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BY EMAIL AND RESS

May 25, 2023

Ms. Nancy Marconi
Registrar
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Marconi,

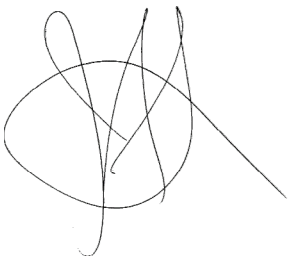
Re: Use of Fixed – Percentage Cost Sharing with Respect to Provincial Broadband Projects

Hydro One wishes to advise the OEB of its plans to implement a Fixed % Cost Sharing methodology for collecting capital contributions in support of make-ready work related to the Building Broadband Faster Act and Regulation 410/22.

This methodology seeks to improve efficiency and timely completion of the work. Hydro One believes this methodology is in alignment with the OEB's guidance letter dated February 9th, 2023. This provides for an equitable contribution to costs by broadband proponents while ensuring that electricity ratepayers do not subsidize these projects.

Hydro One welcomes the opportunity to discuss the concept further if this would be helpful to the Board and Staff and appreciates any feedback that may be offered.

Sincerely,



Jeffrey Smith

1.0 BACKGROUND & ENGAGEMENT

The provincial and federal governments have made significant commitments to deliver high-speed internet to approximately 700,000 underserved and unserved homes and businesses in Ontario. Given the pervasiveness of electric utility assets across Ontario, it is expected that Local Distribution Companies ("LDC") will play a key role in hosting the incremental telecommunication assets required to turn these commitments into reality.

It is estimated that as much as 90% of the LDC assets required for this initiative, primarily electricity poles that will support the fibre optic and coaxial cable installations, will be in Hydro One's service area. Many of the existing assets will require replacement or reinforcement to host the new cables. The immense effort required to complete this "make-ready" work will be over $1 billion spread across thousands of discrete projects. All of this taking place in a time of intense labour and supply chain constraints.

Recently, the government has moved ahead the target for completion of the Broadband initiative to July 1, 2025. To support this ambitious target, Hydro One recognized that every option must be reviewed and challenged to move the projects ahead quickly and safely. One such opportunity was identified in project setup. Hydro One supports the cost sharing framework laid out in Regulation 410/22 as an equitable method to allocate costs of make-ready work between the Internet Service Provider ("ISP") and electricity customers. However, individual calculations for each separate project will take thousands of person-hours and will invariably lead to delays and disagreements in the application of certain factors such as removal costs, asset life expectancy and standards requirements.

To remove this bottleneck, Hydro One, in collaboration with provincial ministries, has developed a Cost Sharing Framework[1] that utilizes a Fixed % sharing amount with respect to Broadband projects. The sharing ratios will vary by Operations Area ("Area") and seek to achieve the following objectives:

- **Electrical Customer Protection** – Electrical customers are protected and fairly compensated for incremental cost due to ISPs' desire to utilize electrical infrastructure.

[1] See Appendix A for Reference.

- **Cost / Benefit Alignment** – Ensure costs are fairly apportioned between ISPs and electricity customers based upon the benefits each party receives from make ready work on electrical infrastructure.
- **Regulation & Policy Alignment** – Ensure methodology and approach are consistent with regulatory policies and provincial objectives.
- **Minimize Ambiguity and Subjectiveness** – Project cost sharing percentage between electricity customers and ISPs will be pre-determined and fixed by Area.

2.0 FIXED % COST SHARING APPROACH

Hydro One initiated and championed a cost sharing framework for the Broadband initiative to meet the objectives set out above. This proposed framework was ultimately made law in O. Reg. 410/22. To address the acceleration of the deployment schedule calling for all installations to take place by July 2025, Hydro One once again worked with stakeholders to optimize the framework. The result is a framework that calculates a fixed percentage of costs for each Area in the Hydro One service area. This fixed share is derived by employing a broad calculation using the relevant assets across the entire area. So long as the projects executed generally align with the area averages then the total amount paid by ISPs and customers will be largely unchanged. The methodology has been **endorsed and supported by the province (MOI, MOE, IO) and ISPs** due to the cost savings, execution speed, predictability, simplicity, and consistency. Furthermore, Hydro One is confident that this methodology is in line with the OEB guidance sent out on February 9th, 2023.

Hydro One's fixed percentage cost sharing approach utilizes the following foundational assumptions:

- Historical make-ready metrics from previous joint-use telecommunication projects were used to support categorization splits,
- Area asset demographics for end of life, non-end of life, and critical defects on infrastructure were used to ensure fair distribution of costs between Hydro One and ISPs,
- Broad development by ISPs across an Area will result in average cost apportionment between electricity customers and ISPs approaching the expected overall average for the Area,
- All Projects will consist of both complex and simple make ready work. Fixed percentage categories apportion both the amount of work and relative cost of work appropriately.

3.0 FIXED % COST SHARING BENEFITS

Hydro One's implementation of the new framework and development of operational process has resulted in further innovation and evolution. A Fixed % Cost Sharing approach has the following benefits:

- **Cost Savings** – Hydro One's conservative estimate suggests this approach could save ISPs and electricity customers ~$3.6+M (i.e., more than 16 incremental staff or contractors required by Hydro One/ISPs) per year.
- **Execution Speed**[2] – Reduce execution time by up to 75%, allowing greater throughput for project execution, supporting LDCs' adherence to aggressive performance timelines per Reg 410/22.
- **Predictability** – Will allow Hydro One and ISPs' operational teams to have an established cost sharing approach for their projects supporting timely decision making. This is also expected to significantly reduce the number of disputes directly with Hydro One or raised before the OEB via formal dispute resolution proceedings.

[2] Estimates do not consider the time associated with dispute resolution regarding work categorization decisions and cost allocations associated with the Work and Work Categorization.

Appendix A – Cost Sharing Framework and Cost Sharing Examples

Cost Category		Description of Work	Cost Treatment		
			Hydro One Cost	Cost Sharing	ISP Cost
1	End of Life Asset Replacement	Work specifically attributed to replacement of end-of-life assets in accordance with Hydro One's current standards.[3]	X		
2	Project Specific System Upgrades	Incremental Costs associated with system upgrades for safety/reliability as requested and approved by Hydro One in accordance with Hydro One's current standards.[3]	X		
3	Non-End of Life Asset Replacement	Work, including asset replacements (i.e., pole replacements), specifically attributed to non-end of life infrastructure, in accordance with Hydro One's current standards.[3]		X	
4	Required Configuration Changes to Existing Infrastructure	Work, including asset replacements, where the Applicant requires infrastructure configuration changes, re-configuration, and/or incremental infrastructure investments beyond Hydro One current standards.[3] More specifically, Work that has no benefit to electricity customers. (i.e., pole reframing, guy/conductor re-tensioning, incremental pole heights/class beyond Hydro One standard requirement, incremental easements etc.)			X
5	Critical Defects / Repairs	Work associated with the correction of critical deficiencies (i.e., suspect insulators), or pre-existing hazards that must be corrected on infrastructure to proceed with the Work not already addressed or corrected via work activities associated with Cost Categories 1, 2 or 3, above.	X		

[3] **Hydro One Current Standards** – Hydro One will apply current standards and practices to any asset replacements. For greater clarity, "Like for Like" replacement of assets entails all work required to make infrastructure compliant with Hydro One's current standards regardless of current installed, legacy infrastructure.

		Cost Apportionment %						Net Share of Costs		
Region	**Operations Area**	**Category 1 (HONI Cost)**	**Category 2 (TBD)**	**Category 3 (HONI Share)**	**Category 3 (ISP Share)**	**Category 4 (ISP Cost)**	**Category 5 (HONI Cost)**	**HONI Share**	**ISP Share**	**Area Demographic Information**
Northern	MARATHON	0.0%		24.1%	70.2%	2.9%	2.8%	**27%**	**73%**	Total Poles – 3k End of Life Pole % - 0% Non-End of Life Poles Average Age – 31
Northern	ALGOMA	18.0%		28.0%	48.4%	2.9%	2.8%	**49%**	**51%**	Total Poles – 15.1k End of Life Pole % - 5% Non-End of Life Poles Average Age – 41
Southern	ALLISTON	10.1%		30.3%	53.6%	3.3%	2.8%	**43%**	**57%**	Total Poles – 27.7k End of Life Pole % - 2.6% Non-End of Life Poles Average Age – 41
Eastern	ARNPRIOR	9.5%		27.8%	56.0%	2.0%	4.8%	**42%**	**58%**	Total Poles – 18.5k End of Life Pole % - 2.4% Non-End of Life Poles Average Age – 38
Central	ASHBURNHAM	17.7%		19.5%	56.4%	2.8%	3.6%	**41%**	**59%**	Total Poles – 8.6k End of Life Pole % - 4.9% Non-End of Life Poles Average Age – 41
Southern	AYLMER	30.5%		25.5%	37.9%	3.3%	2.8%	**59%**	**41%**	Total Poles – 33.7k End of Life Pole % - 9.6% Non-End of Life Poles Average Age – 44
Eastern	BANCROFT	22.0%		26.4%	44.8%	2.0%	4.8%	**53%**	**47%**	Total Poles – 36.3k End of Life Pole % - 6.4% Non-End of Life Poles Average Age – 42
Central	BARRIE	30.9%		18.1%	44.5%	2.8%	3.6%	**53%**	**47%**	Total Poles – 30.0k End of Life Pole % - 9.8% Non-End of Life Poles Average Age – 35
Southern	BEACHVILLE	16.5%		34.9%	42.4%	3.3%	2.8%	**54%**	**46%**	Total Poles – 53.7k End of Life Pole % - 4.5% Non-End of Life Poles Average Age – 47

		Cost Apportionment %						Net Share of Costs		
Region	**Operations Area**	**Category 1 (HONI Cost)**	**Category 2 (TBD)**	**Category 3 (HONI Share)**	**Category 3 (ISP Share)**	**Category 4 (ISP Cost)**	**Category 5 (HONI Cost)**	**HONI Share**	**ISP Share**	**Area Demographic Information**
Southern	BOLTON	6.5%		22.0%	65.4%	3.3%	2.8%	**31%**	**69%**	Total Poles – 12.6k End of Life Pole % - 1.6% Non-End of Life Poles Average Age – 32
Central	BOWMANVILLE	11.7%		28.2%	53.8%	2.8%	3.6%	**43%**	**57%**	Total Poles – 22.5k End of Life Pole % - 3.1% Non-End of Life Poles Average Age – 39
Central	BRACEBRIDGE	40.5%		18.2%	34.9%	2.8%	3.6%	**62%**	**38%**	Total Poles – 22.8k End of Life Pole % - 14.4% Non-End of Life Poles Average Age – 39
Eastern	BROCKVILLE	10.3%		32.5%	50.5%	2.0%	4.8%	**48%**	**52%**	Total Poles – 26.6k End of Life Pole % - 2.7% Non-End of Life Poles Average Age – 43
Southern	CLINTON	7.8%		40.8%	45.3%	3.3%	2.8%	**51%**	**49%**	Total Poles – 47.1k End of Life Pole % - 1.9% Non-End of Life Poles Average Age – 49
Eastern	COBDEN	18.5%		28.2%	46.5%	2.0%	4.8%	**52%**	**48%**	Total Poles – 29.2k End of Life Pole % - 5.2% Non-End of Life Poles Average Age – 42
Central	COUCHICHING	10.2%		22.1%	61.3%	2.8%	3.6%	**36%**	**64%**	Total Poles – 4.2k End of Life Pole % - 2.6% Non-End of Life Poles Average Age – 34
Southern	DUNNVILLE	5.5%		31.8%	56.6%	3.3%	2.8%	**40%**	**60%**	Total Poles – 18.2k End of Life Pole % - 1.4% Non-End of Life Poles Average Age – 41
Northern	DRYDEN	12.4%		23.4%	58.5%	2.9%	2.8%	**39%**	**61%**	Total Poles – 15.8k End of Life Pole % - 3.3% Non-End of Life Poles Average Age – 36

		Cost Apportionment %						Net Share of Costs		
Region	**Operations Area**	**Category 1 (HONI Cost)**	**Category 2 (TBD)**	**Category 3 (HONI Share)**	**Category 3 (ISP Share)**	**Category 4 (ISP Cost)**	**Category 5 (HONI Cost)**	**HONI Share**	**ISP Share**	**Area Demographic Information**
Southern	DUNDAS	18.7%		27.9%	47.3%	3.3%	2.8%	**49%**	**51%**	Total Poles – 16.0k End of Life Pole % - 5.2% Non-End of Life Poles Average Age – 41
Northern	EAR FALLS (SAT)	6.1%		15.2%	73.1%	2.9%	2.8%	**24%**	**76%**	Total Poles – 3.9k End of Life Pole % - 1.5% Non-End of Life Poles Average Age – 27
Southern	ESSEX	21.0%		28.5%	44.4%	3.3%	2.8%	**52%**	**48%**	Total Poles – 43k End of Life Pole % - 6.0% Non-End of Life Poles Average Age – 43
Central	FENELON FALLS	20.4%		29.9%	43.3%	2.8%	3.6%	**54%**	**46%**	Total Poles – 50k End of Life Pole % - 5.8% Non-End of Life Poles Average Age – 44
Northern	FORT FRANCES	17.0%		25.8%	51.5%	2.9%	2.8%	**46%**	**54%**	Total Poles – 16.8k End of Life Pole % - 4.6% Non-End of Life Poles Average Age – 40
Northern	GERALDTON (SAT)	0.0%		26.6%	67.7%	2.9%	2.8%	**29%**	**71%**	Total Poles – 4k End of Life Pole % - 0% Non-End of Life Poles Average Age – 40
Southern	GUELPH	7.3%		31.7%	54.9%	3.3%	2.8%	**42%**	**58%**	Total Poles – 22.4k End of Life Pole % - 1.8% Non-End of Life Poles Average Age – 41
Southern	HALDIMAND	20.2%		22.2%	51.6%	3.3%	2.8%	**45%**	**55%**	Total Poles – 15.9k End of Life Pole % - 5.7% Non-End of Life Poles Average Age – 36
Central	HUNTSVILLE	39.4%		14.2%	40.0%	2.8%	3.6%	**57%**	**43%**	Total Poles – 24.4k End of Life Pole % - 13.8% Non-End of Life Poles Average Age – 33 yr.

		Cost Apportionment %						Net Share of Costs		
Region	**Operations Area**	**Category 1 (HONI Cost)**	**Category 2 (TBD)**	**Category 3 (HONI Share)**	**Category 3 (ISP Share)**	**Category 4 (ISP Cost)**	**Category 5 (HONI Cost)**	**HONI Share**	**ISP Share**	**Area Demographic Information**
Northern	KAPUSKASING	13.5%		34.4%	46.4%	2.9%	2.8%	**51%**	**49%**	Total Poles – 17.5k End of Life Pole % - 3.6% Non-End of Life Poles Average Age – 46
Northern	KENORA	14.6%		21.3%	58.4%	2.9%	2.8%	**39%**	**61%**	Total Poles – 11.6k End of Life Pole % - 3.9% Non-End of Life Poles Average Age – 35
Northern	KIRKLAND LAKE	32.1%		16.9%	45.3%	2.9%	2.8%	**52%**	**48%**	Total Poles – 13.4k End of Life Pole % - 10.2% Non-End of Life Poles Average Age – 34
Eastern	KINGSTON	16.9%		26.9%	49.4%	2.0%	4.8%	**49%**	**51%**	Total Poles – 31.9k End of Life Pole % - 4.7% Non-End of Life Poles Average Age – 40 yr.
Southern	KENT	18.5%		34.3%	41.2%	3.3%	2.8%	**56%**	**44%**	Total Poles – 56k End of Life Pole % - 5.1% Non-End of Life Poles Average Age – 48
Southern	LAMBTON	16.0%		34.9%	43.0%	3.3%	2.8%	**54%**	**46%**	Total Poles – 33.6k End of Life Pole % - 4.3% Non-End of Life Poles Average Age – 47 yr.
Southern	LINCOLN	15.8%		24.3%	53.8%	3.3%	2.8%	**43%**	**57%**	Total Poles – 8.7k End of Life Pole % - 4.3% Non-End of Life Poles Average Age – 37
Southern	LISTOWEL	8.0%		36.5%	49.4%	3.3%	2.8%	**47%**	**53%**	Total Poles – 27.6k End of Life Pole % - 2.0% Non-End of Life Poles Average Age – 46
Northern	MANITOULIN	18.9%		25.7%	49.7%	2.9%	2.8%	**47%**	**53%**	Total Poles – 18.5k End of Life Pole % - 5.3% Non-End of Life Poles Average Age – 39

		Cost Apportionment %						Net Share of Costs		
Region	**Operations Area**	**Category 1 (HONI Cost)**	**Category 2 (TBD)**	**Category 3 (HONI Share)**	**Category 3 (ISP Share)**	**Category 4 (ISP Cost)**	**Category 5 (HONI Cost)**	**HONI Share**	**ISP Share**	**Area Demographic Information**
Central	MINDEN	13.9%		27.6%	52.1%	2.8%	3.6%	**45%**	**55%**	Total Poles – 20.8k End of Life Pole % - 3.7% Non-End of Life Poles Average Age – 39
Northern	NIPISSING	13.2%		30.3%	50.8%	2.9%	2.8%	**46%**	**54%**	Total Poles – 26.3k End of Life Pole % - 3.5% Non-End of Life Poles Average Age – 42
Northern	NEW LISKEARD	37.4%		22.9%	34.0%	2.9%	2.8%	**63%**	**37%**	Total Poles – 21.2k End of Life Pole % - 12.7% Non-End of Life Poles Average Age – 44
Central	NEWMARKET	20.4%		24.9%	48.4%	2.8%	3.6%	**49%**	**51%**	Total Poles – 35.4k End of Life Pole % - 5.8% Non-End of Life Poles Average Age – 40
Southern	ORANGEVILLE	4.0%		32.6%	57.3%	3.3%	2.8%	**39%**	**61%**	Total Poles – 27k End of Life Pole % - 1.0% Non-End of Life Poles Average Age – 41
Central	ORILLIA	21.3%		25.0%	47.3%	2.8%	3.6%	**50%**	**50%**	Total Poles – 22.7k End of Life Pole % - 6.1% Non-End of Life Poles Average Age – 39
Eastern	ORLEANS	5.3%		26.0%	61.9%	2.0%	4.8%	**36%**	**64%**	Total Poles – 9.5k End of Life Pole % - 1.3% Non-End of Life Poles Average Age – 35
Central	OWEN SOUND	31.6%		24.7%	37.3%	2.8%	3.6%	**60%**	**40%**	Total Poles – 65.1k End of Life Pole % - 10.1% Non-End of Life Poles Average Age – 44
Central	PARRY SOUND	12.6%		29.5%	51.5%	2.8%	3.6%	**46%**	**54%**	Total Poles – 20.1k End of Life Pole % - 3.3% Non-End of Life Poles Average Age – 41

		Cost Apportionment %						Net Share of Costs		
Region	**Operations Area**	**Category 1 (HONI Cost)**	**Category 2 (TBD)**	**Category 3 (HONI Share)**	**Category 3 (ISP Share)**	**Category 4 (ISP Cost)**	**Category 5 (HONI Cost)**	**HONI Share**	**ISP Share**	**Area Demographic Information**
Central	PENETANGUISHENE	12.9%		28.5%	52.2%	2.8%	3.6%	**45%**	**55%**	Total Poles – 23k End of Life Pole % - 3.4% Non-End of Life Poles Average Age – 40
Eastern	PERTH	17.8%		27.3%	48.2%	2.0%	4.8%	**50%**	**50%**	Total Poles – 43.6k End of Life Pole % - 4.9% Non-End of Life Poles Average Age – 41
Central	PETERBOROUGH	17.8%		29.6%	46.2%	2.8%	3.6%	**51%**	**49%**	Total Poles – 60.4k End of Life Pole % - 4.9% Non-End of Life Poles Average Age – 43
Eastern	PICTON	15.2%		24.4%	53.6%	2.0%	4.8%	**44%**	**56%**	Total Poles – 25.2k End of Life Pole % - 4.1% Non-End of Life Poles Average Age – 36
Southern	SIMCOE	17.2%		25.3%	51.4%	3.3%	2.8%	**45%**	**55%**	Total Poles – 38.8k End of Life Pole % - 4.7% Non-End of Life Poles Average Age – 39
Southern	STRATHROY	11.9%		37.9%	44.1%	3.3%	2.8%	**53%**	**47%**	Total Poles – 49.1k End of Life Pole % - 3.1% Non-End of Life Poles Average Age – 48
Northern	SUDBURY	25.3%		24.9%	44.1%	2.9%	2.8%	**53%**	**47%**	Total Poles – 29.5k End of Life Pole % - 7.5% Non-End of Life Poles Average Age – 40
Northern	THUNDER BAY	18.9%		23.0%	52.4%	2.9%	2.8%	**45%**	**55%**	Total Poles – 36.9k End of Life Pole % - 5.3% Non-End of Life Poles Average Age – 37
Northern	TIMMINS	16.3%		22.8%	55.3%	2.9%	2.8%	**42%**	**58%**	Total Poles – 20k End of Life Pole % - 4.4% Non-End of Life Poles Average Age – 36

		Cost Apportionment %						Net Share of Costs		
Region	**Operations Area**	**Category 1 (HONI Cost)**	**Category 2 (TBD)**	**Category 3 (HONI Share)**	**Category 3 (ISP Share)**	**Category 4 (ISP Cost)**	**Category 5 (HONI Cost)**	**HONI Share**	**ISP Share**	**Area Demographic Information**
Eastern	TRENTON	15.9%		23.0%	54.3%	2.0%	4.8%	**44%**	**56%**	Total Poles – 22.9k End of Life Pole % - 4.4% Non-End of Life Poles Average Age – 36
Eastern	TWEED	11.0%		28.5%	53.7%	2.0%	4.8%	**44%**	**56%**	Total Poles – 39.5k End of Life Pole % - 2.9% Non-End of Life Poles Average Age – 39
Eastern	VANKLEEK HILL	11.2%		29.3%	52.7%	2.0%	4.8%	**45%**	**55%**	Total Poles – 37.4k End of Life Pole % - 2.9% Non-End of Life Poles Average Age – 41
Southern	WALKERTON	14.5%		36.2%	43.3%	3.3%	2.8%	**53%**	**47%**	Total Poles – 61.5k End of Life Pole % - 3.9% Non-End of Life Poles Average Age – 48
Eastern	WINCHESTER	12.1%		28.1%	53.1%	2.0%	4.8%	**45%**	**55%**	Total Poles – 46.1k End of Life Pole % - 3.2% Non-End of Life Poles Average Age – 40
Southern	WOODSTOCK	1.0%		12.0%	81.0%	3.3%	2.8%	**16%**	**84%**	Total Poles – 3.5k End of Life Pole % - 0.2% Non-End of Life Poles Average Age – 25
Province Wide		**18.1%**		**28.1%**	**47.5%**	**2.9%**	**3.4%**	**50%**	**50%**	Total Poles – 1,629k End of Life Pole % - 5.0% Non-End of Life Poles Average Age – 42