SEC-1

[Appendix D] Please provide a copy of the internal business case regarding the Palermo project.

Response:

The Palermo TS Upgrade Business Case is filed as Appendix D to the Application. Please also refer to the response to Staff-11(e).

SEC-2

[Application, p.25] Please provide Milton Hydro's total net capital in-service additions for each year between 2023 and 2027.

Response:

Milton Hydro's net capital in-service additions for 2023 to 2027 are set out in Table 1 below. Amounts for 2023 to 2025 are actual, and amounts for 2026 and 2027 are forecast.

Table 1: Total Net Capital In-Service Additions for Each Year Between 2023 and 2027

	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast
Gross In-Service Additions	$14,377,753	$11,916,703	$14,387,445	$19,563,367	$36,212,033
Capital Contributions	($7,025,603)	($5,705,339)	($2,910,009)	($4,027,067)	($6,452,978)
Net In-Service Additions	**$7,352,150**	**$6,211,364**	**$11,477,436**	**$15,536,299**	**$29,759,055**

Note: Figures may not sum due to rounding.

SEC-3

[Appendix D, p.2] Please provide the forecast annual net costs of the Palermo project and bill impacts, taking into account the reduction in charges paid to Hydro One from the proposed elimination of the embedded distributor arrangement, and any change in the amounts paid to Oakville Hydro, for use of the Glenorchy MTS. Please provide full calculations.

Response:

In this response, Milton Hydro distinguishes between distribution revenue and cost of power. Distribution revenue is Milton Hydro's revenue requirement, which is recovered through distribution rates and, for the purposes of this response, consists of the ICM incremental revenue requirement of $965,769. Cost of power consists of charges that Milton Hydro pays to Hydro One, Oakville Hydro and the IESO, and passes through to customers without mark-up through its low voltage service rates and retail transmission service rates. The OEB's Filing Requirements address distribution rates separately from low voltage service rates and retail transmission service rates.[1]

Milton Hydro has not proposed to update its low voltage service rates in this Application, and its proposed 2027 retail transmission service rates are derived in the OEB's Rate Generator Model from 2025 actual billing demand, in accordance with the OEB's instructions. As these rates are set using actual data from two years prior, they do not reflect the end of the embedded distributor arrangement at Palermo TS, which will take effect on the closing of the transfer of the Hydro One assets, conditional on OEB approval under section 86(1)(b) of the Ontario Energy Board Act, 1998. The change will first be reflected in 2029 rates. In the interim, the difference between the amounts collected in rates and the amounts paid will be recorded in Accounts 1550, 1584 and 1586, and disposed of and refunded to customers through the Rate Rider for Disposition of Deferral/Variance Accounts.

In 2025, Milton Hydro's low voltage charges from Hydro One in respect of Palermo TS were $370,220, exclusive of Hydro One's rate riders. Milton Hydro has excluded Hydro One's rate riders in order to normalize the forecast. The rate riders dispose of balances in Hydro One's own deferral and variance accounts, change each year, and are not part of the ongoing cost of the embedded distributor arrangement. Their exclusion is consistent with the treatment of transmission charges in this response, which are forecast at base rates without rate riders.

[1] Chapter 3 of the Filing Requirements for Electricity Distribution Rate Applications, Incentive Rate-Setting Applications, issued July 14, 2026 (the "Filing Requirements"), section 3.2.1.1, page 7; section 3.2.4, page 8; and section 3.2.5, page 9.

Following the transfer, the low voltage charges will cease, and transmission charges for Palermo TS will be billed by the IESO at the Uniform Transmission Rates in place of Hydro One's Sub-Transmission retail transmission service rates. Based on 2025 actual demand and 2025 rates, Milton Hydro forecasts that transmission charges will increase by $239,204, resulting in net annual savings in cost of power of $131,016, as shown in Table 1, below. Milton Hydro does not forecast a change in the amounts paid to Oakville Hydro for the use of Glenorchy MTS, as it will continue to pay Oakville Hydro's OEB-approved rates on its actual demand.

The net forecast savings in low voltage and transmission charges have not been deducted from the ICM incremental revenue requirement or from the proposed ICM rate riders. These savings will be passed through to customers through Milton Hydro's low voltage service rates and retail transmission service rates, and the associated variance accounts, as described above. Deducting them from the ICM rate riders as well would return the same savings to customers twice.

Table 1: Net Annual Cost

	Amount
Distribution Revenue:	
ICM incremental revenue requirement	$965,769
Cost of Power:	
Hydro One low voltage charges avoided at Palermo TS*	($370,220)
Transmission charges, IESO in place of Hydro One	$239,204
Oakville Hydro, Glenorchy MTS	$0
Net annual cost	**$834,753**
Net annual savings in cost of power	**$131,016**

*Note: the Hydro One low voltage charges have been normalized to exclude rate riders as they change annually and could be a positive or negative number.

Table 2 sets out, for illustrative purposes only, the bill impacts by rate class of the net savings in cost of power of $131,016, set out in Table 1, allocated to rate classes using the same methodology as the ICM Model. These are not rates proposed in this Application.

Table 2: Illustrative Bill Impacts of Net Savings in Cost of Power

	Per Unit	# Units	Distribution: ICM rate riders	Cost of power (Illustrative)	Total
Residential	kWh	750	$1.33	($0.18)	$1.15
General Service < 50 kW	kWh	2,000	$2.62	($0.31)	$2.31
General Service 50 kW - 999 kW	kW	150	$26.30	($3.58)	$22.72
General Service 1,000 kW - 4,999 kW	kW	1,800	$215.43	($29.27)	$186.16
Large Use	kW	5,400	$511.45	($69.35)	$442.10
Unmetered Scattered Load	kWh	405	$0.71	($0.09)	$0.62
Sentinel Lights	kW	0.00	$0.55	($0.04)	$0.51
Street Lighting	kW	1,185	$974.98	($118.01)	$856.97

Calculations are provided in Attachment 1.

SEC-4

[Appendix D, p.3] For each task in Table 1, please provide the status and any revisions to the completion date (actual or forecast).

Response:

Please refer to the response to Staff-8(a).

SEC-5

[Appendix D, p.5] Please provide a detailed breakdown of the 2023 to 2027 actual and forecast capital expenditures for the Palermo project.

Response:

Please refer to the response to VECC-14.

SEC-6

[Appendix D, p.6] With respect to the incremental upgrade costs and amounts payable to Hydro One:

a. Please provide a copy of the Connection Cost Recovery Agreements between Milton Hydro and Hydro One (if not the final executed agreement, then the latest draft).

Response:

The executed Amended and Restated Connection and Cost Recovery Agreement ("CCRA") between Milton Hydro and Hydro One for the Palermo TS upgrade, dated August 5, 2026, is currently under review by Hydro One in accordance with the confidentiality provisions of the CCRA. Pursuant to those provisions, Milton Hydro is required to obtain Hydro One's review and consent with respect to any confidential information requiring redaction prior to filing the CCRA in this proceeding. Milton Hydro has requested Hydro One's review and consent and is awaiting a response. Accordingly, Milton Hydro is unable to file the CCRA at this time and will file the CCRA, together with any necessary redactions, promptly upon receiving Hydro One's response.

b. Please provide the underlying basis and the supporting documents for the determination of the difference between like-for-like replacement costs and incremental costs.

Response:

The difference between the like-for-like replacement cost and the incremental cost of the Palermo TS upgrade was determined by Hydro One and provided in its Connection Cost Estimate Report dated January 30, 2024, prepared under the Connection Cost Estimate Agreement executed in April 2023 (please refer to the response to VECC-19). The Connection Cost Estimate Report is currently being reviewed by Hydro One to identify confidential and/or proprietary information requiring redaction and will be filed, together with any necessary redactions, upon receiving Hydro One's response. The analysis compared the estimated cost of replacing the existing T3 and T4 transformers and associated facilities on a like-for-like basis with 50/66.7/83.3 MVA equipment against the estimated cost of proceeding with the larger 75/100/125 MVA transformer configuration required to provide additional station capacity. Milton Hydro did not independently determine the cost difference or the individual cost components underlying Hydro One's estimates, and relied on the cost information provided by Hydro One through the Connection Cost Estimate process.

Using the same major cost categories, being project management, engineering, procurement, construction, commissioning, and other costs, Hydro One estimated the planned cost of the 125 MVA option at $57,200,000, compared with $32,900,000 for the 83 MVA option. The difference between those two estimates, $24,300,000, was identified by Hydro One as the incremental cost of the upgrade and provided as an AACE Class 4 estimate with an accuracy range of +50% to -30%. Hydro One subsequently updated the estimated cost of the upgrade to $56,629,000 and the incremental cost to $21,640,000 (Appendix D, page 6, Table 4).

The underlying principle is therefore that the cost Hydro One would otherwise incur to replace the end-of-life transformers on a like-for-like basis is separated from the additional cost associated with installing the higher-capacity equipment and associated infrastructure. The incremental amount represents the difference between the estimated costs of the two configurations, rather than the total cost of replacing the existing Palermo TS infrastructure.

c. Please provide a live copy (with formulas intact) of the completed Hydro One economic evaluation model used to determine the capital contribution payable by Milton Hydro.

Response:

The capital contribution of $3,400,647 calculated in the model is presented as $3,400,600 in the Application (Appendix D, page 6, Table 5).

Hydro One's economic evaluation model ("EEM") used to determine Milton Hydro's capital contribution, as provided to Milton Hydro by Hydro One is currently under review by Hydro One with respect to any confidential information requiring redaction prior to filing the EEM. Milton Hydro is unable to file the EEM at this time and will file the EEM, together with any necessary redactions, promptly upon receiving Hydro One's response.

SEC-7

[Appendix D, p.12-13] With respect to Figures 1 and 2:

a. Please provide a revised version of Figure 2 that shows the total capacity of each station (available to Milton Hydro) under the Palermo TS/Glenorchy MTS arrangement.

Response:

The data for the revised Figure 2, showing the station capacity available to Milton Hydro at each transformer station under the Palermo TS/Glenorchy MTS arrangement, is provided in Attachment 1 to SEC-7(b). The station capacities shown are before the application of feeder planning limits. Please refer to the response to VECC-21 for the system planning capacity shown in Figure 1 of Appendix D, which reflects feeder planning limits.

b. Please provide an Excel version of the existing Figure 2 and the revised version sought in part (a).

Response:

Figure 2 was not prepared in Excel and, accordingly, an Excel version of the figure is not available. Milton Hydro provides in Excel format, as Attachment 1 to this response, the underlying data used to develop the existing Figure 2 and the revised Figure 2 requested in SEC-7(a).

c. Please confirm that with the Glenorchy MTS capacity retained, Figure 1 shows that the demand forecast under both reference and low scenarios does not exceed current capacity until 2032 and 2036 respectively.

Response:

Confirmed. In the hypothetical scenario where Milton Hydro retained permanent access to the existing Glenorchy MTS capacity and the Palermo TS upgrade did not proceed, Figure 1 indicates that available system capacity would be sufficient to accommodate forecast load until approximately 2032 under the Reference scenario and 2036 under the Low scenario.

However, Milton Hydro notes that the retention of Glenorchy MTS capacity could not be assumed in the absence of the Palermo TS upgrade. Under the existing arrangement, Milton Hydro's access to capacity at Glenorchy MTS was not permanent and remained subject to termination upon notice by Oakville Hydro. Permanent access to that capacity is being obtained in consideration for Oakville Hydro

obtaining 35 MW of the capacity created by the Palermo TS upgrade (Application, page 19). Accordingly, there was no guarantee that the capacity would continue to be available over the forecast period. If Oakville Hydro exercised its right to terminate the existing capacity-sharing arrangement upon providing the required two years' notice, and the Palermo TS upgrade was not in place, Milton Hydro would face a materially different capacity outlook. As shown in Figure 1, available system capacity could be exceeded as early as 2029 under the Reference scenario and 2031 under the Low scenario (Appendix D, page 12, Figure 1).

The potential loss of access to Glenorchy MTS capacity, without replacement capacity having been secured through Palermo TS or another supply source, therefore represents a significant capacity planning and reliability risk for Milton Hydro. Given the relatively limited notice period, Milton Hydro could be required to secure and implement replacement supply capacity within a timeframe that may not be sufficient to plan, approve, design, construct, and place major new capacity infrastructure in service. Securing additional capacity through the Palermo TS upgrade mitigates this exposure by reducing Milton Hydro's dependence on capacity that was not permanently committed and providing greater certainty that sufficient system capacity will be available to accommodate forecast customer growth.

d. For each year between 2027 and 2036, and for each planning scenario, please provide Milton Hydro's load at Palermo TS, split between, i) load on the two existing feeders, and ii) load on the two new feeders.

Response:

Milton Hydro provides in Tables 1 to 3 below its forecast load at Palermo TS for each year from 2027 to 2036 under the Low, Reference and High scenarios, split between the two existing feeders and the two new feeders, prepared on the same basis as Figure 2 of Appendix D (page 13).

Table 1: Milton Hydro Load at Palermo TS – Low Scenario (MW)

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Existing feeders	23	23	23	24	24	24	24	25	25	26
New feeders	1	5	10	12	14	17	19	21	23	25
Total	**24**	**28**	**33**	**36**	**38**	**41**	**43**	**46**	**48**	**51**

Table 2: Milton Hydro Load at Palermo TS – Reference Scenario (MW)

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Existing feeders	23	24	24	25	25	26	26	26	26	26
New feeders	5	11	18	24	30	32	32	32	32	32
Total	**28**	**35**	**42**	**49**	**55**	**58**	**58**	**58**	**58**	**58**

Table 3: Milton Hydro Load at Palermo TS – High Scenario (MW)

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Existing feeders	23	24	25	26	26	26	26	26	26	26
New feeders	10	17	24	32	32	32	32	32	32	32
Total	**33**	**41**	**49**	**58**	**58**	**58**	**58**	**58**	**58**	**58**

Note: 2027 values reflect load on the new feeders following their energization on September 30, 2027 (Appendix D, page 3).

SEC-8

[Appendix E, p.36, Table 26] In the 2024 Power Advisory/EPE Consulting Ltd., *Milton Hydro Capacity Needs Assessment Report* shows the two existing Palermo TS feeders with a planned limit of 19 MVA each, and forecast load of 28.9 MW in 2027 increasing to 32.6 MW in 2032 under the high growth scenario. Once the Palermo TS upgrade is in-service, please explain why Milton Hydro could not serve incremental load at Palermo TS using the existing feeders until that capacity is used.

Response:

The two existing Palermo TS feeders will continue to serve their existing load after the Palermo TS upgrade is in service. Milton Hydro applies a planning limit of 16 MVA to each of these feeders, rather than the 19 MVA baseline used in the 2024 Report (Appendix E, page 34), and their forecast load reflects organic growth in the areas they currently supply (Appendix E, pages 35 to 37). The existing feeders do not extend to the areas where the incremental load is forecast to connect (Appendix D, page 19), and therefore cannot deliver the additional Palermo TS capacity to that load.

SEC-9

[Appendix D, p.3, 12-13, 19-20] With respect to the feeder line extension:

a. Please provide the planned limit and forecast load for each existing Palermo TS feeder through 2036, under each demand scenario. For each feeder, please provide the year in which the load on those feeders would exceed the limit if the feeder line extension was not built.

Response:

The feeder line extension is required to deliver the additional Palermo TS capacity to the areas where incremental load is forecast to connect. The existing Palermo TS feeders do not extend to those areas (Appendix D, page 19) and cannot deliver the additional capacity to that load. Please refer to the response to SEC-8.

The forecast loading of the existing feeders reflects the customers and organic growth within their existing service areas. Accordingly, the year in which an individual existing feeder reaches its planning limit is not the trigger for, or the required in-service date of, the feeder line extension.

The planning limit and forecast peak load for each existing Palermo TS feeder are set out in Table 1 below. The forecast applies to the Low, Reference and High scenarios, as the incremental load that distinguishes the scenarios is not forecast to connect to the existing feeders.

Table 1: Existing Palermo TS Feeders – Planning Limit and Forecast Non-Coincident Peak Load (MVA)

	M1 (Planning Limit 16 MVA)	M3 (Planning Limit 16 MVA)
2026	10	18
2027	10	18
2028	10	18
2029	10	18
2030	11	18
2031	11	18
2032	11	18
2033	11	18
2034	12	18
2035	12	18
2036	12	18

Note: Feeder peak loads are non-coincident and should not be added together or compared directly with the Palermo TS station load forecast.

The forecast load on M3 exceeds its planning limit in each year, and the forecast load on M1 does not exceed its planning limit through 2036. The existing feeders do not extend to the areas where the incremental load is forecast to connect, and the feeder line extension is required to deliver the additional Palermo TS capacity to those areas. Please refer to the response to SEC-9(c).

It is also important to note that one of the existing Palermo TS feeders serves as the backup supply to the hospital, which introduces additional reliability and contingency considerations. As a result, this feeder is operated with different planning considerations than what would otherwise be applied to normal feeders in order to preserve adequate flexibility for contingency events and maintain the reliability requirements associated with serving a critical customer.

b. Please provide details regarding specific customers or constraints that require the two new feeders to be in-service by September 30, 2027, as opposed to a later date.

Response:

The September 30, 2027 in-service date is the completion date in the project schedule (Appendix D, page 3, Table 1) and is not driven by a specific customer or constraint arising on that date. As detailed in the 2026 Report (Appendix F), Milton Hydro is addressing future customer electricity service requirements on its distribution system. This approach is consistent with:

i. Milton Hydro's DSP, under which System Service projects "ensure that any forecasted load changes that constrain the ability of the system to provide consistent service delivery are dealt with in a timely manner";[2]

ii. Exhibit 2 in Milton Hydro's last cost of service application, where line extensions and feeder interconnections are specifically listed as projects that will "ensure the distribution system continues to meet operational objectives (such as reliability, grid flexibility and Distributed Energy Resource integration), while addressing anticipated future customer electricity service requirements";[3] and

iii. section 5.1.2 of the OEB's Chapter 5 filing requirements, where it is stated that system service projects, such as the one included in this ICM, "encompass modifications to a distributor's

[2] EB-2022-0049, Exhibit 2, Distribution System Plan, section 5.4.1B, page 102.
[3] EB-2022-0049, Exhibit 2, pages 56 to 57.

distribution system to ensure the distribution system continues to meet distributor operational objectives while addressing anticipated future customer electricity service requirements."[4]

Milton Hydro does not plan for new system service projects to be placed in service only once a capacity need has arisen, because that approach increases the risk that any delay in the in-service date could adversely affect service reliability for existing customers and the timely connection of new customers. Rather, prudent utility planning supports capital investment in advance of need, based on anticipated future customer electricity service requirements, before load growth adversely affects Milton Hydro's service quality and the distribution system's ability to deliver reliable power.

Milton Hydro will transfer existing customers from Glenorchy MTS to the new Palermo TS feeders to make capacity available on the existing Glenorchy MTS assets to meet expected new demand. The overall capacity solution is designed to meet increased load growth across the Milton Hydro service territory, rather than the needs of a specific identifiable customer.

A later in-service date for the feeder line extension may also increase Milton Hydro's capital contribution to Hydro One. Please refer to the response to SEC-9(c).

c. In Table 12, Milton Hydro shows the difference in capital contributions for the TS Upgrade based on when the feeder extension is undertaken. Please provide the economic evaluations or other calculations supporting both scenarios (please provide it in live Excel spreadsheet with all formulas intact).

Response:

The calculations supporting the capital contributions under both scenarios in Table 12 of Appendix D (page 20) contain confidential information currently under review by Hydro One. Table 12 of Appendix D with formulas intact will be filed, together with any necessary redactions, promptly upon receiving Hydro One's response and consent.

The capital contribution of $3,400,600 under the scenario in which the feeder line extension is constructed in 2027 is from Hydro One's economic evaluation under the Connection and Cost Recovery Agreement. The capital contribution under the scenario in which the feeder line extension is deferred to 2031 was estimated by Milton Hydro by using Hydro One's economic evaluation model with the load forecast adjusted for the deferral.

[4] Filing Requirements for Electricity Distribution Rate Applications – 2026 Edition for 2027 Rate Applications, Chapter 5, Distribution System Plan, December 16, 2025, section 5.1.2, page 4.

In preparing this response, Milton Hydro identified an error in the calculation of the capital contribution under the deferral scenario in Table 12. "Based on Milton Hydro's updated calculation using Hydro One's economic evaluation model, the corrected capital contribution if the feeder line extension is deferred to 2031 is $6,018,600, compared with $9,519,900 shown in the Application. As a result, the corrected increase in the cost of the project from deferring the feeder line extension to 2031 is $3,345,009, or 25.3%, compared with $6,846,309, or 51.9%, shown in the Application. Table 1 below sets out Table 12 as corrected.

If the feeder line extension were deferred, cancelled, or placed in service later than proposed, the incremental capacity created through the station upgrade would be underutilized until the feeder infrastructure was completed. Milton Hydro would have less ability to connect new customers, relieve constrained feeders, transfer load between supply areas, and optimize the use of existing station capacity. It would also reduce the expected operational and reliability benefits of the project, including greater system operating flexibility and improved contingency capability.

Table 1: Feeder Extension Costs (Corrected Table 12)

Scenario	Component	2027	2031	Total Cost
Construction of Feeder Extension in 2027	Capital Contribution for TS Upgrade	$3,400,600	$0	**$3,400,600**
	TS Feeder Egress	$2,694,352	$0	**$2,694,352**
	Transfer of Ownership – Hydro One Egress Poles	$100,000	$0	**$100,000**
	Feeder Line Extension	$7,003,072	$0	**$7,003,072**
	Total	**$13,198,024**	**$0**	**$13,198,024**
Construction of Feeder Extension in 2031	Capital Contribution for TS Upgrade	$6,018,600	$0	**$6,018,600**
	TS Feeder Egress	$2,694,352	$0	**$2,694,352**
	Transfer of Ownership – Hydro One Egress Poles	$100,000	$0	**$100,000**
	Feeder Line Extension	$0	$7,730,081	**$7,730,081**
	Total	**$8,812,952**	**$7,730,081**	**$16,543,033**
	Total increase			**$3,345,009**

d. Please explain why deferring the feeder line extension would reduce the Palermo TS load forecast when Milton could connect the load using its existing feeders.

Response:

Please refer to the responses to SEC-8 and SEC-9(a).

e. If the Glenorchy capacity is made permanent under the proposed Palermo TS/Glenorchy MTS arrangement, but the feeder extension is not built, in what year would Milton Hydro first be unable to connect a new customer, for each of the demand scenario?

Response:

Milton Hydro does not plan its distribution system on the basis of the point at which it would be unable to connect a new customer. Milton Hydro plans its system to maintain reliability in accordance with its planning standards, including the ability to restore load following the loss of a feeder, so that capacity is available in advance of the need and customers can be connected when they require service. This is consistent with Milton Hydro's DSP, under which System Service projects "ensure that any forecasted load changes that constrain the ability of the system to provide consistent service delivery are dealt with in a timely manner."[5]

In the circumstance described, the additional Palermo TS capacity could not be delivered to the areas of forecast load growth (please refer to the response to SEC-8), which would limit Milton Hydro's ability to plan and operate its system on that basis.

[5] EB-2022-0049, Exhibit 2, Distribution System Plan, section 5.4.1B, page 102.

SEC-10

[Application, p.31, Appendix E, p.7] Milton Hydro's evidence says no customer contributions offset the ICM. In the 2024 Power Advisory/EPE Consulting Ltd., *Milton Hydro Capacity Needs Assessment Report*, the consultants note that: "In accordance with the Distribution System Code and Transmission System Code, new customers with peak demands of at least 5 MW will be required to make contributions toward station costs or MHDI's contribution to Hydro One."

a. Please explain why no customer contributions offset the ICM.

Response:

No customer contributions offset the ICM amount because the Palermo Project is not being undertaken to connect, or to provide dedicated capacity to, a specific customer. The Palermo Project addresses Milton Hydro's system capacity requirements, as described in the response to Staff-12(c), and is not contingent upon any single customer connection. As stated by Power Advisory at section 4.1: "A Palermo TS expansion is required to meet organic demand growth from increasing customer numbers and loads caused by increases in population, employment, and electrification in the near future, and New Milton TS is needed primarily to meet new large customer loads."

The statement quoted from the 2024 Report describes the requirement that applies where a new customer with a peak demand of at least 5 MW connects and the applicable provisions of the Distribution System Code and Transmission System Code require a contribution toward station costs or Milton Hydro's contribution to Hydro One. The 2024 Report applied that requirement in its analysis of a potential new transformer station (New Milton TS), for which it estimated contributions from prospective new large customers (Appendix E, page 7). The 2024 Report's estimate of Milton Hydro's contribution for the Palermo TS upgrade did not include customer contributions (Appendix E, page 49).

No customer contribution has been required or received in respect of the Palermo Project, and none is included as an offset to the ICM amount (Application, page 31).

b. Please identify all customers of 5 MW or more that will be served by the project, and why none are required to provide a capital contribution.

Response:

Milton Hydro is not aware of any new customer with a load of 5 MW or more that will be connected to Palermo TS. Accordingly, no such customer is required to provide a capital contribution toward the Palermo Project. Please refer to the response to SEC-10(a).

SEC-11

[Appendix G, Appendix D, pdf p.258] Please explain why Milton Hydro rejected NBM Scenario 4.

Response:

Milton Hydro did not select Scenario 4 for the following reasons:

- **Benefits of rebuilding the existing line:** NBM Engineering noted that rebuilding the existing two-circuit pole line to a four-circuit configuration "ensures compliance with current design standards, improves system reliability, and allows for better phase separation, conductor clearances, and structural integrity," and "optimizes the use of available right-of-way" (Appendix G, page 12);
- **Relocation of existing assets:** On First Line, the existing two-circuit 27.6 kV pole line is located on the east side of the road for approximately 1.5 km north of Lower Base Line, and then crosses to the west side for approximately 1.5 km to Britannia Road. A second pole line on the opposite side of the road would require the relocation of approximately half of the existing assets. This work is not included in the Scenario 4 estimate (Appendix G);
- **Additional assets:** Scenario 4 would place pole lines on both sides of Lower Base Line and First Line, approximately doubling the overhead assets in these corridors that are subject to inspection, vegetation management, maintenance and eventual replacement over their service life;
- **Roadside obstructions:** the additional poles would create further roadside obstructions, affecting sight lines at driveway entrances and for traffic;

- **Road widening:** Given the narrow road allowances, pole lines on both sides of the road would both require relocation if the road authority widens the road, increasing future relocation costs and the risk of stranded assets; and

- **Weather exposure:** Large portions of First Line are exposed to crosswinds. A second pole line would increase the exposure of structures and conductor to wind-related damage, and a single severe weather event could affect feeders on both sides of the road, including the new Palermo TS feeders.

Milton Hydro's modified Scenario 2 provides the required feeder capacity for the final project while avoiding unnecessary rebuilds, minimizing the use of double pole line construction, and reducing exposure to foreseeable stranded asset risk (Appendix D, page 26).

SEC-12

[Appendix L, p.21-22] With respect to capital contributions paid to Hydro One:

In Milton Hydro's 2023 DSP, the company stated that upsizing the Palermo TS was the regional planning end-of-life solution. On that basis, the company took the position that: "Once station capacity has increased, MHDI would seek to add new load to the station over time, subject to the available capacity, like any other load customer. Hydro One has indicated that a capital contribution may be required to address the incremental costs of increasing Palermo TS capacity. Per the Transmission System Code, as the station upgrade and associated cost is driven by end-of-life needs and not specific increased capacity needs by MHDI, MHDI takes the position that no capital contribution should be required to access the available capacity."

a. Please provide copies of correspondence in which Milton Hydro either disputed or accepted Hydro One's requirement for a capital contribution.

Response:

Milton Hydro's acceptance of the capital contribution is reflected in the executed Amended and Restated Connection and Cost Recovery Agreement with Hydro One (Attachment 1 to SEC-6(a)). Following its review of Hydro One's economic evaluation (Attachment 1 to SEC-6(c)), and further discussion with legal counsel, Milton Hydro concluded that Hydro One's requirements were in accordance with the Transmission System Code.

b. Please explain why in Milton Hydro's view circumstances have changed, such that a capital contribution is reasonable.

Response:

The DSP set out Milton Hydro's position at that time that no capital contribution should be required, and assumed for planning purposes that none would be required. The DSP also noted that Hydro One had indicated that a capital contribution may be required (Appendix L, pages 21 and 22). The amount of any capital contribution had not been determined at that time.

Following the DSP, Hydro One determined the incremental cost of the upgrade through the Connection Cost Estimate Agreement, and Milton Hydro's capital contribution through its economic evaluation under the Transmission System Code (Attachment 1 to SEC-6(c)). Milton Hydro accepted Hydro One's determination through the executed Connection and Cost Recovery Agreement. Please refer to the response to SEC-12(a).

Milton Hydro considers the capital contribution reasonable because the additional capacity is required to meet Milton Hydro's forecast load growth (Appendix D, pages 9 and 10), and upsizing Palermo TS at the time of the transformer replacement is the lowest-cost means of obtaining that capacity. Under the capacity-sharing arrangement with Oakville Hydro, Milton Hydro's capital contribution is $3,400,600, compared with $10,066,000 under the original concept (Appendix D, page 16, Table 11). The alternative of a new transformer station was estimated to require a capital contribution of $38,728,247 (Appendix D, page 24).