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May 8, 2025

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge St, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Marconi,

Re: Notice of Proposal to amend the Distribution System Code to establish a Capacity Allocation Model

Wasaga Distribution Inc. (WDI) is a high-growth electricity distributor serving the Town of Wasaga Beach - one of Ontario's fastest-growing communities. With the Town's population expected to double by 2050, this anticipated growth presents both opportunities and challenges, particularly in ensuring adequate infrastructure to support electrification, system reliability, and rising capacity demands. Compounding this dynamic is the proposed revitalization of Wasaga Beach's iconic beachfront - an initiative with transformational potential, but marked by uncertainty in terms of scope, and timing. These realities introduce unique planning and service delivery considerations for WDI.

WDI recognizes the importance of collaboration with the development community to maintain a robust and reliable distribution system. Accordingly, we support the Ontario Energy Board's (OEB) intent to establish a capacity-based methodology that promotes fair and efficient allocation of costs related to system expansion.

Given the pace of expected growth and the diverse nature of our service territory, applying a system-wide capacity allocation methodology could provide a more equitable framework for managing cost recovery between developers and ratepayers. While we are aligned with the OEB's overall policy direction, we are concerned that the proposed amendments, as currently drafted, do not offer sufficient flexibility to reflect local conditions and operational realities. Rather, they risk introducing unnecessary complexity, administrative burden, and an overly prescriptive approach.

WDI believes that it is best positioned to make prudent investment decisions that balance the interests of current and future ratepayers, the corporation, developers, and its community. To that end, we urge the OEB to consider a more flexible, principles-based framework - one that enables efficiency and practicality rather than prescriptive, one-size-fits-all requirements. Without such flexibility, there is a risk that the framework may create unintended consequences, including delays in system expansion, higher costs, and increased administrative overhead.

We outline our key concerns below:

- **Administrative Burden and Complexity**
  The proposed methodology appears overly complex and administratively intensive. A simplified model based on clear principles would better serve high-growth distributors like WDI.
- **Financing Charges and Uncertainty**
  While WDI supports, in principle, the use of financing charges to fairly compensate those who assume the upfront costs and risks of system expansion, the proposed guidelines lack clarity on how these charges should be tracked, reimbursed, or accounted for - particularly in cases where cash payments may be required from the distributor, which may not always be feasible.
- **Accounting/Regulatory Challenges**
  The proposed amendments introduce uncertainty around the treatment of capital contributions, deferred revenues, and amortization. While the OEB's Accounting Procedures Handbook requires amortization over an asset's useful life, the proposal introduces a 15-year recognition period for capital contributions, more detailed tracking requirements, and potential true-up mechanisms. Additionally, the requirement to track O&M and capital costs under a CAM adds further complexity. If a prescribed methodology is deemed necessary, it would be helpful if it is accompanied by clear, practical regulatory and accounting guidance.
- **Capacity Charge Modeling**
  WDI supports, in principle, the view that existing ratepayers and the distributor should be kept whole, and that costs should primarily be borne by those who directly benefit. However, we recognize there may be merit in socializing certain costs where broader system benefits can be demonstrated. If a more prescriptive approach is adopted, we recommend a model that enables efficient capacity build-out while allowing flexibility in how deposits are applied toward capacity investments. This would help prevent overbuilding, promote equitable cost-sharing, and support the utility's ability to manage system enhancements effectively.

Recommendations:

1. The methodology would be better served if it was flexible and simple, and principle based. A standardized per kW Capacity Charge applicable to all that doesn't put undue hardship on the distributor, existing rate payers, and keeps inline with the principle the beneficiary pays.
2. Clearly distinguish and allow for a CAM model to cover developer-specific expansions and general system capacity enhancements to enable equitable cost allocation under the CAM framework.
3. Provide clear accounting and regulatory guidance on the treatment of deferred revenues, financing charges, deposits, and the amortization of deferred amounts. Clarify eligibility and rules for rate recovery of capacity-related investments not funded upfront by the known beneficiary. Remove materiality thresholds and

permit recovery during IRM periods to support timely and equitable cost recovery to ensure distributors are kept whole.

4. Provide flexibility for distributors to design systems and recovery models that reflect local needs and circumstances, while still upholding transparency and accountability.

In summary, while WDI supports the move to introduce a capacity-based allocation model and the fair recovery of costs, we urge the Ontario Energy Board to reconsider the complexity and uncertainty introduced by the proposed amendments to the Distribution System Code. A simplified, flexible, clear and principle based framework would better serve WDI, developers, ratepayers, and its community.

Sincerely,
Brandon Weiss

President & CEO
Wasaga Distribution Inc.