



January 8, 2026

**To: All Licensed Electricity Distributors  
All Rate-Regulated Natural Gas Utilities  
All Other Interested Parties**

**Re: Spending Pattern Analysis (EB-2025-0108), Next Generation Rate Framework (EB-2026-0002)  
Provide written comments on the Spending Pattern Analysis Report**

#### **What You Need to Know**

- The Ontario Energy Board is issuing a report on Spending Pattern Analysis, which explores utility spend in Ontario and other jurisdictions under current rate-making frameworks.
- We want to hear from you to ensure our findings reflect the reality of Ontario's electricity distribution business.
- This consultation will inform related work that the OEB is undertaking, including advancing its performance-based approach to rate regulation for electricity distributors.

The Ontario Energy Board (OEB) is releasing its Spending Pattern Analysis (SPA) Report, which includes results of empirical and survey work on spending patterns and capitalization policies of electricity distributors. The OEB welcomes input from stakeholders on the report and how the analysis, interpretation of results and conclusions align with their own perspective and experiences. Feedback will be considered as part of the OEB's ongoing work on utility remuneration, helping to shape the evolution of Ontario's performance-based regulatory framework.

This work forms part of the OEB's broader integrated approach to utility remuneration, as outlined in the Letter to the Sector on Utility Remuneration – Next Generation Rate Framework (EB-2026-0002). Stakeholders are encouraged to review that letter, available on the OEB's Next Generation Rate Framework [Engage with Us](#) site, for additional context on how the SPA consultation will be incorporated into the new comprehensive - Next Generation Rate Framework policy consultation.

## Background:

This project is part of the OEB's ongoing work to refine utility cost assessment models and strengthen regulatory frameworks. A focus on spending patterns was recommended by the OEB in its June 2023 Report to the Minister of Energy<sup>1</sup>. The report highlighted that additional capacity in Ontario's electricity distribution sector can be achieved as distributors pursue cost efficiency in how they operate and invest. The report noted that Ontario electricity distributors will need to undertake new investments to address aging assets, respond to customer expectations and adapt to emerging system needs. The report emphasized the importance of assessing the effectiveness of incentive rate-setting mechanisms and reviewing distributors' spending patterns to ensure they continue to align with regulatory objectives. Building on this foundation, the SPA Report examines distributor spending and capitalization practices in detail, providing evidence to assess whether these practices help the OEB fulfil its objectives set forth in Section 1 of the *Ontario Energy Board Act, 1998*. These objectives include informing consumers and protecting their interests with respect to prices and the adequacy, reliability and quality of electricity service; promoting economic efficiency and cost effectiveness in (among other activities) the distribution of electricity; and facilitating the maintenance of a financially viable electricity industry.

For further background, please see the OEB's April 1, 2025, [letter](#) on the [SPA project](#).

The consultation is structured in three phases. Phases 1 (Stakeholder Kickoff Meeting) and 2 (surveys, interviews and empirical and policy research) have been completed. The OEB retained Pacific Economics Group Research, LLC (PEG) to conduct research, administer surveys and facilitate discussions.

## Phase 3 of the SPA Consultation Now Underway: Stakeholder Feedback Requested

PEG has prepared the SPA Report, summarizing insights compiled from Phases 1 and 2. **The OEB invites new stakeholder feedback on the SPA Report by February 13, 2026.** In preparing comments, stakeholders are encouraged to review the findings and consider how the Report's analysis aligns with their experiences.

## The Report:

The Report examines how Ontario's electricity distributors execute spending under the current rate-setting frameworks: multi-year rate plans (MRPs) with various designs that include price cap and custom incentive ratemaking. By examining actual spending data and direct feedback from stakeholders, the Report identifies common patterns in capital and operating expenditures during MRPs. Trends in the capitalization of Operations, Maintenance and Administration (OM&A) expenses are also discussed, with a particular

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<sup>1</sup> [Report to the Minister of Energy](#), Improving Distribution Sector Resilience, Responsiveness and Cost Efficiency, June 2023.

focus on those for asset repair and field work. Adjustments to ratemaking frameworks to better address spending patterns and capitalization issues are also considered.

This work provides the OEB with a detailed picture of how sector-wide distributor spending behaviour interacts with existing incentives and operational realities. Development of an evidence-based foundation will help support subsequent policy discussions and regulatory analysis between the OEB and distributors, while also clarifying how the findings will feed into updates to the OEB's broader utility remuneration framework.

The Report sheds further light on how the regulatory framework influences spending decisions. For electricity distributors, it provides practical references to guide and assess investment timing, cost trends and operational practices. For policymakers and regulators, the Report underscores how spending shifts are often structured responses to regulatory design, highlighting opportunities for future refinement.

An important part of the work relates to capitalization of asset repair and field work expenses. This is a complicated issue that may merit further consideration. A number of stakeholders noted the complexity of this issue and expressed interest in further clarity. Changes in capitalization policies in the middle of MRPs have been a concern of regulators in several jurisdictions.

### **Next Steps:**

The OEB is now sharing the Report with stakeholders to obtain feedback that goes beyond the perspectives provided during the consultation interviews, focusing specifically on the analysis undertaken, the interpretation of results and the conclusions drawn by PEG. This stakeholder feedback will be considered as part of the OEB's ongoing work on utility remuneration as part of the Next Generation Rate Framework consultation, helping to shape the evolution of Ontario's performance-based regulatory framework.

As per our April 1, 2025, letter, stakeholders eligible for cost awards may claim a maximum of three hours for reviewing and providing written feedback on the report.

Questions regarding this letter can be directed to [performance\\_reporting@oeb.ca](mailto:performance_reporting@oeb.ca).

Additional information about the SPA project is available on the OEB's [\*\*SPA Consultation Engage with Us \(EwU\)\*\*](#) page.

Yours truly,

Kevin Mancherjee  
Director, Operations Decision Support

Attachment(s):

**Report on Spending Patterns and Capitalization Policy**