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**BY EMAIL AND WEB POSTING**

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**Re: Fixed-Percentage Cost Sharing for Designated Broadband Projects**

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This letter is the Ontario Energy Board (OEB) staff's response to Hydro One Network Inc.'s (HONI) letter dated May 25, 2023, which sets out a proposed approach to cost allocation in relation to designated broadband projects. Given HONI's methodology will be used for projects involving multiple parties and may be of interest to the sector OEB staff is posting the letter for stakeholder awareness.

On April 21, 2022, [Ontario Regulation 410/22](#) (Electricity Infrastructure – Designated Broadband Projects) made under the *Ontario Energy Board Act, 1998* came into force. Among other things, the Regulation requires electricity distributors to charge the proponent of a designated broadband project an amount to recover a contribution towards the cost of certain “make-ready<sup>1</sup>” work in accordance with a prescribed formula, unless the distributor and the proponent agree to a different apportionment of the costs.

The formula comprises two components: (1) the proponent's share of the cost of replacing existing assets to accommodate the project; and (2) the proponent's share of the cost of any other work carried out by the distributor to accommodate the project, including the relocation or improvement of existing assets or the installation of new assets.

On February 9, 2023, OEB staff issued a guidance [letter](#) on how to calculate the regulatory formula.

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<sup>1</sup> "Make-ready" work refers to all the necessary work required to safely accommodate the proponent's attachment of telecommunication infrastructure to a distributor's distribution poles."

On May 25, 2023, HONI sent a [letter](#) to the OEB advising that it intended to implement a fixed-percentage cost sharing methodology in respect of the make-ready costs. Under this methodology, the costs for a designated project would be apportioned based on a fixed percentage applicable to the HONI operations area where the project would be developed.

For instance, in Bracebridge 62% of the costs would be allocated to HONI and 38% to the project proponent (i.e., the Internet Service Provider or ISP). In Dryden, 39% of the costs would be allocated to HONI and 61% to the ISP. The different breakdown for the two operations areas reflects underlying differences in pole demographics and the nature of the make-ready work that would be required. HONI explained in its letter that its proposed approach would avoid having to perform individual calculations for each project, which “*will take thousands of person-hours and will invariably lead to delays and disagreements.*” The result, HONI claims, would be total cost savings of upwards of \$3.6 million per year and a reduction in execution times of 75%.

Based on HONI’s letter and follow-up discussions, OEB staff is satisfied that, in principle, the proposed fixed-percentage cost sharing represents a reasonable approach for complying with the cost allocation provisions of O. Reg. 410/22, and is not inconsistent with OEB staff’s February 9, 2023, guidance letter. However, it is important to note, OEB staff has not conducted a detailed review of the fixed-percentage calculations for each operations area and therefore, expresses no view on whether they are accurate. Moreover, the views of OEB staff are not binding on a panel of Commissioners, including in any proceeding on the proposed disposition of a deferral account required under the Regulation.

Any questions regarding this letter should be sent to [IndustryRelations@oeb.ca](mailto:IndustryRelations@oeb.ca).

Sincerely,

Brian Hewson  
Vice President  
Consumer Protection & Industry Performance

**CC: All Licensed Electricity Distributors  
All Other Interested Parties**