope of the Palermo Project relative to the assumptions reflected in its 2023 Cost of Service Application.
- c. Please identify the extent to which the projected capacity requirements underlying the current ICM request are dependent upon:
 - i. regional planning assumptions;
 - ii. large customer connection requests;
 - iii. electrification-related demand growth;
 - iv. municipal growth forecasts; and
 - v. other forecast drivers.
- d. Please identify any regional coordination alternatives, load transfer arrangements, shared infrastructure solutions, or other joint planning options that were considered to address forecast capacity requirements and explain why such alternatives were not selected.
- e. Please explain whether any portion of the capacity requirements supporting the current ICM request reflects regional planning needs that extend beyond Milton Hydro's service territory. If yes, please quantify the extent to which regional needs contributed to the identification of the proposed investment.

Staff-13

Reference(s):

- 1. 2027 IRM Application, Appendix D, Business Case: Palermo TS Upgrade, "Project Background & Chronology of Activities."
- 2. 2027 IRM Application, Appendix E, *Milton Hydro Capacity Needs Assessment* (2024), prepared by Power Advisory in collaboration with Electric Power Engineers.
- 3. 2027 IRM Application, Appendix F, Updated Capacity Assessment (2025).

4. Appendix E, 2024 Capacity Needs Assessment (Power Advisory LLC and Electric Power Engineers), p. 7

Preamble:

Milton Hydro states that it retained Power Advisory, in collaboration with Electric Power Engineers, to complete the *Milton Hydro Capacity Needs Assessment* in 2024. Milton Hydro further states that in 2025 it retained Power Advisory to update the assessment using revised economic assumptions, updated large customer information, and current regional planning inputs. According to the application, the updated assessment refined the projected growth outlook and continued to support the need for additional long-term system capacity and the Palermo Project.

Ref. 4 states:

"MHDI's demand growth requires upstream transmission capacity investments that cannot be funded through base rates. The timing of these investments does not align with MHDI's rate schedule so it must use alternate recovery mechanisms to recover its costs or contributions to Hydro One. The Palermo TS upgrade is needed by 2027, which will require an Incremental Capital Module application to fund. The Palermo TS upgrade will serve MHDI's organically growing load and will provide some capacity to new customers before New Milton TS is completed.

If organic growth is lower than forecast prior to completion of the project, MHDI would be responsible for a higher contribution to Hydro One by way of a lower deposit refund. Additionally, the contribution would be spread to a lower number of customers and/or billed loads which would increase distribution rates. In the longer run, the lower growth may defer the need of New Milton TS. If growth is low such that one or more of the new Large User class customers can be served without New Milton TS, a portion of Palermo TS capacity could be assigned to the new Large User class customers and contributions would be made to Palermo TS, offsetting the revenue requirement impacts."

Question(s):

- a. Please explain whether Milton Hydro assessed the risk that actual growth may be materially lower than forecast. If such an assessment was performed, please describe any mitigation measures considered to address the potential for underutilized capacity, including alternative project timing or phasing, capacity-sharing arrangements, regional planning solutions, or other mechanisms that

could reduce the risk of existing customers funding capacity that may not be utilized as forecast.

- b. For each key assumption used in the *Capacity Needs Assessments*, please provide the supporting evidence relied upon, including any municipal growth forecasts, population forecasts, development forecasts, customer connection forecasts, regional planning studies, electrification forecasts, large-customer information, or other relevant sources.
- c. Please summarize the evidence supporting the forecast growth outlook and explain how that evidence supports the conclusion that additional long-term system capacity is required.
- d. Ref. 4 indicates that Power Advisory assessed the potential impacts of lower-than-forecast growth and identified circumstances under which New Milton TS could be deferred and a portion of the Palermo TS capacity could be assigned to future Large User customers to mitigate revenue requirement impacts. Please explain how these potential mitigation measures were considered in determining the timing, scope and prudence of the Palermo Project, including the basis for proceeding with the project in 2027 despite the possibility of lower-than-forecast growth outcomes identified in Ref. 4.

Staff-14

Reference(s):

- 1. 2027 IRM Application, Section 3.3.2, *Incremental Capital Module*, pp. 18-20.
- 2. EB-2026-0057, appendix D, *Palermo TS Upgrade Business Case*, pp. 11-14.
- 3. EB-2026-0057, appendix D, *Palermo TS Upgrade Business Case*, p. 18.
- 4. EB-2026-0057, Appendix D, section 5, Investment Needs, p. 10

Preamble:

Ref. 1 states that the Palermo TS upgrade involves replacing the existing 50/66.7/83.3 MVA transformers with 75/100/125 MVA transformers, resulting in an increase of approximately 70 MW of station capacity. The application further states that Milton Hydro will secure 35 MW of the new Palermo TS capacity while Oakville Hydro will secure the remaining 35 MW.

The application also states that Milton Hydro will obtain permanent access to 40 MW of capacity at Glenorchy MTS. Together, the Palermo TS upgrade and the permanent Glenorchy MTS capacity rights are expected to provide Milton Hydro with approximately 75 MW of additional supply capacity and defer the need for a future transformer station until approximately 2037 under the reference growth scenario.

Ref. 4 states that Milton Hydro and Oakville Hydro entered into a capacity-sharing arrangement whereby Milton Hydro will receive two of the four new Palermo TS feeders and permanent rights to the existing Glenorchy MTS feeders, while Oakville Hydro will receive the remaining Palermo TS capacity and two feeders. Milton Hydro states that this arrangement allows it to achieve the same long-term planning objective through a more efficient combination of Palermo TS and Glenorchy MTS capacity while reducing capital contribution requirements and feeder build-out costs relative to the original Palermo-only concept.

OEB staff notes that the permanent Glenorchy MTS capacity arrangement is not part of the ICM request. However, the application relies on the benefits of that arrangement in support of the need, prudence, and cost-effectiveness of the Palermo Project. OEB staff further notes that, even with both the Palermo TS upgrade and the permanent Glenorchy MTS capacity arrangement, Milton Hydro forecasts that a future transformer station investment will still be required by approximately 2037 under the reference growth scenario.

Question(s):

- a. Please confirm whether Oakville Hydro is making any direct capital contribution or other financial consideration to Milton Hydro as part of this capacity-sharing arrangement. If yes, please provide details of the costs, payments, and allocation of project expenditures between the parties. If no, please explain the consideration provided by each party under the arrangement.
- b. Please explain the relationship between the permanent Glenorchy MTS capacity arrangement and the Palermo TS upgrade, including the extent to which the need, timing, and economics of the Palermo Project depend on the Glenorchy MTS arrangement.
- c. Please provide Milton Hydro's assessment of a scenario in which it secures permanent 40 MW Glenorchy MTS capacity rights but defers the Palermo TS upgrade and associated Palermo Project investments. In its response, please:

- i. identify the forecast year in which Milton Hydro would first experience a capacity shortfall under this scenario and quantify the magnitude of that shortfall;
 - ii. explain whether the permanent Glenorchy MTS capacity rights could reasonably allow Milton Hydro to defer the Palermo TS upgrade and rely on a future transformer station investment when required;
 - iii. if the response to part (ii) is no, explain why the Palermo TS upgrade remains necessary notwithstanding the availability of permanent Glenorchy MTS capacity rights;
 - iv. discuss whether customer connection obligations, system reliability requirements, and planning criteria could continue to be met if the Palermo Project were deferred by: (i) one year and (ii) two years;
 - v. quantify the expected capacity shortfall, if any, associated with a one-year and two-year deferral of the Palermo Project;
 - vi. explain how a one-year or two-year deferral would affect the forecast timing and need for a future transformer station; and
 - vii. provide any analysis performed by Milton Hydro comparing:
 - proceeding with the Palermo TS upgrade as proposed;
 - securing permanent Glenorchy MTS capacity rights and deferring the Palermo Project; and
 - securing permanent Glenorchy MTS capacity rights and proceeding directly to a future transformer station investment when required.
- d. Please quantify the incremental benefits attributable to the Palermo TS upgrade that would not be achieved through the permanent Glenorchy MTS capacity arrangement alone, including any additional capacity, reliability, operational flexibility, customer connection capability, and deferral of future infrastructure investments.

Staff-15

Reference(s):

1. 2027 IRM application, appendix D, *Palermo TS Upgrade Business Case*, pp. 16-17.
2. 2027 IRM application, appendix D, Table 11, *Cost Comparison with Oakville Hydro Capacity Exchange*, p. 16.

Preamble:

In Ref. 1 Milton Hydro describes the evolution of the proposed Palermo TS solution from an original concept under which Milton Hydro would receive all four new Palermo TS feeder positions and the full incremental station capacity, to the preferred alternative involving a capacity-sharing arrangement with Oakville Hydro. Under the preferred arrangement, Milton Hydro would receive two new Palermo TS feeders and permanent capacity rights to two existing Glenorchy MTS feeders, while Oakville Hydro would receive the remaining Palermo TS capacity and two feeder positions.

Ref. 2 shows that the estimated total project cost of the original four-feeder Palermo TS concept was approximately \$23.7 million, compared to approximately \$13.1 million under the preferred arrangement, representing estimated savings of approximately \$10.6 million, or 44.7%.

OEB staff notes that the comparison appears to focus primarily on the relative costs of the two alternatives. However, it is not clear whether the two alternatives provide equivalent capacity, operational flexibility, planning benefits, or long-term supply capability.

Question(s):

- a. Please explain whether the original four-feeder Palermo TS concept and the preferred Palermo TS/Glenorchy MTS arrangement provide equivalent supply capacity to Milton Hydro over the planning horizon.
- b. Please provide the total supply capacity available to Milton Hydro under:
 - i. the original four-feeder Palermo TS concept; and
 - ii. the preferred Palermo TS/Glenorchy MTS arrangement.
- c. Please quantify any differences between the two alternatives with respect to:
 - iii. available capacity;
 - iv. load-serving capability;
 - v. operational flexibility;
 - vi. reliability benefits; and
 - vii. expected deferral of future supply investments.
- d. If the two alternatives do not provide equivalent benefits, please explain why Milton Hydro considers the cost comparison presented in Ref. 2 to be an

appropriate basis on which to conclude that the preferred arrangement results in approximately 44.7% savings.

- e. Please provide any analysis, studies, economic evaluations, or planning assessments relied upon by Milton Hydro to determine that the preferred arrangement provides an equivalent or superior planning outcome relative to the original four-feeder Palermo TS concept.

Staff-16

Reference(s):

1. 2027 IRM application, appendix D, Section 8, "Consideration of Non-Wires Solutions", pp. 26-29

Preamble:

Milton Hydro states that it screened a range of Non-Wires Solutions (NWS), including energy efficiency, demand response, solar generation, battery energy storage, and distributed generation, and concluded that none are capable of providing the magnitude, certainty, geographic applicability, or long-term capacity required to address Milton Hydro's identified system needs. Ref. 1 further concludes that NWS is "Not Viable" and that the Palermo Project represents the preferred solution.

Question(s):

- a. Please provide all evaluations and assumptions relied upon by Milton Hydro to conclude that NWS alternatives are not viable.
- b. For each NWS alternative considered (including conservation and energy efficiency, demand response, distributed generation, solar generation, battery energy storage, and any combination thereof), please provide:
 - i. the estimated capacity relief (MW) that could reasonably be achieved;
 - ii. the implementation timeline;
 - iii. the forecast capital and operating costs;
 - iv. the expected service life;
 - v. the degree of capacity certainty and reliability assumed; and
 - vi. the reasons the alternative was rejected, based on the factors identified in items i–v.

- c. Please provide any cost-benefit, lifecycle cost, net present value, benefit-cost ratio, or similar economic analyses comparing the Palermo Project to the NWS alternatives considered.
- d. Please confirm whether Milton Hydro conducted any quantitative assessment of a portfolio approach consisting of multiple NWS alternatives (e.g., conservation, demand response, battery storage, and distributed generation) rather than evaluating each measure individually. If so, please provide the results of that assessment. If not, please explain why not.
- e. Please explain why NWS alternatives were deemed incapable of addressing Milton Hydro's near-term capacity requirements, given that the application indicates the Palermo Project is expected to defer the need for a new transformer station until approximately 2037 under the reference growth scenario.

Staff-17

Reference(s):

- 1. 2027 IRM Application, Section 3.3.2, *Incremental Capital Module Request*, pp. 18-20.
- 2. Appendix D, *Palermo TS Upgrade Business Case*, Section 5, "Investment Need - Project Background & Chronology of Activities", pp. 9-11.
- 3. Appendix M, *Greater Toronto Area West IRRP*.

Preamble:

The application mentions that the need for additional system capacity and the Palermo TS Upgrade was identified through regional planning activities, including the GTA West regional planning process involving the IESO, Hydro One, and local distribution companies. The application also indicates that the Palermo TS transformer replacement involves Hydro One's replacement of the existing transformers with larger-capacity units, while Milton Hydro is seeking ICM funding for the associated Palermo Project, including its capital contribution, feeder egress facilities, feeder extensions, and other related distribution infrastructure.

Question(s):

- a. Please confirm whether OEB staff's understanding is correct that, irrespective of Milton Hydro's proposed Palermo Project, Hydro One would proceed with the like-for-like replacement of the existing Palermo TS transformers as part of its

asset replacement program. If OEB staff's understanding is not correct, please explain.

- b. Please identify the entity responsible for each major component of the Palermo Project and describe the respective roles and responsibilities of Milton Hydro, Hydro One, the IESO, Oakville Hydro, and any other involved parties with respect to project planning, approvals, design, construction, scheduling, cost management, risk management, and decision-making.
- c. Please identify the entity responsible for overall project governance, coordination, and delivery of the Palermo Project. If no single entity has overall responsibility for the project, please explain how project decisions are coordinated among participating organizations and how accountability is established for project scope, schedule, and cost outcomes.

Staff-18

Reference(s):

- 1. 2027 IRM Application, section 3.3.2, incremental capital module, pp. 29-30.
- 2. Rebasing deferral application filed on August 10, 2026.

Preamble:

Milton Hydro states that it has filed a request that its next Cost of Service rebasing application be deferred from 2028 to 2029. Milton Hydro further states that, should the requested deferral be approved, it has not applied the half-year rule adjustment to depreciation or capital cost allowance in its ICM application.

Question(s):

- a. If the rebasing deferral application is not approved by the OEB, please explain how Milton Hydro would apply the half-year rule in its ICM calculation.
- b. Please provide an updated ICM revenue requirement calculation and rate rider impacts reflecting application of the half-year rule, and identify the difference from the amounts currently proposed in this application.

Staff-19

Reference(s):

1. 2027 IRM application, Appendix D, Tables 6 and 9, pp. 6-7.
2. 2027 IRM application, Appendix D, pp. 17-18.

Preamble:

Milton Hydro proposes to acquire certain Hydro One-owned connection assets associated with its Palermo TS feeders, including eight poles, associated conductors and guying, for an estimated purchase price of \$100,000. Milton Hydro states that the acquisition will eliminate the embedded distributor arrangement at Palermo TS and result in ongoing savings through the avoidance of embedded distribution connection charges.

Question(s):

- a. Please provide the age, condition assessment, remaining useful life, and most recent inspection results for the poles, conductors, and associated assets proposed to be acquired from Hydro One.
- b. Please explain how the proposed purchase price of \$100,000 was determined and provide any valuation, engineering, or asset condition information relied upon in establishing the purchase price.
- c. Please explain whether Milton Hydro evaluated alternatives to acquiring these assets and how the condition and remaining life of the acquired assets were considered in determining that the acquisition represents the most prudent option for customers.

Staff-20

Reference(s):

1. 2027 IRM application, Appendix D, p. 18
2. [Section 86\(1\)\(b\) of the Ontario Energy Board Act, 1998](#)

Preamble:

In Ref. 1, Milton Hydro mentions that, as part of the Palermo Project, it plans to

purchase the first eight poles and associated conductors from Hydro One and transfer ownership of these assets to Milton Hydro. OEB staff notes that section 86(1)(b) of the *Ontario Energy Board Act, 1998* requires Board approval for the sale, lease, or other disposition of a transmission or distribution asset that is necessary in serving the public.

OEB staff further notes that, in a similar transaction involving the sale of poles and overhead conductors by Hydro One to InnPower Corporation, Hydro One filed a section 86(1)(b) application with the OEB². Given the apparent similarities between that transaction and the proposed transfer of assets from Hydro One to Milton Hydro, OEB staff seeks clarification regarding the regulatory approvals associated with the proposed asset transfer.

OEB staff is not aware of any application filed under section 86(1)(b) of the *Ontario Energy Board Act, 1998* in respect of the proposed transfer of the first eight poles and associated conductors from Hydro One to Milton Hydro.

Question(s):

- a. Does Milton Hydro continue to seek capital funding for the purchase of the poles from Hydro One, even though Hydro One has not filed an application under section 86(1)(b) of the *Ontario Energy Board Act, 1998* for the proposed transfer of the first eight poles and associated conductors from Hydro One to Milton Hydro. Please explain.
- b. Please discuss the potential impacts on the timing, scope, cost, and implementation of the Palermo Project should the required approval(s) for the asset transfer not be obtained prior to project execution.

Amortization and Capital Cost Allowance (CCA) of Palermo Project

Staff-21

Reference(s):

1. Milton Hydro 2027 ICM Model, Tab 9b. Proposed ACM ICM Projects
2. 2027 IRM Application

² EB-2023-0315

Preamble:

OEB staff notes that in both Ref. 1 and Ref. 2, Milton Hydro did not identify the applicable CCA class(es), CCA rate(s), and useful life used to calculate amortization expense and CCA amounts included in Ref 1.

Question(s):

- a. Please identify the useful life, applicable CCA class(es), and corresponding CCA rate(s) used to calculate the amortization expense and CCA for the Palermo Project by asset category, if applicable.
- b. Please provide, in excel format, the detailed calculations supporting the amortization expense and CCA amounts included in Ref. 1 for the Palermo Project by asset category, if applicable, including all formulas and assumptions used in the calculations.
- c. Please revise and re-file Ref. 1 to include the formulas used to calculate amortization expense and CCA for the Palermo Project.