Ontario Energy Board | Commission de l'énergie de l'Ontario

Ontario

BY E-MAIL

November 10, 2026

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

Dear Ritchie Murray:

Re: London Hydro Inc. (London Hydro)
2027 Cost of Service Rate Application
Ontario Energy Board (OEB) File Number: EB-2026-0056

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

London Hydro's responses to interrogatories are due by November 30, 2026.

Any questions relating to this letter should be directed to Arlene Bernardo at Arlene.Bernardo@oeb.ca or at 437-880-8931. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Arlene Bernardo

Digitally signed by Arlene Bernardo
Date: 2026.11.10 10:19:09 -05'00'

Arlene Bernardo
Advisor, Distribution Rates and Economics

Attach.

OEB Staff Interrogatories
2027 Electricity Distribution Rates Application
London Hydro Inc. (London Hydro)
EB-2026-0056
November 10, 2026

Please note, London 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*.

Exhibit 1 – Administration
1-Staff-1

Updated Revenue Requirement Work Form (RRWF) and Models
Upon responding to all interrogatories from OEB staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial application. Entries for changes and adjustments should be included in the middle column on sheet 3 Data_Input_Sheet. Sheets 10 (Load Forecast), 11 (Cost Allocation), and 13 (Rate Design) should be updated, as necessary. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 14 Tracking Sheet and may also be included on other sheets in the RRWF to assist understanding of changes.

In addition, please file an updated set of models that reflects the interrogatory responses. Please ensure the models used are the latest available models on the OEB's 2027 Electricity Distributor Rate Applications webpage.

1-Staff-2
Letters of Comment

Preamble:
Following publication of the Notice of Application, the OEB received 82 letters of comment. Section 2.1.7 of the Filing Requirements states that distributors are expected to file with the OEB their response to the matters raised within any letters of comment sent to the OEB related to the distributor's application. If the applicant has not received a copy of the letters or comments, they may be accessed from the public record for this proceeding.

Question(s):

a) Please file a response to the matters raised in the letters of comment referenced above. Going forward, please ensure that responses to any matters raised in subsequent comments or letters are filed in this proceeding. All responses must be filed before the argument (submission) phase of this proceeding.

1-Staff-3
Green Button and Related Services
Ref 1: Exhibit 1/ 1.4.10/ pp. 86-87
Ref 2: EB-2021-0041/ Decision and Order/ February 24, 2022/ p. 8
Ref 3: Exhibit 1/ Appendix 1-3/ Green Button Cost Allocation Study

Question(s):

a) London Hydro agreed to track direct and indirect costs associated with its Green Button program as part of its 2022 Cost of Service proceeding. Based on Reference 1, London Hydro was able to track the direct cost, but not the indirect costs. Please provide an update whether London Hydro has started tracking the indirect cost following the completion of the cost allocation study. If not, please explain what barriers are preventing London Hydro from tracking indirect costs.
b) London Hydro states that it is in the process of assessing its options with Green Button service such that it is only services London Hydro customers. Please provide an update on the status of this assessment.
c) Based on the cost allocation study in Reference 3, has London Hydro determined or made any changes to its Green Button service allocation?
d) Based on the cost allocation study in Reference 3, has London Hydro determined any costs that will likely continue ceasing to offer Green Button services?
e) As part of its 2022 Cost of Service proceeding, London Hydro agreed to credit customers an additional amount of $89,960 in 2022 Other Revenues, which represents 50% of the amortized forecast of the revenue over 2022 to 2026. In addition, London Hydro agreed to revisit the appropriate amount to be credited to its customers once the cost allocation results are available.
    i. Please confirm whether London Hydro has calculated the appropriate revenue credit based on the cost allocation study. In addition, please identify any updated revenue credit based on the cost allocation study.

1-Staff-4
Self-Service Customer Convenience
Ref: Exhibit 1/ 1.6.1 / pp. 121-123

Question(s):

a) Please confirm how many customers are enrolled in MyLondonHydro?
b) Please confirm how many of London Hydro's customers are enrolled in paperless billing.
    i. Please confirm whether London Hydro has any programs or initiatives to increase the number of customers enrolled?
c) Please confirm how many of London Hydro's customers are enrolled in the Pre-Authorized Debt functionality?

1-Staff-5
Activity & Program-Based Benchmarking
Ref: Exhibit 1/ 1.7.2/ pp. 217-230

Question(s):

a) London Hydro's Billing O&M is 61% below the distributor average due to revenue associated with the providing water billing services to the City of London. In Table 1-57, Billing O&M shows a significant increase in 2026 and 2027. Please explain the drivers of these increases.
b) London Hydro stated that its Lines O&M cost is 49% higher than the distributor average due to a highly dense urban areas service area and maintenance cost of underground infrastructure, which are more complex and costly to maintain more.
    i. Has London Hydro identified any cost savings or efficiency measures to improve this metric?
    ii. In Table 1-57, Lines O&M shows a significant increase for 2025-2027. Please explain the drivers of these increases.
c) London Hydro's Stations O&M cost is 341% higher than the distributor average. London Hydro attributes this mainly on the maintenance cost required for its municipal substations, complex downtown secondary networks, and old legacy equipment.
    i. Has London Hydro has identified any cost savings or efficiency measures to address this?
    ii. In Table 1-57, Stations O&M shows a significant increase for 2025-2027. Please explain the drivers of these increases.
d) London Hydro stated that its Poles, Towers & Fixtures O&M cost is 59% higher than the distributor average primarily due to its comprehensive and proactive pole asset management strategy and dense urban service area. Has London Hydro identified any cost savings or efficiency measures to address this?
e) London Hydro stated that its Line Transformer CAPEX cost is 21% higher than the distributor average and is driven by pad-mounted and network transformers

and the substantial increase in material cost. Has London Hydro identified any cost savings or efficiency measures to address?

f) London Hydro's Poles, Towers & Fixtures CAPEX increased significantly in 2025, slightly declined in 2026, and is projected to increase again in 2027. Please explain the drivers of these fluctuations and increases.

1-Staff-6
Advanced Vegetation Management Solution
Ref 1: Exhibit 1/ 1.8.2/ p.50

Question(s):

a) In 2025, London Hydro piloted a 12-month program with AiDASH to use an advanced Vegetation Management Solution that leverages satellite imagery and analytics as part of its vegetation management program.
   i. When can London Hydro provide the results for this initiative? If such results are available, please discuss.
   ii. Has London Hydro quantified any savings by using this technology?

1-Staff-7
Microgrid Project
Ref 1: Exhibit 1/ 1.8.2/ pp. 257-258

Question(s):

a) London Hydro states that the pilot microgrid project will be partially funded by NRCAN. Please confirm the amount that will be funded by NRCAN and the amount requested to be funded by ratepayers as part of this application, if any.

2-Staff-8
Distributed Energy Resource (DER)
Ref 1: Exhibit 2 / 5.3.4 System Capability Assessment for Renewable Energy Generation and Distributed Energy Resources / pp. 190–193 (pdf Appendix 2-5 DSP Part 1 pages 206–209)
Ref 2: Exhibit 2 / 5.4.1.2 Analysis of Capital Expenditure for the Forecast Period / pp. 239–243 (pdf Appendix 2-5 DSP Part 1 pages 255–259)
Ref 3: Filing Requirements for Electricity Distribution Cost of Service Rate Applications - 2026 Edition for 2027 Applications, Chapter 2, Appendix A

Preamble:
London Hydro proposes approximately $9.9 million in bus-tie reactor investments at existing transformer stations to increase DER hosting capacity and enable greater

utilization of available transformer station supply capacity. London Hydro also identifies other initiatives intended to address system capacity and DER integration requirements, including MTS-1, reassessment of micro-generation limits with Hydro One, and implementation of DERMS capabilities.

Question(s):

a) Please explain how the proposed bus-tie reactors address existing transformer station constraints. For each affected station, identify the expected increase in supply capacity and DER hosting capacity.
b) Please confirm the ownership and location of the proposed reactors, including whether they will be installed on Hydro One or London Hydro facilities. Please explain how project costs will be allocated between London Hydro and Hydro One, and justify any costs proposed for inclusion in London Hydro's rate base.
c) Please explain how the proposed reactors have been coordinated with MTS-1, revised micro-generation limits, and DERMS. Please identify the additional hosting capacity expected from each initiative and whether these investments could reduce or defer the need for the reactors.
d) Please explain London Hydro’s intent with respect to seeking approval to recover the rate protection component of costs per Appendix A of Reference 3.

2-Staff-9
Second Operations Facility
Ref 1: Exhibit 2 / 5.2.1a Capital Investment Highlights / p. 2 (pdf Appendix 2-5 DSP Part 1 page 18)
Ref 2: Exhibit 2 / 5
Ref 2: Exhibit 2 / 5.3.2d.2 Facilities / pp. 155–159 (pdf Appendix 2-5 DSP Part 1 pages 171–175)
Ref 3: Exhibit 2 / 5.4.1.1 Analysis of Capital Expenditure for the Historical Period / p. 218 (pdf Appendix 2-5 DSP Part 1 page 234)
Ref 4: Exhibit 2 / Appendix A2-3 / Second Operations Facility Implementation Strategy / pp. 6–7 and 13–14 (pdf Appendix 2-5 DSP Part 2 pages 119–120 and 126–127)

Preamble:
London Hydro proposes approximately $34.5 million in capital expenditures during 2027–2031 for a second operations centre to address facility capacity constraints, operational requirements, and resiliency risks associated with its existing facilities. The Second Operations Facility Implementation Strategy identifies a total project budget of approximately $79.8 million, including $14 million for land acquisition in 2026, with the remaining expenditures phased through 2034. The strategy also indicates that the assessment of alternatives has not been completed and that London Hydro anticipates

seeking additional regulatory approval through a future Incremental Capital Module (ICM) application.

Question(s):

a) Please provide the business case and cost comparison supporting the proposed second operations centre, including alternatives such as expanding existing facilities, leasing space, or phased construction.
b) Please explain how the proposed facility size and construction schedule were determined, including forecast staffing, fleet, inventory, and operational requirements.
c) Please explain the costs and operational risks of deferring construction by two to three years, including the implications for continued use of existing facilities.
d) Please explain how London Hydro considered customer preferences for reduced or deferred spending on the facility when deciding to proceed with the investment.
e) Please identify which expenditures associated with the second operations centre identified in reference 4, Table 1, are included in the current application and which will be addressed through a future ICM application.
f) Please explain why London Hydro is proceeding with land acquisition and other project expenditures before completing its assessment of alternatives.
g) Please identify and explain the other alternatives currently under consideration, if any.

2-Staff-10
ADMS/DERMS Platform
Ref 1: Exhibit 2 / 5.3.2d.4 Information Technology / pp. 161–163 (pdf Appendix 2-5 DSP Part 1 pages 177–179)
Ref 2: Exhibit 2 / 5.4.1.2 Analysis of Capital Expenditure for the Forecast Period / pp. 239–245 (pdf Appendix 2-5 DSP Part 1 pages 255–261)
Ref 3: Exhibit 2 / 5.4.1.5 Capital Expenditure Impact to System O&M Costs / p. 258 (pdf Appendix 2-5 DSP Part 1 page 274)

Preamble:
London Hydro proposes approximately $11.8 million for implementation of an ADMS/DERMS platform to improve distribution system visibility, automation, operational flexibility, and DER integration. London Hydro also operates existing SCADA, GIS, and outage management systems and proposes other information technology and operational technology investments.

Question(s):

a) Please identify the functions provided by ADMS/DERMS and explain how these overlap with London Hydro's existing systems. Identify which systems will be retained, replaced, or integrated.
b) Please explain how ADMS/DERMS has been coordinated with the AMI refresh and other IT/OT investments to avoid duplication of functionality and costs.
c) Please explain whether London Hydro evaluated an ADMS-only deployment or phased implementation of DERMS. Provide the comparative costs and rationale for the proposed approach.
d) Please quantify the expected operational benefits of ADMS/DERMS, including reliability, restoration times, operating efficiencies, and DER hosting capacity, and identify the associated incremental annual OM&A costs.

2-Staff-11
Comprehensive Plan
Ref 1: Exhibit 2 / 5.2.1d Capital Investment Outcomes Assessment / pp. 11–13 (pdf Appendix 2-5 DSP Part 1 pages 27–29)
Ref 2: Exhibit 2 / 5.2.1a Capital Investment Highlights / pp. 2–4 (pdf Appendix 2-5 DSP Part 1 pages 18–20)
Ref 3: Exhibit 2 / 5.4.1.3 Analysis of Capital Expenditure Historical vs Forecast Period / pp. 251–257 (pdf Appendix 2-5 DSP Part 1 pages 267–273)

Preamble:
London Hydro indicates that its initial Comprehensive Plan of approximately $621.8 million was reduced to the proposed Balanced Plan of approximately $490 million through investment prioritization, scope optimization, and adjustments to project timing. Excluding major strategic projects, London Hydro also forecasts an increase in core capital expenditures from $249.4 million during 2022–2026 to $338.7 million during 2027–2031, representing an increase of approximately $89.3 million, or 35.8%.

Question(s):

a) Please identify the principal projects and programs deferred, eliminated, or reduced to achieve the $131.8 million reduction from the Comprehensive Plan to the Balanced Plan, including the associated savings.
b) Please explain how London Hydro assessed the impacts of these reductions on asset condition, reliability, capacity, and system risk, including any supporting quantitative analysis.
c) Please provide a breakdown of the $89.3 million increase in core capital expenditures, distinguishing supply chain and unit cost increases from changes in work quantities, project scope, standards, and asset renewal rates.

d) Please identify whether London Hydro considered spending below the proposed Balanced Plan, including opportunities to defer System Renewal or System Service investments by one to three years. Quantify the potential savings and associated risks.

2-Staff-12
Municipal Transformer Station (MTS-1)
Ref 1: Exhibit 2 / 5.2.2a.4 Regional Planning with Hydro One and IESO / pp. 19–21 (pdf Appendix 2-5 DSP Part 1 pages 35–37)
Ref 2: Exhibit 2 / 5.3.2c.3 Forecasted Load Growth / pp. 147–151 (pdf Appendix 2-5 DSP Part 1 pages 163–167)
Ref 3: Exhibit 2 / 5.4.1.2 Analysis of Capital Expenditure for the Forecast Period / pp. 239–243 (pdf Appendix 2-5 DSP Part 1 pages 255–259)
Ref 4: Exhibit 2 / Appendix A2-1 / MTS-1 Municipal Transformer Station Business Study / Sections 4.4.1 and 7 / pp. 15–16 and 30 (pdf Appendix 2-5 DSP Part 2 pages 20–21 and 35)

Preamble:
London Hydro proposes approximately $77 million for construction of a new municipal transformer station (MTS-1) to accommodate forecast load growth and support economic development. Hydro One's 2024 Needs Assessment identifies capacity requirements at several existing transformer stations, while London Hydro's station-level forecasts identify significant capacity constraints at Buchanan TS. The proposed investment must therefore be evaluated in the context of regional planning, planned Hydro One upgrades, and uncertainty regarding future load growth.

Question(s):
a) Please reconcile London Hydro's transformer station capacity forecasts with Hydro One's regional planning assessments, particularly for Buchanan, Nelson, Clarke, and Talbot stations. Identify material differences in forecast demand and available capacity.
b) Please confirm whether the need, capacity, and location of MTS-1 have been endorsed through the IESO/Hydro One regional planning process. Provide supporting studies or correspondence.
c) Please identify the alternatives evaluated to MTS-1, including Hydro One station upgrades, expansion of existing stations, and load transfers. Provide comparative costs and explain why these alternatives were not selected.
d) Please identify when additional transformation capacity is required under the Low, Reference, and High load scenarios, and whether MTS-1 could be deferred by two to three years.

e) Please reconcile the $55 million MTS-1 Business Study estimate with the $77 million included in the DSP. Identify the principal reasons for the difference, including changes in scope, contingency, escalation, and other costs.
f) Please identify the key project milestones for MTS-1, including when major financial commitments will be made and when construction must commence to meet forecast capacity requirements. Please explain how and when London Hydro will determine whether to proceed with the investment, and what opportunities exist to defer or reconsider the project if forecast load growth does not materialize.

2-Staff-13
System Renewal
Ref 1: Exhibit 2 / 5.3.2b Asset Demographics and Condition / pp. 88–137 (pdf Appendix 2-5 DSP Part 1 pages 104–153)
Ref 2: Exhibit 2 / 5.3.3b Asset Lifecycle Optimization Practice Summary / pp. 168–176 (pdf Appendix 2-5 DSP Part 1 pages 184–192)
Ref 3: Exhibit 2 / 5.4.1.2 Analysis of Capital Expenditure for the Forecast Period / pp. 234–239 (pdf Appendix 2-5 DSP Part 1 pages 250–255)
Ref 4: Exhibit 2 / Appendix A3 / Third Party Assurance Review of ACA and DSP (pdf Appendix 2-5 DSP Part 2 page 136)

Preamble:
London Hydro proposes approximately $183.8 million in System Renewal capital expenditures during 2027–2031, representing a substantial increase over historical spending. The proposed investments are intended to address asset deterioration, maintain system reliability, and mitigate risks associated with aging infrastructure. London Hydro's 2024 Asset Condition Assessment (ACA) and Asset Sustainment Plan provide important inputs to the proposed replacement program.

Question(s):
a) Please isolate and quantify what percentage of the increase in assets categorized as "Poor" or "Very Poor" in the 2024 ACA is strictly attributable to changes in software algorithms, weighting factors, or data scoring rules in ENGIN™ versus actual physical deterioration documented during physical field inspections.
b) For asset classes where Health Index scoring relies 100% on age due to missing condition data (such as switchgear and reclosers), please explain how London Hydro prevents age-based software bias from driving premature capital replacements, in alignment with prior settlement commitments (EB-2021-0041) to prioritize physical condition over age.

c) Please provide a detailed breakdown of the Flag for Action (FFA) renewal targets across major asset categories (e.g., wood poles, pad-mounted transformers, underground cables) for 2027–2031, and explain why a flatter 10-year pacing model was not adopted to reduce immediate rate impacts on ratepayers.
d) Please explain how London Hydro prioritizes System Renewal projects when actual physical field condition reports conflict with the automated ENGIN™ Health Index output.
e) Please provide the scope and findings of the Third Party Assurance Review. Confirm whether the review independently verified the underlying asset condition data, Health Index calculations, and proposed replacement priorities, or was limited to reviewing London Hydro's methodology and documentation.

2-Staff-14
MTS-1 Business Study
Ref 1: Exhibit 2 / Appendix A2-1 / MTS-1 Municipal Transformer Station Business Study / Sections 4.3–4.4.3 / pp. 14–18 (pdf Appendix 2-5 DSP Part 2 pages 19–23)
Ref 2: Exhibit 2 / Appendix A2-1 / MTS-1 Municipal Transformer Station Business Study / Section 5.3 / p. 26 (pdf Appendix 2-5 DSP Part 2 page 31)

Preamble:
London Hydro's MTS-1 Business Study estimates that constructing its own transformer station would avoid approximately $129 million in transformation tariff costs over 25 years, with a present value of approximately $50 million. These estimates assume annual tariff increases of 4.5%. The Business Study also identifies potential bypass compensation obligations under Section 11.2 of the Transmission System Code.

Question(s):
a) Please provide a comparison of the total costs to London Hydro's ratepayers under the Hydro One-owned and London Hydro self-build options, including capital costs, transmission charges, operating costs, and any bypass compensation payable to Hydro One.
b) Please provide the calculations supporting the estimated $129 million in avoided transmission charges, including the assumed load forecast, tariff increases, and discount rate.
c) Please provide the rationale and supporting evidence for the assumed annual transformation tariff increase of 4.5%, including why this rate was selected over lower escalation assumptions. Explain how sensitive the estimated savings and preferred ownership option are to changes in the assumed tariff escalation rate. As part of the response, please provide any sensitivity analysis of the transformation tariff increase that may have been completed by London Hydro.

d) Please estimate the bypass compensation payable to Hydro One if load is transferred from Buchanan TS to MTS-1 and explain whether this cost was included in the comparison of alternatives.

2-Staff-15
ADMS/DERMS Business Case
Ref 1: Exhibit 2 / Appendix A2-2 / ADMS/DERMS Business Case / Cost Benefit Analysis / p. 8 (pdf Appendix 2-5 DSP Part 2 page 110)
Ref 2: Exhibit 2 / Appendix A2-2 / ADMS/DERMS Business Case / Appendix A Benefit Calculation Methodology / pp. A-1–A-2 (pdf Appendix 2-5 DSP Part 2 pages 111–112)

Preamble:
London Hydro's ADMS/DERMS Business Case identifies a benefit-cost ratio of 3.1, based on expected improvements in reliability, operational efficiency, and DER integration. The analysis assumes a 20% improvement in SAIDI from Fault Location, Isolation, and Service Restoration (FLISR) functionality. Customer interruption costs were estimated using the U.S. Interruption Cost Estimate (ICE) Calculator, with Michigan used as a proxy for Ontario.

Question(s):
a) Please provide the calculations supporting the benefit-cost ratio of 3.1, including a breakdown of the estimated benefits and costs.
b) Please explain the basis for the assumed 20% improvement in SAIDI. Identify the expected improvements in SAIDI and SAIFI and explain how these were calculated using London Hydro's system characteristics and historical reliability data.
c) Please explain why Michigan was selected as a proxy for Ontario when estimating customer interruption costs. Identify how sensitive the benefit-cost ratio is to these assumptions.
d) Please recalculate the benefit-cost ratio assuming SAIDI improvements of 10% and 15%, rather than 20%.
e) Please identify which benefits represent direct savings to London Hydro or its customers and which represent broader societal and/or energy system benefits. Provide the benefit-cost ratio excluding societal and energy system benefits.

2-Staff-16
Capitalization Policy - Burden Rates (Materials Management Department & Overhead Labour Burden)
Ref 1: Exhibit 2 /Section 2.8.1 Burden Rates, pp. 62-66
Ref 2: Exhibit 4/ Section 4.2.5.2 Change in Overheads Impact on OM&A Expenses/ pp. 55-58

Preamble:

Per Reference 1, London Hydro revised criteria for costs eligible for capitalization related to Overhead Labour and Materials Management overhead burdens. It provided Table 2-27 to compare the cost allocation rates for 2027 and those approved in the 2022 Cost of Service Application.

Table 2-27 – Cost Allocation Rates 2022 vs 2027

LONDON HYDRO INC. COST ALLOCATION RATES		
Burden Type	2022 Rate	2027 Rate
Labour		
Full-Time	68.0%	68.0%
Part-Time	22.0%	22.0%
Materials Management		
Items >$1k and cable/wire		
Capital	4%	9%
Non-Capital	7%	9%
Items <$1k and non cable/wire		
Capital	5%	14%
Non-Capital	12%	14%
Overhead Labour	n/a	4.0%

Per Reference 2, London Hydro did a review of industry overhead capitalization practices and improved its recognition of overhead labour costs associated with capital works and modified its materials Management burden. London Hydro provided Table 4-15 demonstrating the impact of both these refinements effective January 1, 2024.

Table 4-15: Change in Overheads Impact on OM&A Expenses

OVERHEAD LABOUR AND MATERIALS MANAGEMENT BURDENS IMPACT ON OM&A EXPENDITURES							
Description	2022 OEB Approved	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Bridge	2027 Test Year
	$	$	$	$	$	$	$
Overhead labour	-	-	-	(1,400,000)	(1,441,557)	(1,535,100)	(1,588,800)
Materials Management	-	-	-	(457,792)	(472,650)	(487,475)	(503,876)
	-	-	-	(1,857,792)	(1,914,207)	(2,022,575)	(2,092,676)

For Materials Management overhead burden, London Hydro stated that, up until December 31, 2023, only labour costs that were considered directly associated with capital projects were included in burden rates and all other costs were expensed as OM&A. Effective January 1, 2024, London Hydro reverted to allocating all costs of the Materials Management department, excluding the cost of inventory obsolescence. London Hydro stated that this modification was made since costs in the Materials Management department are clearly incremental and necessary for the construction of infrastructure assets.

For overhead labour burden, historically, direct hours spent on a specific capital project were tracked through time entry and were capitalized. Effective January 1, 2024, London Hydro revised its practice to also capitalize the labour costs which represent time spent on capital that is incremental but non-project specific; yet necessary to support and/or provide oversight for capital works through an overhead burden rate.

Question(s):

a) Please provide the report related to this review, if there is any. If there is no report, please explain the process and methodology used in developing these revised allocation rates.

b) Please explain whether London Hydro has consulted its external auditor for its allocation methodology and resulted accounting treatments as part of the audit process of its 2025 Audited Financial Statements.

c) Per Table 2-27 in reference 1, please clarify whether the increase of the burden rates which were approved in London Hydro's 2022 cost of service application from January 1, 2024, for both Materials Management Department & Overhead Labour Burden has been approved by the OEB in its previous IRM application. If yes, please provide EB number of that application.

d) Please fill in the following table to demonstrate the impacts of the asset cost and depreciation expenses resulted from this burden rates increase for the period from January 1, 2024, to December 31, 2027.

   i. Please provide an Excel worksheet with the formulas intact to show all calculations of the amounts presented in the following table.

   ii. Please provide a breakdown of all the USoA account numbers and name of the assets of which the costs were impacted due to the change of the burden rates in i) above.

   iii. Please reconcile the result in this table (increased asset costs) to Table 4-15 in reference 2 (decreased capitalized OM&A).

	Asset Cost		**Accumulated Depreciation**		**Depreciation Expenses**	
	Increase Burden rates	**NOT increase burden rates**	**Increase Burden rates**	**NOT increase burden rates**	**Increase Burden rates**	**NOT increase burden rates**
2024						
2025						
2026						
2027						

e) Please populate the following table assuming changes of the capitalization policy (burden rate) effective from test year 2027 rather than from 2024.

i. Please provide an Excel worksheet with the formulas intact to show the calculation of the amounts presented in the following table.
ii. Please quantify the revenue requirement impact and rate base impact (change on the opening balance of fixed assets) using the following table.
    - Please **fill all the cells** in the following table.
    - Please **follow the format** of the following table and provide comparison for both scenarios (i.e., applying changes from 2024, applying changes from 2027).

	Revenue Requirement		Rate Base		OM&A	
	Increase Burden rates from 2024	**Increase Burden rates from 2027**	**Increase Burden rates from 2024**	**Increase Burden rates from 2027**	**Increase Burden rates from 2024**	**Increase Burden rates from 2027**
2027						
2028						
2029						
2030						
2031						

f) Per the results above, please provide a view of the overall impacts that the increase in both burden rates (i.e., higher capital costs) resulted in a corresponding increase to assets cost, depreciation expenses, revenue requirement and rate base.

2-Staff-17
Project Prioritization Framework
Ref 1: Exhibit 2 / Appendix 2-5 DSP Part 3 / Appendix B Asset Management Plan / Section 2 Asset Management Principles / pp. 2–4 (pdf Appendix 2-5 DSP Part 3 pages 8–10)
Ref 2: Exhibit 2 / Appendix 2-5 DSP Part 3 / Appendix B Asset Management Plan / Section 2 Investment Prioritization and Capital Planning / p. 5 (pdf Appendix 2-5 DSP Part 3 page 11)
Ref 3: Exhibit 2 / Appendix 2-5 DSP Part 3 / Appendix B Asset Management Plan / Section 4 Budget, Forecast and Project Listing (pdf Appendix 2-5 DSP Part 3 page 30)

Preamble:
London Hydro uses a project prioritization framework that considers safety, reliability, asset renewal, capacity, and efficiency when selecting capital investments. The proposed capital plan includes projects with differing objectives, costs, and expected benefits.

Question(s):

a) Please provide the project prioritization scores and rankings for the capital projects deployed or proposed for 2026 and 2027, including the criteria and weightings used to evaluate each project.
b) Please explain how London Hydro determines which projects are included in the proposed capital plan and identify any projects that were approved despite receiving scores below the normal prioritization threshold. For any projects that were approved despite receiving scores below the threshold, please discuss why they were approved.
c) Please explain how the prioritization process considers opportunities to defer or reduce expenditures where the expected reliability, capacity, or asset condition benefits are limited.

2-Staff-18
Conversion of Legacy Distribution System
Ref 1: Exhibit 2 / Appendix 2-5 DSP Part 3 / Appendix B Asset Management Plan / Section 6 Engineering Reports / 4.16 kV Conversion Progress Report (2025 Update) / Sections 2–3 / pp. 9–13 (pdf Appendix 2-5 DSP Part 3 pages 96–100)
Ref 2: Exhibit 2 / Appendix 2-5 DSP Part 3 / Appendix B Asset Management Plan / Section 6 Engineering Reports / 4.16 kV Conversion Progress Report (2025 Update) / Sections 5–6 / pp. 19–23 (pdf Appendix 2-5 DSP Part 3 pages 106–110)

Preamble:
London Hydro noted that it is continuing its program to convert the legacy 4.16 kV distribution system to 27.6 kV. The program includes conversion of Zone D, which is approximately 39% complete, and Zone G, where the remaining work is estimated to cost approximately $12.6 million and includes conversion of rear-lot overhead distribution facilities to front-lot underground facilities.

Question(s):

a) Please provide the actual expenditures to date and remaining forecast costs for completing the Zone D and Zone G conversions, including the expected completion dates.
b) Please provide the cost comparison and justification for converting the Zone G rear-lot overhead facilities to front-lot underground construction, rather than retaining and upgrading the existing overhead facilities.
c) Please identify the substations expected to be decommissioned as a result of the 4.16 kV conversion program during 2026 and 2027, including any remaining undepreciated asset values.

2-Staff-19
Underground Subdivision Rebuilds
Ref 1: Exhibit 2 / Appendix 2-5 DSP Part 3 / Appendix B Asset Management Plan / Section 3 Overview of the Asset Management Plan / Subdivision Rebuilds (pdf Appendix 2-5 DSP Part 3 pages 17–18)
Ref 2: Exhibit 2 / Appendix 2-5 DSP Part 3 / Appendix B Asset Management Plan / Section 4 Budget, Forecast and Project Listing (pdf Appendix 2-5 DSP Part 3 page 30)

Preamble:
London Hydro proposes approximately $21.2 million in 2027 for underground subdivision rebuilds, primarily involving replacement of aging XLPE cables. London Hydro also maintains separate capital budgets for primary and secondary cable replacements and related underground infrastructure.

Question(s):
a) Please explain how London Hydro distinguishes between the work included in the underground subdivision rebuild program and the separate cable replacement programs, including how overlapping expenditures are avoided.
b) Please provide the historical failure rates and condition assessment results supporting the proposed 2027 subdivision rebuild program, and explain how the targeted areas were prioritized.
c) Please quantify the expected reliability improvements associated with the proposed $21.2 million expenditure, including anticipated reductions in cable failures and customer interruptions.

2-Staff-20
Grid Resiliency Report
Ref 1: Exhibit 2 / Appendix 2-5 DSP Part 5 / Appendix G Grid Resiliency Report / Executive Summary / p. iv (pdf Appendix 2-5 DSP Part 5 page 5)
Ref 2: Exhibit 2 / Appendix 2-5 DSP Part 5 / Appendix G Grid Resiliency Report / Section 6 Storm Days' Reliability Impact / pp. 6–7 (pdf Appendix 2-5 DSP Part 5 pages 11–12)
Ref 3: Exhibit 2 / Appendix 2-5 DSP Part 5 / Appendix G Grid Resiliency Report / Section 9 Tactics to Improve Grid Resiliency / pp. 13–18 (pdf Appendix 2-5 DSP Part 5 pages 18–23)

Preamble:
London Hydro indicates that weather-related outages accounted for approximately 40% of annual SAIDI between 2017 and 2023. The Grid Resiliency Report also indicates that

outages were concentrated during a relatively small number of severe storm events, with 63% of recorded storm days resulting in no weather-related customer outages.

Question(s):

a) Please provide London Hydro's annual SAIDI and SAIFI results for 2017–2025, both including and excluding Major Event Days, to distinguish normal operating reliability from severe storm impacts.
b) Please explain how London Hydro evaluated the cost-effectiveness of its proposed storm hardening investments compared with more targeted measures, including vegetation management, improvements to emergency restoration capabilities, and reinforcement of historically vulnerable circuits.
c) Please quantify the expected reliability benefits of the proposed storm hardening investments, including the anticipated reduction in weather-related customer interruptions and outage durations.

2-Staff-21
Distribution Resiliency - Insulated Conductors
Ref 1: Exhibit 2 / Appendix 2-5 DSP Part 5 / Appendix G Grid Resiliency Report / Section 1 Conclusion and Recommended Next Steps / p. 1 (pdf Appendix 2-5 DSP Part 5 page 6)
Ref 2: Exhibit 2 / Appendix 2-5 DSP Part 5 / Appendix G Grid Resiliency Report / Sections 9.1–9.2 Vegetation Management and Insulated Conductor / p. 13 (pdf Appendix 2-5 DSP Part 5 page 18)
Ref 3: Exhibit 2 / Appendix 2-5 DSP Part 5 / Appendix G Grid Resiliency Report / Figure 12 Insulated Conductor Installation and Overlap with July 20, 2023 Outages / p. 14 (pdf Appendix 2-5 DSP Part 5 page 19)

Preamble:
London Hydro identifies strategic installation of insulated conductors as a measure to improve distribution system resiliency and reduce tree-related outages. The Grid Resiliency Report also acknowledges that insulated conductors may increase mechanical loading on poles during severe storms and may not prevent outages caused by falling trees or large branches.

Question(s):

a) Please provide the cost-benefit analysis supporting the proposed use of insulated conductors, including a comparison with enhanced vegetation management and other lower-cost alternatives.

b) Please explain how London Hydro assessed the additional mechanical loading on poles associated with insulated conductor installations and identify any related pole reinforcement or replacement costs included in the proposed capital budget.
c) Please quantify the expected reduction in tree-related outages and associated reliability benefits from the proposed insulated conductor investments.

2-Staff-22
Alignment with OEB Non-Wire Solutions Policy
Ref 1: Exhibit 2 / Appendix 2-5 / Distribution System Plan / Section 5.3.1
Ref 2: Exhibit 2 / Appendix 2-5 / Distribution System Plan / Section 5.3.5

Preamble:
Per the OEB's Non-Wires Solutions Guidelines for Electricity Distributors (NWS Guidelines) and Benefit-Cost Analysis Framework for Addressing Electricity System Needs (BCA Framework), electricity distributors are to incorporate consideration of non-wires solutions (NWS) into their planning processes and assess whether NWS may be a viable alternative to traditional infrastructure investments. London Hydro indicated that it has incorporated consideration of NWS into its system planning process.

Question(s):
a) Please indicate which step(s) of London Hydro's planning process are intended to allow for consideration and/or assessment of NWS.
b) Does London Hydro have any specific internal process and/or documentation intended to ensure compliance with the OEB's NWS Guidelines and BCA Framework, in addition to its general system planning process?

2-Staff-23
Non-Wires Solution Programs and Pilots
Ref 1: Exhibit 2 / Appendix 2-5 / Distribution System Plan / Section 5.3.5

Preamble:
London Hydro indicated that it has undertaken a project to install two battery energy storage systems on feeders supplied from the Wonderland Transformer Station (Project 1) and a proof-of-concept project to implement a 1 MVA battery energy storage system microgrid within a residential subdivision (Project 2).

Question(s):
a) Was ratepayer funding sought and approved by the OEB for Project 1 and/or Project 2?
b) For both Project 1 and Project 2, please provide the following:
    - A detailed summary of the status and timeline of the projects;

- A detailed summary of the objectives and expected value of the projects;
- Any evaluation, measurement & verification reports related to the projects;
- Any lessons learned during the planning and execution phases of the projects; and
- Any benefit-cost analysis and/or economic viability assessments related to the projects

c) Please provide any available information related to the cost of the battery electric storage systems that are/will be deployed for both Project 1 and Project 2.

2-Staff-24
Non-Wires Solution Enabling Investments
Ref 1: Exhibit 2 / Appendix 2-5 / Distribution System Plan / Section 5.3.5

Preamble:
London Hydro stated that although the system needs identified during the 2027-2031 planning period continue to require conventional infrastructure options, it expects non-wires solutions (NWS) to become an increasingly important complement to traditional distribution investments where they can provide cost-effective, reliable, and sustainable benefits for customers.

Question(s):
a) Is London Hydro proposing any distribution system-wide investments (intended for broad NWS control, monitoring, connection, etc.) that will enable greater deployment of distributed energy resources and/or NWS post-2031? If so, please identify those proposed projects, their costs, as well as a summary of the benefits expected from each.
b) Do any of London Hydro's feeders and/or substations have such a high penetration rate of connected customer-owned distributed energy resources that further distributed energy resource connections are not technically feasible?
c) Is London Hydro proposing any discrete investments to address any specific, existing technical barriers to distributed energy resource connections and/or to facilitate the connection of customer-owned distributed energy resources specifically? If so, please identify those proposed projects, their costs, as well as a summary of the benefits expected from each.
d) From a distribution system-wide perspective, please discuss the costs and benefits that may accrue to all ratepayers from increased connections of customer-owned distributed energy resources to London Hydro's distribution system.

2-Staff-25
Electricity Demand Side Management Adjustment to Load Forecast
Ref 1: Exhibit 2 / Appendix 2-5 / Distribution System Plan / Section 5.3.1

Preamble:
London Hydro indicated that it used the Independent Electricity System Operator's (IESO's) 2025-2027 Electricity Demand Side Management (eDSM) Program Plan as an input to determine London Hydro's share of planned conservation savings

London Hydro indicated that its load forecast methodology accounts for loss of persistence from previous conservation programs by adding historical cumulative conservation for the purpose of forecasting monthly rate class consumption and then removing an amount of cumulative conservation that is lower.

Question(s):
a) Please file a copy of the 2025-2027 IESO's eDSM Program Plan used by London Hydro.
b) Please discuss how London Hydro derived its share of planned conservation savings for the period between 2028 and the end of the proposed rate term, inclusive.
c) Please explain how eDSM persisting savings post-2027 are incorporated into the load forecast.
d) Please identify how London Hydro determines the lower amount that was removed from the monthly rate class consumption forecast to account for the loss of persistence from previous conservation programs. As part of the response, please include and/or identify any relevant supporting references
e) Has London Hydro incorporated the effects of loss of persistence related to both consumption and demand? If not, please explain.

3-Staff-26
Customer Forecast

Question(s):
a) Please provide details on residential subdivision connections added in each historic year from 2022 to 2025, as well as subdivision connections deployed or planned for 2026 and 2027.

3-Staff-27
Load Forecast
Ref 1: Exhibit 3/Appendix 3-1/ pp. 19-20

Preamble:
The GS 1000-4,999 kW Co-Gen regression model has an Adjusted R-squared of 0.746. Based on Figure 8 on page 19, it appears that 2021 and 2024 were anomalous years without the prominent summer peaks seen in other years, while the regression model predicts 2023 to be materially lower than it actually was. This is also exhibited in the absolute error for 2021 and 2023 in Table 16 on page 20. Power Advisory states that variables for economic activity and COVID-19 were tested but not found to be statistically significant.

Question(s):

a) Is London Hydro aware of any reasons why the load would be materially different in 2021, 2023 or 2024?
b) Are there any impacts that would indicate that some of the historic years would not be indicative of load expected in 2027?

3-Staff-28
Demand Forecast
Ref 1: Exhibit 3/ Appendix 3-1/ p. 21
Ref 2: Load Forecast Model, kW Forecast

Preamble:
A second customer joined the Large Use rate class in 2022, with the full load reflected in 2023. Since 2023, the ratio of kW to kWh has been higher than the nine-year average of 0.001908 in every year.

Question(s):

a) Why was a nine-year average selected when the customer mix materially changed starting in 2023?
b) As a scenario, please use the three historic years of 2023-2025 to establish the ratio of energy use to demand, and provide the resulting demand forecast for 2027.

4-Staff-29
Workforce and FTEs
Ref 1: Chapter 2/ Appendix 2-K Employee Costs
Ref 2: Exhibit 4/ Section 4.3/ p. 108
Ref 3: Exhibit 4/ Section 4.3/ p. 86
Ref 4: Exhibit 4/ Section 4.3/ pp. 77-82

Question(s):

a) In Appendix 2-K, London Hydro forecasts 350 and 340 FTEs in 2026 and 2027, respectively.
   i. Please confirm whether London Hydro's FTE forecast for 2026 and 2027 remains unchanged.
   ii. In Reference 2, Chart 4-24, the total FTEs, including those being actively recruited is 332 FTE. Appendix 2-K shows 350 FTEs. Please reconcile the difference.
   iii. OEB staff notes that Management FTEs increased by 17 FTEs in 2026 and an additional increase of 2 FTEs in 2027 in Appendix 2-K. In Table 4-17 of Reference 3, the total front-line leadership and senior management positions increases by 1 in 2026 and 1 in 2027. Please explain the factors that contributed to the increase in Appendix-K and reconcile the difference.

b) OEB staff notes in Reference 4 that of the net 20 FTE additions between 2022 and 2027, 7 are front-line leadership and 4 are senior management positions, while 8 net FTEs were added in the Designated & Technical Professional roles and none in Certified & Skilled Trades, as the staffing complement is sufficient to meet its operational demands.[1] Please explain how the FTE additions support London Hydro's capital program and planned capital investments.

4-Staff-30
Vacancy
Ref 1: Exhibit 4/ Section 4.3/ p. 107
Ref 2: Exhibit 4/ Section 4.3/ p. 108
Ref 3: Exhibit 1/ Section 1.2.1/ p. 16

Question(s):

a) Please provide London Hydro's actual and projected vacancy rate from 2022-2026.
b) In Reference 1, London Hydro states that it budgeted for a 3.3 FTE in 2026 ($4250k) and a 5.7 FTE in 2027 ($600,000) vacancy allowance to reduce OM&A to account for short-term vacancies. Please confirm if these has been in included in the proposed FTE count in Appendix 2-K.
c) In Reference 2, London Hydro states that 12 positions are in active recruitment. Please provide an update on the hiring of these positions.
d) In Reference 3, London Hydro states that it adopts a risk-based assessment approach to evaluate vacancies and new positions. Please describe how London Hydro evaluates the need for FTEs.

[1] In addition to the net new FTE additions, London Hydro is proposing 1 new Customer Experience role.

4-Staff-31
Compensation
Ref 1: Chapter 2/ Appendix 2-K Employee Costs

Question(s):

a) OEB staff notes that total management compensation increased by 89.4% between 2022 and 2027, while total compensation for non-management union increased by 16.2% over the same period.
    i. Please explain the compensation structure for management positions.
b) Please confirm whether the proposed 2027 budget includes forecasted total compensation for unionized employees.

4-Staff-32
Asset Management Program
Ref 1: Chapter 2/ Appendix 2- JC OMA Programs
Ref 2: Exhibit 4/ Section 4.4.2/ pp. 136-153

Question(s):

a) OEB staff notes that the 2026 forecast increased by $744k compared to 2025 with labour and benefits accounting for $573k of the variance. Please confirm how many FTEs are added in 2026 and any other factors that contributed to the increase.

4-Staff-33
Operations and Maintenance Program
Ref 1: Chapter 2/ Appendix 2- JC OMA Programs
Ref: : Exhibit 4/ Section 4.4.3/ pp. 177-178

Question(s):

a) In 2025, London Hydro's expense increased by $1.7M compared to the previous year. Labour and benefits accounted for $951k of the variance, and London Hydro stated that allocations to capital projects and unplanned operational events affected labour allocations, given the 2025 weather-related service interruptions. Please provide a breakdown of the $951k increase.
b) London Hydro's 2026 expense is forecasted to increase by $867k, primarily driven by the $550k increase in labour and benefits. Please explain further the labour drivers of this increase in 2026.

4-Staff-34
Vegetation Management
Ref 1: Chapter 2/ Appendix 2- JC OMA Programs
Ref 2: Exhibit 4/ Section 4.4.3/ pp. 182-187

Question(s):

a) London Hydro states that it follows a hybrid risk-based approach to tree trimming, with a 3–4-year trimming cycle performed by both internal resources and external contractors.
    i. Please explain further London Hydro's hybrid risk-based approach in prioritizing tree trimming activities.
    ii. Please explain how London Hydro determines whether activities are assigned to internal or external resources.
b) Please provide the vegetation-caused SAIFI, SAIDI and outage-event results for 2022 through 2025.

4-Staff-35
Information Technology Program
Ref 1: Chapter 2/ Appendix 2- JC OMA Programs
Ref 2: Exhibit 4/ Section 4.4.4/ p. 200

Question(s):

a) London Hydro states in Reference 2 that training and development costs have increased as it builds in-house expertise across technology and project management. Does London Hydro expect to reduce its reliance on external contractors in the future and realize cost savings?
b) Please explain the increases of $794k in 2024 and $1.3M in 2025 that are related to labour and benefits.

4-Staff-36
Customer Service and Collections
Ref 1: Exhibit 4/ Section 4.4.5/ pp. 217-223

Question(s):

a) Please provide the breakdown of the number of internal and third-party contact service agents from 2022-2026.
b) Please confirm the amount that London Hydro incorporated into the 2027 budget for the third-party contractor that performs disconnection and connection services.

c) Please provide in terms of dollars and percentages the improvement in collection performance as a result of hiring third-party services.
d) Please explain how London Hydro forecasts its bad debt expense for 2026 and 2027.
e) Please provide the calculation of the updated reconnection fee that London Hydro is seeking approval for in this application.

4-Staff-37
Locates
Ref 1: Chapter 2 Appendices/ Appendix 2- JC OMA Programs
Ref 2: Exhibit 4/ Section 4.4.10/ pp. 280-283

Question(s):

a) Please provide the number of locate requests annually from 2022-2026, if available.
b) London Hydro states that in 2024, it engaged a third-party locate screening service that performs an initial review of locate requests, resulting in an annual cost savings of $400k. Please confirm whether this savings have been incorporated in the OM&A budget and forecast.
c) Please explain the reason for the increase in locate costs for 2026 and 2027, after the decrease in 2024 and 2025.

4-Staff-38
Cloud Services
Ref 1: Chapter 2 Appendices/ Appendix 2- JC OMA Programs
Ref 2: Exhibit 4/ Section 4.5/ pp. 295-301

Question(s):

a) London Hydro states that it has increased the use of multiple cloud-based services to support and improve operations, compliance, cybersecurity and service deliveries. Table 4-47 in Reference 2 provides the breakdown. Has London Hydro identified any savings or efficiencies with the increased utilization of cloud computing services?
b) Given the expenses related to cloud services, has London Hydro explored negotiations with other vendors to get more favourable rates?
c) London Hydro states that it has paused the CIS Refresh Project. Please confirm the amount related to the CIS Refresh Project that is included in the Customer Information System row in Table 4-47 in Reference 2.

4-Staff-39
Shared Services and Corporate Allocations
Ref 1: Chapter 2 Appendices/ 2-N Corp Cost Allocation
Ref 2: Exhibit 4/Section 4.6.1/ pp. 303-305
Ref 3: Chapter 2 Appendices/ 2-H Other Revenue

Question(s):

a) Please provide an update regarding the establishment of London Hydro Holdings Inc. (LLHI).
b) London Hydro states that it collected $1.5M in late payment charges in 2025 and forecasted $1.5M and $1.6M in 2026 and 2027 in Other Revenues. Please confirm if these amounts are included in Account 4225.
c) In Reference 2, London Hydro states that based on the report that the City of London staff submitted to the Infrastructure and Corporate Services Committee, it recommended a contract value of $4.5M annually with no escalation.
    i. Please provide the reason why no escalation was recommended.
    ii. OEB staff notes in Reference 1 that the cost of service in providing water billing services increased annually. Please provide London Hydro's cost assumptions for 2026 and 2027.
d) London Hydro states that a Management Services Agreement will be established between London Hydro and LLHI for the sharing of corporate services. Please confirm whether London Hydro conducted a study related cost allocation methodology for its corporate services and shared services.

4-Staff-40
OPEB
Ref 1: Exhibit 4, Section 4.3.5, Table 4-20, p. 120
Ref 2: Exhibit 4, Attachment 4-4 Post Retirement Benefits Actuarial Valuation, December 2025, Appendix A & B, pp. 6-10

Preamble:
OEB staff has compiled the following table showing the variance of OPEB between reference 1 and 2:

	2024	2025	2026	2027
Retiree benefits – Ref 1	1,011,133	956,579	1,050,800	1,082,300
Employee future benefits costs – Ref 1	(275,300)	(443,800)	(250,000)	(180,000)
OPEB (a) – Ref 1	735,833	512,779	800,800	902,300
Defined benefit cost included in P&L – Ref 2 (b)	725,400	509,900	526,700	N/A

Variance (a-b)	**10,433**	**2,879**	**274,100**	**N/A**

Question(s):

a) Please confirm the accuracy of the table.
b) Please explain the nature of "Retiree benefits".
    i. Please explain how "Retiree benefits" and "Employee future benefits costs" were determined.
c) Please explain the variance in 2026.
d) Please explain how the 2027 test year OPEB amount of $902,300 was determined.

5-Staff-41
Cost of Capital Parameters
Ref 1: EB-2026-0253, 2027 Cost of Capital Parameters, October 29, 2026
Ref 2: Chapter 2 Appendices, 2-OA Capital Structure
Ref 3: Exhibit 5 / 5.4/ p. 6

Question(s):

a) On October 29, 2026, the OEB issued the 2027 Cost of Capital Parameters to be used for 2027 rate applications. Please update Appendix 2-OA and all the other models, including the RRWF, that are affected by this update.

5-Staff-42
Return on Equity

Question(s):

a) Please provide London Hydro's forecasted ROE for 2026.

5-Staff-43
Notional Debt
Ref 1: Chapter 2 Appendices, 2-OA Capital Structure
Ref 2: Exhibit 5 / 5.4/ p. 10

Question(s):

a) Please complete Appendix 2-OA to reflect the Notional Debt.

5-Staff-44
Long-Term Debt
Ref. 1: Chapter 2 Appendices, 2-OB Debt Instruments
Ref. 2: Exhibit 5 / 5.4/ p. 7

Question(s):

a) London Hydro states that stamping fees as part of its swap agreements with TD Bank will be renewed in 2028. Does London Hydro have an indicative rate for the stamping fees?
b) London Hydro forecasted a debt rate of 3.85% for its committed line of credit with TD Bank for 2026 and 2027 in Reference 1. OEB staff notes in Reference 2 that the rate is determined using the Bank Prime less 0.6%. Please outline London Hydro's assumptions regarding the Bank Prime rate for 2026 and 2027, and the associated impacts on the forecasted debt rate.

6-Staff-45
Late Payment Charges
Ref. 1: Revenue Requirement Workform/ Tab 3/ Data Input Sheet

Question(s):

a) OEB staff observes that London Hydro made a $611k adjustment for controllable expense (cell E19).
    i. Please explain the $611k adjustment.
    ii. Please confirm whether London Hydro's proposed 2027 controllable expense is $68.8M.
    iii. If changes are required, please provide an updated RRWF reflecting the revised amounts.

6-Staff-46
Account 4255 - Late Payment Charges
Ref. 1: Chapter 2 Appendices/ 2-H Other Revenue
Ref. 2: Exhibit 6/ 6.3/ p. 32

Question(s):

a) Please confirm if late payment revenues from London Hydro's water billing services were recorded in Account 4225.
    i. If yes, please provide a breakdown of the late payment charges between revenues from water services and revenues from distribution operations.
b) Please explain the basis for the forecasted late payment charges for 2026 and 2027.

6-Staff-47
Miscellaneous Non-Operating Income – Green Button Services
Ref. 1: Chapter 2 Appendices, 2H – Other Revenue

Ref. 2: Exhibit 6/ 6.3/ pp. 35-26
Ref. 3: Exhibit 1/ 1.4.10/ p. 86

Question(s):

a) OEB staff notes that the Green Button Services net margin in Reference 3, Table 1-16 is reflected in the Other Revenue as part of the Miscellaneous Non-Operating Income – Green Button Services in Reference 2, Table 6-25. Please explain the factors contributing to the fluctuations in net margin relative to the cost and charges in Reference 1, Table 1-16.
b) London Hydro states in Reference 3 that the variance from 2026 represents the removal of clients from which London Hydro required Section 71(4) exemption effective January 1, 2027. Please provide the number of customers (not part of London Hydro's customers) served or expected to be served for each year from 2022-2027.

6-Staff-48
Other Revenues – Accounts 4375 and 4380
Ref. 1: Chapter 2 Filing Requirement/ Section 2.6.3/ December 16, 2025
Ref. 2: Chapter 2 Appendices, 2H – Other Revenue
Ref. 3: Chapter 2 Appendices, 2N – Corp Cost Allocation

Question(s):

a) Chapter 2 of the Filing Requirements states that the revenue from affiliate transactions must be recorded in Account 4375 and expenses from affiliate transactions should be recorded in Account 4380.
    i. OEB staff observes no amounts are recorded in Accounts 4375 and 4380 in Reference 2. Please confirm whether London Hydro has any affiliate revenues or expenses.
    ii. If yes, please confirm whether London Hydro has properly recorded the revenue and expenses based on this guideline.
b) Chapter 2 of the Filing Requirements states that balances recorded in Accounts 4375 and 4380 must reconcile to the balances in Appendix 2-N. Any differences must be reconciled. Please explain and reconcile the discrepancy.

6-Staff-49
Account 4305 – Regulatory Debits
Ref. 1: Exhibit 6/ 6.3/ p. 34
Ref. 2: Chapter 2 Appendices, 2H – Other Revenue

Question(s):

a) Please explain the negative values recorded in Account 4305.
b) Please explain why no expense is recorded for 2022.

6-Staff-50
PILs
Ref 1: Exhibit 6/ Section 6.2.1/Table 6-10/ p. 17

Preamble:
In Reference 1, OEB staff has complied the table showing the PILs and taxable income from the 2022 OEB Approved amount through to amounts proposed for 2027 Test Year.

	2022 OEB approved	2022 actual	2023 actual	2024 actual	2025 actual	2026 bridge	2027 test
Taxable income	3,386,623	2,283,992	5,791,258	10,267,996	3,494,935	(3,868,219)	4,328,275
PILs	395,260	146,320	915,572	2,397,047	337,108	(2,359,698)	595,501

London Hydro stated that the projected taxable loss for the 2026 Bridge Year will be carried back to the 2023 taxation year to recover taxes previously paid.

Per the table above, OEB staff notes there was significant fluctuations of taxable income and PILs from 2022 actual to 2027 test year.

Question(s):
a) Please provide rationale of why London Hydro decided to carry back the projected taxable loss for the 2026 Bridge year to the 2023 taxation year.
    i. Please explain why this taxable loss is not applied to 2027 Test Year's taxable income.
b) Please explain the fluctuations of taxable income and PILs from 2022 actual to the 2027 test year as observed by OEB staff.
    i. Please explain the driver that resulted in these fluctuations?
    ii. Please explain why there was a significant increase for 2024 amounts compared to the rest of the years?
    iii. Please explain why 2026 amounts dramatically decreased from the previous years?
    iv. Please clarify whether the fluctuations of taxable income will be persistent in this rate term, resulting in any projected loss from 2027 onwards?
    v. If yes, please provide thoughts of including this impact into the 2027 PILs.
    vi. If not, please explain why.
c) Given the volatility in historical tax expenses, please comment as to why the proposed 2027 test-year amount should be viewed as more representative and

that the proposed 2027 test-year tax expense is not overstated relative to expected tax obligations?

6-Staff-51
Tax Credits
Ref 1: Exhibit 6/Section 6.2.1/ p.22
Ref 2: Ontario Program - Clean Energy Credit (CEC)

Preamble:
In Reference 1, London Hydro stated that the 2026 and 2027 Scientific Research and Experimental Development (SR&ED) budget, which is $683,300 each year is based on the **seven-year** average of actual amounts for 2019 to 2025. It also stated that expenditures such as labour and contractor services used in the calculation of the SR&ED claim has been forecasted at $1,430,000 for both the 2026 Bridge Year and the 2027 proposed Test Year based on actual amounts deducted for the **four years** from 2022 to 2025.

In Reference 2, in response to government policy, the IESO launched a provincial clean energy credit (CEC) registry to provide Ontario businesses with a new tool to meet their corporate environmental and sustainability goals.

Question(s):
a) Per Table 6-15 in reference 1, please explain why London Hydro calculated the SR&ED budget (i.e. average SR&ED investment tax credit) based on a seven-year average (2019~2025) while the expenditures used for the SR&ED claim was based on a four-year record (2022~2025).
   i. Please calculate the amount of SR&ED budget based on a four-year average (2022~2025).
   ii. What will be the updated PILs amount for the 2027 test year if the SR&ED budget is calculated based on four-year average (2022~2025).
b) Please confirm whether London hydro is entitled to any CEC tax credits. If so, please provide evidence and update the applicable model/schedule to include CEC tax credits. If not, please explain.
c) Please confirm London Hydro has taken maximum SR&ED tax credits to offset the revenue requirement in this application. If not, please explain.

6-Staff-52
CCA deduction
Ref 1: Exhibit 6/ Section 6.2.1/ p.18 & 23
Ref 2: LHI_2027_Income Tax PILs Workform_20260828, Tab B8Sch8, T8Sch8

Ref 3: Decision and Order_EB-2021-0041_20220224, Schedule B, Section 2.1.3, p.26

Preamble:
Per Reference 1, London Hydro has claimed the maximum CCA deduction available for the proposed 2027 Test Year.

Per Reference 2, OEB staff notes London Hydro applied full Re-accelerated Investment Incentive (RII) for the 2026 bridge year and the 2027 test year.

Per Reference 3, in London Hydro's 2022 rebasing application, the Parties agree that forecast PILs has been accurately calculated, including the recognition of accelerated CCA in the Test Year.

Question(s):

a) Please confirm that the full Accelerated Investment Incentive (AII) has been applied in London Hydro's actual tax filings for 2022 and 2023, the full RII has been applied for actual 2025 tax filing and will also be applied for the tax filings for 2026 bridge year and 2027 test year.
b) Please confirm that full RII will be claimed in London Hydro's actual tax filings for the period from 2027 to 2029 and phase-out of RII will be claimed in its tax filings from 2030 to 2031.
c) Please confirm that the phase-out AII has been claimed in 2024. If this is not the case, please explain.

6-Staff-53
Account 1592 Sub-account CCA changes & CCA continuity
Ref 1: Exhibit 6/Section 6.2.1/ p.18~19
Ref 2: LHI_2027_Income Tax PILs Workform_20260828, Tab B8Sch8, T8Sch8
Ref 3: LHI_2027_CCA Continuity Schedule_20260828
Ref 4: London Hydro EB-2021-0041 2022 Test year PILs Settlement_20220201, H8Sch8
Ref 5: LHI 2027 Chapter2 Appendices_20260828, 2BA
Ref 6: LHI 2027 DVA Continuity Schedule CoS 1.0_20261021, Tab 2b

Preamble:
Per References 3 & 5, OEB staff compiled the table (A) below showing the variance of capital addition and disposal between these two references.

	Ref 3 (Row "Rate Base CCA", column E&H) - a	Ref 5 (Row "Total PP&E for Rate Base", Column E, F, L) - b	Variance (a-b)
2022 Additions	38,219,430	38,175,039	44,391
2022 Disposals*	783,898	245,343	538,555
2023 Additions	33,854,383	33,796,165	58,218
2023 Disposals*	942,401	212,333	730,068
2024 Additions	41,124,459	41,079,359	45,100
2024 Disposals*	653,515	48,767	604,748
2025 Additions	41,625,534	46,214,490	(4,588,956)
2025 Disposals*	508,530	317,014	191,516
2026 Additions	51,362,100	51,362,100	0
2026 Disposals*	636,200	71,436	564,764
2027 Additions	61,632,900	61,632,900	0
2027 Disposals*	651,600	2,000	649,600

*Disposals in ref 5 is the net amount of column F & L

Per References 3 & 4, OEB staff compiled the Table (B) below showing the variance between historical 2020 ending UCC balance in reference 4 and actual 2021 opening UCC balance in reference 3.

Class	UCC Prior year ending balance – Ref 3	UCC Regulated Historical year - Ref 4	Variance (a-b)
1	68,664,071	68,622,497	41,574
2	20,670,297	20,670,297	0
8	5,847,544	6,772,667	(925,123)
10	2,469,505	2,675,586	(206,081)
14	6,812,517	6,812,517	0
17	476,308	0	476,308
38	206,081	0	206,081
47	163,298,368	161,898,926	1,399,442
50	165,872	165,872	0

Per References 3 & 6, OEB staff compiled the Table (C) below showing the variance of the amount recorded in Account 1592 Sub-account CCA changes between these two references.

Class	Grossed up – Ref 3	Row 90 - Ref 6	Variance (a-b)
2021	761,840	758,285	3,555
2025	46,835	50,391	(3,556)

2026	7,065	0	7,065

In Reference 1, London Hydro stated that the 2022 cost of service application filed in August 2021 did not include the $1.5M immediate expense since the new incentive was not enacted until June 2022.

In Reference 4, London Hydro applied full AII in its 2022 test year PILs based on T8Sch8.

Question(s):

a) Please confirm the accuracy of the tables provided by OEB staff in the preamble.
b) Please clarify whether the capital addition used for the CCA calculation in Reference 3 was the actual capital addition instead of the OEB approved capital addition.
    i. If London Hydro used the OEB approved capital addition for Reference 3, please provide the reason.
c) Please reconcile and explain the variances identified in Tables (A), (B) and (C) above.
d) Please provide the nature of the adjustments recorded in columns F and V in Reference 3.
    i. Please explain why the adjustments were not reflected in column 5 of Reference 2.
e) Please explain why there were CCA variances recoded in 2025 and 2026 while full AII was applied in those two years which had the same impacts of full RII.
f) Please explain what does “with 2022 Test Year rates” indicated in cells R99, R131 and R164 mean in reference 3.
g) Please confirm the 2026 forecasted amount is a credit of $7,065 per cell AI182 in reference 3.
    i. If yes, please record this amount in column principal adjustment of 2025 in reference 6.
    ii. If not, please explain why not.
h) Please clarify whether immediate expensing has been claimed in London Hydro’s actual tax filings for 2022 and 2023. If not, please explain why not.
i) Please update the relevant evidence as applicable.

6-Staff-54
New Investment Deduction Expands Immediate Expensing
Ref 1: Productivity Mega Deduction (PMD)

Preamble:

On September 15, 2026, the Federal Government introduced the Productivity Mega Deduction (PMD), which expands the range of capital assets eligible for immediate expensing, and allows businesses to fully write off the cost of an investment in its first year for tax purposes.

On October 28, 2026, the Ontario government announced its intention to introduce corresponding provincial measures, following the passage of the federal measures.

Question(s):

a) Please provide London Hydro's thoughts of the PILs impacts from the proposed PMD measures from both a short-term perspective and a long-term perspective.
b) Please provide an updated PILs model assuming the propose PMD takes effect on September 2026.
c) Please quantify the PMD impact for PILs expense in the test year.

6-Staff-55
Property Tax
Ref 1: Exhibit 6/Section 6.2.2/Table 6-20/p.26
Ref 2: Accounting Procedures Handbook, December 2011, Article 220, Account 6105

Preamble:
In Reference 1, London Hydro included a debit amount of $613,100 which is the property tax of Operation Centre in 2027 test year. London Hydro stated that a new parcel of land is projected to be purchased in 2026 and is designated for the construction of a future second operations center. It stated that property taxes for London Hydro's 36 substations and the land for a future transformer station are captured in the OM&A expenditures.

Question(s):

a) Please clarify whether this new parcel of land was purchased and whether the construction of the operations center has been completed.
    i. If yes, please clarify whether the $613,100 is the forecasted amount of this new parcel land designed for the second operations center.
    ii. If no, please provide an update as to when the construction of the new operations centre is expected to be completed.

7-Staff-56
Weighting Factors
Ref 1: Exhibit 7/p .7

Preamble:
London Hydro has used the same Billing and Collecting weighting factors as it used in its 2022 Cost of Service proceeding.

Question(s):

a) Please indicate when London Hydro intends to next review its Billing and Collecting weighting factors.

7-Staff-57
Meter Expense
Ref 1: Exhibit 7/p .8
Ref 2: Cost Allocation Model/I7.1 Meter Capital

Preamble:
There are no meters or related associated with the Standby rate class.

Question(s):

a) How are the volumes determined for the Standby class?
    i. Is the same approach used for all customers?

7-Staff-58
Revenue-to-Cost
Ref 1: Exhibit 7/p .16

Preamble:
The street light revenue-to-cost ratio in the 2022 cost allocation model was 81.42%. In the 2027 model it is 156.94%.

Question(s):

a) What changed between 2022 and 2027 that caused the increase in the street light revenue-to-cost ratio?

8-Staff-59
Fixed/Variable Split
Ref 1: Exhibit 8/p .10

Preamble:
London Hydro is proposing to maintain the fixed/variable split for all rate classes. This includes all General Service (GS) and Large Use rate classes where the fixed charge is already greater than the ceiling.

London Hydro notes that the filing requirements do not require it to lower the fixed charge to the ceiling.

Question(s):

a) Did London Hydro consider keeping the fixed charge at their current levels? Please explain why that option was rejected.
b) As a scenario, please provide the variable charge that would result from maintaining the current 2026 fixed charge in the GS < 50 kW, GS 50 to 4,999 kW, GS 1,000 to 4,999 kW co-generation, and Large Use rate classes.

8-Staff-60
Retail Transmission Service Rates
Ref 1: Exhibit 8/p .14
Ref 2: RTSR Workform

Preamble:
London Hydro includes proposed EV Charging rates for GS 1,000 to 4,999 kW co-generation customers in Table 8-9 on page 14. The RTSR Workform does not have any entries related to the GS 1,000 to 4,999 kW co-generation for EV Charging.

Question(s):

a) Please confirm that the EV multiplier of 0.17 was applied to the GS 1,000 to 4,999kW rate in order to arrive at the EV Charging rate for this class, or explain the methodology used.
b) Does London Hydro have any current customers that qualify for the EV Charging rate in the GS 1,000 to 4,999 kW co-generation rate class?
    a. If so, how was their volume reflected in the RTSR Workform?

8-Staff-61
Specific Service Charges
Ref 1: Exhibit 8/pp. 19-20

Preamble:
Updated Specific Service Charges are proposed for three charges – reconnection at meter - during regular hours, Temporary Service – install & remove – Overhead – no transformer, and Temporary Service – install & remove – Underground – no transformer.

Question(s):

a) Please provide the derivation of the proposed costs at a level of detail that includes hours and hourly rate for services used.
b) Please explain why London Hydro is proposing to apply a charge that recovers approximately 63% of the costs rather than full recovery.

8-Staff-62
Transformer Ownership Allowance
Ref 1: Exhibit 8/pp. 27
Ref 2: Cost Allocation Model/I6.1 Revenue, I8 Demand Data

Preamble:
London Hydro states that "customers that provide their own transformation are entitled to receive a credit equivalent to the costs of transformation included in base distribution rates."

In the Large Use rate class, no kW are included for Large Use customers receiving transformer allowance (sheet I6.1 Revenue, cell I27). Conversely on sheet I8 Demand Data, no kW are included for Large Use customers with respect to Line Transformer NCP (use of London Hydro owned transformers) in cells I57, I63, and I69.

Question(s):

a) Are Large Use customers required to provide their own transformers as part of their base distribution service?
b) Does the current base distribution charge of $3.1541/kW in the Large Use rate class include the cost of transformation?

9-Staff-63
DVA disposition
Ref 1: Exhibit 9_20261021/ Section 9.1/ p.8
Ref 2: Decision and Rate Order_EB-2025-0023, Section 6, p.8
Ref 3: LHI 2027 DVA Continuity Schedule CoS 1.0_20261021, Tab 2a & 2b

Preamble:
In Reference 1, London Hydro is requesting for disposition of audited Group 1 and Group 2 DVA balances as of December 31, 2025, with forecast Group 2 deferral balances for 2026 where applicable, and the forecasted interest through to April 30, 2027, over a one-year recovery/refund period commencing May 1, 2027, through proposed rate riders. London Hydro used the OEB prescribed rate of 2.55% in calculating the forecasted interest on December 31, 2025, principal balances of the DVAs for the period of January 1, 2026, to April 30, 2027.

In Reference 2, in London Hydro's 2026 IRM, the OEB approved the disposition of Group 1 accounts, including Account 1588 and 1589, as of December 31, 2024, including interest projected to April 30, 2026, on a final basis.

Question(s):

a) Please confirm London Hydro is seeking disposition as of December 31, 2025, balances for Group 1, including Account 1588/1589, and Group 2 DVA balance with the forecasted balances for 2026, plus forecasted interest through to April 30, 2027, on a final basis, in this application. If not confirmed, please explain why not.
b) Please update Group 1 & 2 DVA balances using the most up-to-date OEB prescribed interest rate.
c) Please provide a summary table identifying the "continue/discontinue" status of all the accounts (Group 1 and Group 2) in Reference 3 including those accounts which have zero balance.
    i. Please indicate the reason for each account which is being proposed to be discontinued.
d) Please update Table 9.1 of Reference 1 and Reference 3 upon addressing all the interrogatories below.

9-Staff-64
MRP impact in Account 1588
Ref. 1: OEB Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589 (Accounting Guidance), April 28, 2025
Ref. 2: Updated Illustrative Commodity Model, April 28, 2025

Preamble:
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 Reference 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.

Reference 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 London 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.

9-Staff-65
Projected Interest Calculation
Ref 1: LHI 2027 DVA Continuity Schedule CoS 1.0_20261021, Tab 2b & 2b, column BQ

Preamble:
In reference 1 cell BQ20, it states that projected interest from Jan 1, 2026, to December 31, 2026, on Dec 31-25 balance adjusted for disposition during 2026. The footnote (2) states if the LDC's rate year begins on May 1, 2027, the projected interest is recorded from January 1, 2026, to April 30, 2027, on the December 31, 2025, balances adjusted to remove balances approved for disposition in the 2026 rate decision.

Question(s):

a) Please explain why London Hydro included projected interest calculated based on the approved principal disposition during 2026 instructed by OEB (column BM) in column BQ of Tab 2a.
   i. Please provide details of the method used in column BQ of Tab 2a of a) above.

b) Please explain why London Hydro did manual adjustments in column BQ of Tab 2b when calculating the forecasted interest of all the DVAs sought for disposition in this application.
    i. Please provide details of the method used in column BQ of Tab 2b of b) above.
c) Please fill in the following table compiled by OEB staff comparing the variance between the current method London Hydro is using to calculate the forecasted interest of all the DVAs (Group 1 and Group 2) sought for disposition in this application in a) & b) above and the OEB approved method noted in reference 1.
    i. Please provide an Excel worksheet with the formulae intact of the amount of each account calculated in the following table.
    ii. Please update reference 1 if it is applicable.

Account name	London Hydro method used in column BQ–(a)	OEB approved method in cell BQ20 and footnote (2) – (b)	Variance (a-b)

9-Staff-66
OEB Cost Assessment
Ref 1: Cost Assessment Letter, October 1, 2025
Ref 2: EB-2021-0041, Exhibit 9 DVA_20210830, Section 9.4, p.31
Ref 3: LHI 2027 DVA Continuity Schedule CoS 1.0_20261021, Tab 2b

Preamble
In reference 1, the OEB's cost assessment letter reactivates Account 1508 - *Other Regulatory Assets, Sub-account OEB Cost Assessment Variance* to record the cost assessment variances, effective April 1, 2025.

OEB staff notes that Account 1508 - *Other Regulatory Assets, Sub-account OEB Cost Assessment Variance* was discontinued in London Hydro's last rebasing application per reference 2.

Question(s):
a) Please clarify whether there is any balance recorded in Account 1508 - *Other Regulatory Assets, Sub-account OEB Cost Assessment Variance* in this proceeding.
b) Please update the balance of this account if it is applicable in reference 3.

9-Staff-67
Double-Peak Billing DVAs
Ref 1: LHI 2027 DVA Continuity Schedule CoS 1.0_20261021, Tab 2b
Ref 2: EB-2022-0325, Accounting Order_UTR Double Peak Billings DVAs_20251217

Preamble:
In Reference 1, OEB staff notes that London Hydro included double-peak billing sub-accounts under Account 1584 and Account 1586 as Group 2 accounts.

In Reference 2, it states that distributors are expected to provide the sub-account balances under Account 1584 and Account 1586 as part of the disposition of Group 1 DVAs in the annual rate applications.

Question(s):
a) Please confirm the understanding that the double-peak billing sub-accounts are Group 1 accounts and move both accounts to Tab 2a in reference 1.

9-Staff-68
Account 1595(2022) Disposition and Allocation
Ref 1: Exhibit 9_20261021, Section 9.3.7, pp.28~32
Ref 2: London Hydro EB-2021-0041 2022 DVA Continuity Schedule CoS 1.0_Settlement_20220201, Tab 7

Preamble:
In Reference 1, London Hydro is seeking approval for the disposition of the $228,682 residual balance from Year 2022 in this rate application, based on the proposed allocation presented in Table 9-15. London Hydro summarizes the net remaining balances for each approved rate rider by rate classes and then develops the proposed allocation factor for Account 1595(2022) balance in Table 9-14.

OEB staff notes the rate class proportion derived in Table 9-14 was based on the remaining dollar amounts of each rate class rate rider.

In Reference 2, OEB staff notes that the recovery share of each rate class used for the rate rider calculation in 2022 DVA balances was based on consumption (i.e. kW/kWh) / number of customers.

Question(s):
a) Please clarify whether London Hydro agrees with OEB staff's observation.

i. If yes, please provide rational for allocating the residual balance of 1595(2022) based on dollar amounts of each rate class rather than the underlying cost driver (i.e. consumption or the number of customers) per Reference 2.
ii. If no, please explain why not.

9-Staff-69
Account 1508 sub-account OPEB Actuarial Gains/Losses Deferral Account
Ref 1: Exhibit 9_20261021/Section 9.4.1/p.35
Ref 2: LHI 2027 DVA Continuity Schedule CoS 1.0_20261021, Tab 2b
Ref 3: Decision and Rate Order, EB-2016-0091, March 23, 2017, Schedule B
Ref 4: Report - Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs_EB-2025-0040, September 14, 2017, p.8

Preamble:
In Reference 1, London Hydro does not request disposition of the balance (i.e. debit $7,803,100) of Account 1508 sub-account OPEB Actuarial Gains/Losses Deferral Account as of December 31, 2025, and is proposing to continue the account. London Hydro stated that the balances in this account are not subject to disposition since they are unrealized and do not form part of the net income.

In Reference 2, OEB staff notes London Hydro recorded a credit amount in this account each year from 2021 to 2025.

In Reference 3, it states that the deferral account is established in the absence of OEB policy on the OPEB issue and will continue until the earlier of a decision by the OEB to implement a policy in respect to the OPEB which differs from the approach approved here, and London Hydro's next rebasing application.

In Reference 4, the OEB will use the pension and OPEB amounts determined through accrual accounting in rate-setting.

OEB staff notes the OEB has set the accrual method for OPEB accounting and London Hydro did not close this account in its last rebasing application. Both disposition conditions indicated in reference 3 have been met.

Question(s):
a) Please explain the factors that resulted in an approximately $5.2 million actuarial loss in 2022 and $4,100 actuarial loss in 2025 for OPEB expense.
    i. Please indicate whether similar impacts are expected in future years.

b) Please identify the circumstances that would trigger a request for disposition of this account since the conditions of disposition of this account have already been met per reference 3 and reference 4.

9-Staff-70
GOCA Variance Account
Ref 1: Exhibit 9_20261021/Section 9.4.2/ p.35
Ref 2: GOCA Account Order_December 31, 2023, Schedule A, Entry #3

Preamble:
In Reference 1, London Hydro included $884,675 as the 2023 locates cost approved in base rates in Table 9-19. However, the 2023 locate cost approved in London Hydro's 2022 rebasing application was $1,126,233 in Table 9-17.

In Reference 2, the offsetting credit entry is to record the locate "revenue" amount representing the OM&A expense related to the locate cost that was approved in base rates, escalated accordingly by the annual rate adjustments in the distributor's IRM decision(s) and order(s) or the locate "revenue" amount representing the approved OM&A amount related to the locates in the distributor's custom IR decision and order.

OEB staff notes $844,675 reflected the 9 month (from April ~ December 2023) prorated total locate costs (i.e. $1,126,233) approved in base rates.

Question(s):
a) Please confirm OEB staff's observation.
   i. If yes, please provide the related OEB decision which supports the prorated revenue for the GOCA DVA. Please provide the EB number.
   ii. What would be the GOCA account balance sought for disposition if London Hydro was using $1,126,233 when calculating the 2023 approved locates cost in base rates in Table 9-19.
b) Please provide a breakdown of the costs by category recorded in this variance account and indicate whether they were OM&A or capital expenditures.

9-Staff-71
Extended Horizons
Ref 1: Final Notice of Amendments to the Distribution System Code, June 16, 2025
Ref 2: EB-2024-0092, Final Rate Order, March 20, 2025, Extended Horizons Variance Account
Ref 3: LHI 2027 DVA Continuity Schedule CoS 1.0_20261021, Tab 2b

Preamble:

Appendix C of Reference 1 outlines changes to the Distribution System Code to extend the customer revenue horizon to 40 years for residential customers (as defined in Appendix C).

On March 20, 2025, the OEB created a Group 2 variance account, the Extended Horizons Variance Account, effective November 18, 2024.

In Reference 3, London Hydro has zero balance in Account 1508 sub-account Extended Horizons Variance Account.

Question(s):

a) Please confirm the capital contributions in the forecast period incorporate the changes to the customer revenue horizon as outlined in Reference 1. If not confirmed, please provide revised customer contributions as required by the changes.
b) Please confirm that London Hydro has incorporated the changes in Reference 1 in its customer agreements in the historic and bridge period, as required.
c) Please provide thoughts as to the discontinuation of this account in this proceeding.

9-Staff-72
Account 1511 Cloud DVA
Account 1508 ACM
Ref 1: Exhibit 2_20260828/ Section 2.7/ pp. 58-61
Ref 2: Exhibit 9_20261021/ Section 9.4.5/ pp. 42-43
Ref 3: Exhibit 9_20261021/ Section 9.4.7/ pp. 48-49

Preamble:
In Reference 1, the ACM request of **Customer Information System ("CIS") Refresh (SAP S/4HANA)** project was approved in London Hydro's 2022 rebasing application[2] of which the capital funding was capped at $18.5M. The rate rider of this ACM was approved in London Hydro's 2024 IRM application.[3] In July 2026, London Hydro terminated the contract with its system integrator and this CIS Refresh project is currently paused.

London Hydro stated that its Board of Directors approved capital budget adjustments to reallocate and expand funding for Application Development by $2.7M for 2026 and $700k for 2027, in the interim, to address the elements included in the CIS Refresh

[2] EB-2021-0041
[3] EB-2023-0037

scope (regulatory requirements such as payment allocations, and MDM/R communication to the IESO) within the existing SAP environment. These updated Application Development budgets incorporate previously incurred CIS Refresh project development costs that are being repurposed for the current system ("Repurposed Capital") and has been transferred from the CIS Refresh scope into the 2026 and 2027 Application Development capital programs.

In Reference 2, London Hydro proposes to return a total amount of $341,769 collected through the ACM rate rider including associated carrying charges from May 1, 2024, to April 20 30, 2027 to the customers because the **CIS Refresh project** did not go-live during the period of the rate rider and has been paused. Therefore, the existing ACM rate rider originally approved in 2024 IRM application is no longer required.

In Reference 3, London Hydro requests disposition of December 31, 2026, projected balance including forecasted interest up to April 30, 2027, totaling $2,462,381 recorded in Cloud DVA as a recovery from customers. This amount represents third-party Infrastructure-as-a-Service (IaaS) costs directly associated a distinct cloud implementation project, a **Customer Information System ("CIS") Refresh (SAP S/4 HANA) project**. London Hydro stated that these amounts were incremental and material to amounts included in base rates since they pertain solely to this standalone project and were not incorporated into base rates during its 2022 cost of service application.[4]

OEB staff notes that London Hydro reallocated the ACM capital funding $18.5M which was approved in the 2022 COS to the Repurposed Capital. This initial ACM project didn't go live.

Question(s):

a) Please clarify whether the Customer Information System ("CIS") Refresh (SAP S/4 HANA) project mentioned across these three references is the same project.
   i. If yes, please explain why there was balance recorded in Account 1511 Cloud DVA in Reference 3 if this project didn't go live.
      1) Please provide the nature of the cost recorded in Account 1511. Was this a capital cost or OM&A?
   ii. If yes, please explain why the amounts recorded in Account 1511 were incremental while the ACM rate rider was approved in 2024 IRM application and has been collecting money from 2024 for the same project.

[4] EB-2021-0041

iii. If yes, please explain why London Hydro is requesting refunding to customers through Account 1508 ACM DVA while at the same time is seeking recovery from customers through Account 1511 Cloud DVA for the same project.
iv. If no, please provide the nature of the CIS Refresh project mentioned in each reference above.
v. If they are not the same project, London Hydro stated there is no offsetting savings recorded in Account 1511 since **the project** is currently paused, please clarify what is "the project" mentioned here.

b) Please clarify whether London Hydro has transferred the $18.5M approved ACM capital funding of which the project didn't go live to the Application Development capital programs.
   i. If yes, please provide the related decision issued by the OEB that approved London Hydro to transfer the ACM funding approved in 2022 COS to the current Application Development capital programs. Please provide the EB number for this decision.
   ii. If no, please explain what the Repurposed Capital is that is mentioned in Reference 1.

c) For the capital budget adjustments related to reallocating and expanding funding for Application Development by $2.7M for 2026 and $700k for 2027 approved by the Board of Directors of London Hydro,
   i. Please clarify whether the "funding" mentioned here is the $18.5M approved ACM capital funding in b) above? If not, please provide the nature of this "funding"?
   ii. What was the total amount of the capital budget for Application Development?
   iii. Was this funding used for the CIS Refresh Project in Reference 3?
   iv. Please provide a breakdown (i.e. types of expenditure & nature of costs) of this Application Development capital budget.

d) Please provide the exact amount of the specific project work classified as Repurposed Capital which has been transferred from the CIS Refresh scope into the 2026 and 2027 Application Development capital programs.
   i. Please clarify whether this amount included any part of the $18.5M OEB approved ACM capital funding from London Hydro's last COS application?
   ii. Please clarify whether this amount has been included in the opening rate base of this application?

9-Staff-73
Account 1509 Impacts Arising from the COVID-19 Emergency
Ref 1: Exhibit 9_20261021/Section 9.4.5/pp. 42-43
Ref 2: Chapter 2 Filing Requirements (April 18, 2022),Section 2.9.1.6
Ref 3: Covid-19 Report, June 17, 2021, Appendix B, section 4.4 & section 4.3.2

Preamble:
In Reference 1, London Hydro provides the summary of account balance (Table 9-28) and requests disposition of December 31, 2025, balance including forecasted interest up to April 30, 2027, totaling $936,250 as a recovery from customers. It stated that it is strictly seeking disposition for costs related to mandated government or OEB-initiated programs, which fall under the Exceptional Pool as outlined in reference 3. It confirmed that the amounts proposed for recovery have not been recorded in any other existing generic or London Hydro specific accounts and there is no double-counting. It also confirms that it met the applicable means test in 2020 and that all amounts included for recovery were incremental and prudently incurred.

In Reference 2, per Chapter 2 Filing requirements, it requires distributors to file the information which includes:

a) A calculation showing that the distributor passes the ROE-based means tests to be eligible for recovery of amounts recorded in the account (per reference 3), including limitations on recoveries when various ROE thresholds are reached, and that the appropriate recovery rates for each sub-account have been applied.
b) Supporting calculations for the annual amounts recorded in each of the sub-accounts, including the methodology used to measure incremental costs and savings, as applicable.
c) A discussion of causation, materiality, prudence of any amount recorded in the sub-accounts, including all identified savings and cost reductions.

In Reference 3, Appendix B details on how to calculate the means tests, recovery limitations, and sequencing of the calculations. Section 4.4 discussed the Measuring Incremental Impacts. Section 4.3.2 specifies the details of Causation, Prudence, and Materiality Criteria.

Question(s):

a) Please fill in the following table compiled by OEB staff showing the calculation of means tests.

Item		2020
OEB approved ROE %	a	
Plus: 300bps	b	
Allowed ROE % – (a+b)	c	
Regulated Deemed Equity $	d	
Allowed ROE $ (pro-rate to month)	e=c*d	
Achieved ROE $	f	
Means Tests (Pass only if f<e)		

i. Please calculate the achieved ROE amount by following each step outlined in Appendix B of reference 3.
ii. Please confirm the achieved ROE amount is calculated after recording any amounts in the Covid-19 account.
iii. For the achieved ROE amount calculated for 2020, please confirm if it covered the entirety of 2020.

b) Please discuss Causation, Prudence, and Materiality Criteria for the purpose of the disposition of this account.