



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

**BY EMAIL**

January 23, 2026

Mr. Ritchie Murray  
Acting Registrar  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4  
[Registrar@oeb.ca](mailto:Registrar@oeb.ca)

Dear Ritchie Murray:

**Re: Ontario Energy Board (OEB) Staff Submission  
Entegrus Powerlines Inc.  
2026 Cost of Servicer Application  
OEB File Number: EB-2025-0044**

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Please find attached OEB staff's submission on the Settlement Proposal filed on January 16, 2026, in the above referenced proceeding, pursuant to Procedural Order No. 1.

Entegrus Powerlines requested confidential treatment of certain information contained in its responses to pre-settlement clarification questions. Those responses were appended to the Settlement Proposal, and Entegrus Powerlines submitted that the subject information is presumptively confidential. OEB Staff has no objection to Entegrus Powerlines' request.

Yours truly,

Zubin Panchal  
Applications Department

Encl.

cc: All parties in EB-2025-0044



# **ONTARIO ENERGY BOARD**

## **OEB Staff Submission**

**Entegrus Powerlines Inc.**

**2026 Cost of Service Application**

**EB-2025-0044**

**January 23, 2026**

## 1. Introduction

This is OEB staff's submission on the settlement proposal filed by Entegrus Powerlines Inc. (Entegrus Powerlines) on January 16, 2026, related to its application for May 1, 2026, electricity distribution rates (Application). The settlement proposal, filed by Entegrus Powerlines on behalf of the parties to the proceeding (the Parties), represents a complete settlement on all issues on the OEB-approved issues list.

The settlement was reached during a settlement conference held from December 3 to 5, 2025. The parties to the settlement proposal include Entegrus Powerlines and the following approved intervenors (collectively, the Parties):

- School Energy Coalition (SEC)
- Vulnerable Energy Consumers Coalition (VECC)

OEB staff attended the settlement conference; however, it was not a party to the settlement proposal.

If the settlement proposal is approved, a typical residential customer with a monthly consumption of 750 kWh would see their total bill impact increase by \$3.41 (2.23%) in the Entegrus Main rate zone and by \$4.12 (2.7%) in the Entegrus St. Thomas rate zone, before taxes and Ontario Electricity Rebate.

## 2. Overview

OEB staff submits that the settlement proposal is in the public interest and the accompanying explanation and rationale are adequate to support the settlement proposal. OEB staff further submits that the settlement proposal would result in just and reasonable rates for the customers of Entegrus Powerlines.

OEB staff's position was developed in consideration of the objectives of the *Renewed Regulatory Framework*<sup>1</sup>, the *Handbook for Utility Rate Applications*,<sup>2</sup> applicable OEB policies, relevant OEB decisions, and the OEB's statutory obligations.

This submission provides reasons for OEB staff's position by commenting on the issues as they appear on the OEB-approved issues list, as shown below.<sup>3</sup>

- Issue 1: Capital Spending and Rate Base
- Issue 2: Operating, Maintenance and Administration (OM&A)
- Issue 3: Cost of Capital, PILs, and Revenue Requirement
- Issue 4: Load Forecast
- Issue 5: Cost Allocation, Rate Design, and Other Charges
- Issue 6: Deferral and Variance Accounts
- Issue 7: Other

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<sup>1</sup> Report of the Board – [Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach](#), October 18, 2012

<sup>2</sup> [Handbook for Utility Rate Applications](#), October 13, 2016

<sup>3</sup> EB-2025-0044: [OEB Approved Issues List](#), October 24, 2025

### 3. OEB Staff Submission on the Issues

OEB staff makes the following submissions on the issues:

#### Issues 1: Capital Spending and Rate Base

##### 1.1 *Are the proposed capital expenditures and in-service additions appropriate?*

OEB staff supports the reduction in in-service additions agreed to by the Parties in the settlement proposal to reduce the cost impact for customers.

For the purposes of settlement, the Parties have agreed to increase the capital contributions by \$530,000 for the 2026 test year and the OEB staff supports the increase. OEB staff notes that, over the past five years (2021-2025), capital contributions as a percentage of system access expenditures have ranged from 40% to 59%, averaging 49% over that period. The increase of \$530,000 will bring the 2026 test year capital contributions to 45% of system access expenditure, up from 34%, and within the historical range.

The Parties have also agreed to reduce the in-service additions by \$300,000. For the settlement purpose, the Parties have agreed to reduce this amount from the Capacity Enhancement Program (Transformers) for the test year and defer this spending to the future years. OEB staff supports this reduction as it aligns with moderate load growth and lower levels of system access capital expenditures<sup>4</sup> compared to historical years.

OEB staff supports both the changes agreed to by the Parties and submits that the proposed in-service additions for 2026 is reasonable for Entegrus Powerlines to meet its reliability, service quality, and other objectives.

##### 1.2 *Are the proposed rate base and depreciation amounts appropriate?*

OEB staff supports the proposed rate base and depreciation amounts which have been updated in accordance with the agreements reached through the settlement process.

OEB staff notes that the depreciation amount has been reduced by \$3,750 as a result of the changes to the in-service additions summarized in issue 1.1 above.

OEB staff also notes that the Parties have also agreed to Entegrus Powerlines utilizing the OEB's default allowance for working capital, which is set at 7.5% of the sum of the cost of power and OM&A.

OEB staff submits that the proposed adjustments to Entegrus Powerlines' 2026 rate

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<sup>4</sup> EB-2025-0044: [Exhibit 2, Attachment 2C DSP Part 1 of 6](#), p178-179

base and depreciation are appropriate.

## **Issue 2: OM&A**

### *2.1 Are the proposed OM&A expenditures appropriate?*

OEB staff considers the agreement reached by the Parties with respect to 2026 OM&A expenses reasonable and appropriate.

Entegrus Powerlines in their original application requested an approval for \$21,127,866 OM&A for the 2026 test year (before property taxes), which is 10.9% higher than the bridge year OM&A of \$19,043,316. The Parties agreed to reduce Entegrus Powerlines' 2026 test year OM&A on envelope basis (before property taxes) by \$1,014,000 from \$21,127,866 to \$20,113,866 (4.8% reduction).

OEB staff submits that the \$1,014,000 reduction to 2026 OM&A is reasonable. The proposed \$20,113,866 OM&A envelope brings Entegrus Powerlines' spending closer to historical annual increases while allowing for inflationary pressures. As a result of this reduction, the compound annual growth rate from the 2016 OEB approved amount to the 2026 test year will be 3.7%.

### *2.2 Is the proposed shared services cost allocation methodology and the quantum appropriate?*

OEB staff notes that the Parties agree that Entegrus Powerlines' proposed shared services cost allocation methodology and quantum are appropriate and support it.

## **Issue 3: Cost of Capital, PILs, and Revenue Requirement**

### *3.1 Is the proposed cost of capital (interest on debt, return on equity) and capital structure appropriate?*

OEB staff supports the complete settlement on this issue. The Parties agree that Entegrus Powerlines' proposed cost of capital and capital structure are appropriate, subject to the specific adjustment identified in the settlement proposal.

As part of the settlement, the Parties have agreed to revise the deemed long-term interest rate associated with EPI's planned July 1, 2026, borrowing. The originally proposed rate of 4.600% has been updated to 4.504% based on a more recent quoted rate provided in interrogatory response 5-VECC-29<sup>5</sup>. The settlement also corrects the principal amount for the same borrowing, as Entegrus Powerlines confirmed in

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<sup>5</sup> EB-2025-0044: [Responses to Interrogatories on Exhibit 5](#), p 9.

response to 5-VECC-29 that the value in the application was inadvertently taken from an outdated worksheet.

OEB Staff agrees that the above two adjustments are appropriate and reflect the most current and reliable information available and submits that the agreed-upon cost of capital methodologies have been appropriately determined in accordance with OEB policies and practices. OEB staff therefore supports the settlement on this issue.

### *3.2 Is the proposed PILs (or Tax) amount appropriate?*

OEB staff has no concerns with the forecast PILs expense of \$637k as agreed to by the Parties.<sup>6</sup> OEB staff does not oppose the Parties' agreement related to the calculation of the PILs amount, including the recognition of accelerated capital cost allowance (CCA) in the 2026 Test Year. The Parties agreed that Entegrus Powerlines would not apply a smoothing adjustment for the rate term and that Account 1592 – sub account CCA Changes would remain open. OEB staff has no concerns with this approach.

### *3.3 Is the proposed Other Revenue forecast appropriate?*

The Parties agree to increase Other Revenue by \$156,625 for 2026 as compared to Entegrus Powerlines' original application. OEB staff has no issues with the agreed-upon revised Other Revenue. The adjustment of \$156,625 will be applied on envelope basis by Entegrus Powerlines and includes \$6,625 resulting from the increase in deferred revenue (Account 4245) due to the increase in contributed capital (see Issue 1.1, above).

### *3.4 Have all impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified and recorded, and is the rate-making treatment of each of these impacts appropriate?*

OEB staff agrees with the Parties that all impacts of any changes in accounting standards, policies, estimates and adjustments have been properly identified and recorded, and the ratemaking treatment of each of these impacts is appropriate.

### *3.5 Is the proposed calculation of the Revenue Requirement appropriate?*

OEB staff notes that the Parties accept that the proposed Revenue Requirement has been accurately determined based on the elements of this Settlement Proposal. OEB staff submits that the calculation of the Revenue Requirement is appropriate.

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<sup>6</sup> EB-2025-0044: [Entegrus Powerlines Settlement Proposal](#), p 28

## Issue 4: Load Forecast

### 4.1 *Is the proposed load forecast methodologies and the resulting load forecasts appropriate?*

OEB staff agrees with the Parties that the load forecast and underlying methodologies are appropriate, subject to the adjustments expressly noted in the Settlement Proposal. The billing determinants have been updated to reflect:

- A forecast of 84,023 customers/connections based on updated load forecast model with actual customer count for 2025.
- The updated load forecast reflects the use of the Ontario full-time employment variable rather than the Ontario manufactured goods sold variable, consistent with the methodology confirmed in VECC-CQ2(b).<sup>7</sup>

These changes result in a 2026 forecast increase of 5.6 GWh to 1,239.6 GWh, and an increase of 46 MW to 1,740 MW.<sup>8</sup>

Staff considers these updates reasonable and supports the agreed-upon load forecast for the purposes of this settlement proposal.

## Issue 5: Cost Allocation, Rate Design, and Other Charges

### 5.1 *Are the proposed cost allocation methodology, allocations, and revenue-to-cost ratios, appropriate?*

OEB staff notes that for the purposes of settlement, the Parties agreed that the cost allocation methodology shall be updated in accordance with clarification question VECC-CQ#6<sup>9</sup> to address the treatment of GS>50 customers where Entegrus Powerlines owns secondary assets, but the customer owns the transformer. Staff notes that this clarification aligns the allocation of secondary and transformer costs with the underlying asset ownership assumptions.

The revenue-to-cost ratios for the Large Use and Street Lighting rate classes are above the OEB's prescribed ranges. The Parties agreed Entegrus Powerlines would decrease the revenue-to-cost ratio to 115% for Large Use and 120% for Street Lighting in 2026, which moves them into the prescribed ranges. To maintain revenue neutrality, the revenue-to-cost ratio for the Residential rate class is being increased to 97.17% from 96.04%.

OEB staff has no concerns with the cost allocation methodology as agreed to by the Parties through the settlement proposal, or with the resulting revenue-to-cost ratios.

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<sup>7</sup> EB-2025-0044: [Entegrus Powerlines Settlement Proposal](#), Appendix F, p 137.

<sup>8</sup> EB-2025-0044: [Entegrus Powerlines Settlement Proposal Revenue Requirement Workform](#), Tab 10.

<sup>9</sup> EB-2025-0044: [Entegrus Powerlines Settlement Proposal](#), Appendix F, p 138.

*5.2 Is the proposed rate design, including fixed/variable splits, appropriate?*

OEB staff does not have any concerns with the proposed rate design, including the fixed/variable splits.

*5.3 Are the proposed Retail Transmission Service Rates (RTSR) and Low Voltage Service Rates appropriate?*

OEB staff agrees with the Parties that the proposed RTSR and Low Voltage Service Rates are appropriate for settlement purposes. The rates will be updated consistent with 8-VECC-41<sup>10</sup>, including the incorporation of the OEB's preliminary 2026 Uniform Transmission Rates<sup>11</sup>. OEB Staff also notes that the RTSR model includes the new EV Charging (EVC) rate for eligible EV charging stations, as required.

*5.4 Are the proposed loss factors appropriate?*

For the purposes of settlement, the Parties agreed to correcting the supply facilities loss factor from 0.48% to 0.47% in accordance with interrogatory response 8-VECC-45<sup>12</sup>. This correction in supply facilities loss factor resulted in a change to the total loss factor from 4.12% to 4.11%. OEB staff supports the proposed total loss factor of 4.11%, including the distribution loss factor of 3.63%, which remains below 5%. This reflects a decrease of 0.21% from the current total loss factor of 4.32%.

*5.5 Are the Specific Service Charges and Retail Service Charges appropriate?*

OEB staff does not have any concerns with the proposed Specific Service Charges and Retail Service Charges.

*5.6 Are rate mitigation proposals required and appropriate?*

OEB staff agrees with the Parties that no rate mitigation is required.

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<sup>10</sup> EB-2025-0044: [Responses to Interrogatories on Exhibit 8](#), p 11.

<sup>11</sup> EB-2025-0232: [2026 Preliminary Uniform Transmission Rates and Hydro One Sub-Transmission Rates](#)

<sup>12</sup> EB-2025-0044: [Responses to Interrogatories on Exhibit 8](#), p 16.

## Issue 6: Deferral and Variance Accounts

6.1 *Are the proposals for deferral and variance accounts, including the balances in the existing accounts and their disposition, requests for new accounts, requests for discontinuation of accounts, and the continuation of existing accounts, appropriate?*

Overall, OEB staff submits that the proposal for disposition of the Group 1 and Group 2 accounts, requests for discontinuation of accounts, and the continuation of existing accounts,<sup>13</sup> are appropriate.

The Parties agreed to the disposition of the following DVA balances as of December 31, 2024, and forecasted interest through to April 30, 2026, over a one-year disposition period. Certain Group 2 DVA balances have been forecast to December 31, 2025, as noted below:

- Group 1 DVAs debit balance of \$1,874,111 (excluding Account 1589)
- Group 1 DVA Account 1589 RSVA – Global Adjustment debit balance of \$215,771
- Group 2 DVAs credit balance of \$1,929,572. Accounts with principal balances forecast to December 31, 2025, include<sup>14</sup>:
  - Account 1508 – Pole Attachment Revenue Subaccount
  - Account 1508 – GOCA Subaccount
  - Account 1508 – LEAP EFA Subaccount
  - Account 1508 – OEB Cost Assessment
  - Account 1518 – RCVA Retail
  - Account 1548 – RCVA Service
  - Account 1592 – Accelerated CCA Subaccount

### Consolidation and Disposition of Group 1 and Group 2 DVAs

Entegrus Powerlines is the amalgamated utility formed following the consolidation of its predecessor distributors, former Entegrus Powerlines and St. Thomas Energy, included the creation of two rate zones, Entegrus – Main Rate Zone (Main) and Entegrus – St. Thomas Rate Zone (St. Thomas). Throughout the rate term following the amalgamation, Group 1 and Group 2 deferral and variance accounts (DVAs) were tracked, and where applicable, balances were disposed of on a rate zone basis, consistent with the decisions approving the consolidation and establishing the Main and St. Thomas zones, and establishing distribution rates and charges during the deferred rebasing period.

In the current application, Entegrus Powerlines proposes to consolidate Group 1 and

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<sup>13</sup> EB-2025-0044: [Entegrus Powerlines Settlement Proposal](#), p 49-58

<sup>14</sup> *Ibid*, p 49

Group 2 DVAs, such that:

- 1) previously separate Main and St. Thomas DVA balances as of December 31, 2024 (or, December 31, 2025, for certain Group 2 DVAs) are consolidated and disposed of over a one-year period<sup>15</sup>;
- 2) the consolidated balances are disposed of on a harmonized basis through common rate riders<sup>16</sup>;
- 3) and that effective May 1, 2026, Group 1 and Group 2 DVAs will be tracked and managed on a consolidated basis, rather than by rate zone.<sup>17</sup>

The OEB's [Handbook to Electricity Distributor and Transmitter Consolidations](#) (MAADs Handbook) recognizes utilities may gain efficiencies by tracking accounts on a consolidated basis, rather than a rate zone basis.<sup>18</sup> Given the nature of Group 1 DVAs, the OEB encourages utilities to consolidate the accounts as soon as it is practical.<sup>19</sup> For legacy Group 2 DVAs the MAADs Handbook states that these should also generally be tracked separately on a rate zone basis. However, there could also be some accounts where tracking on a rate zone basis may not be warranted post-MAADs transaction.

Entegrus Powerlines stated that the current proposal is consistent with the methodology approved in its 2016 cost of service proceeding, where four legacy rate zones were harmonized into a single tariff sheet.<sup>20</sup> Entegrus Powerlines believes a harmonized approach is advantageous for the following reasons: the OEB's guidance in the MAADs Handbook is for utilities to consolidate Group 1 accounts as soon as is practicable; and as of March 1, 2025, Entegrus Powerlines consolidated into a single monthly settlement with the IESO. Accordingly, Group 1 DVAs are no longer maintained on a legacy rate zone basis. In addition, Entegrus Powerlines stated that harmonization reduces administrative time spent on the DVA process and creates more rate stability and less volumetric volatility for the smaller rate zones.<sup>21</sup>

In response to interrogatories, Entegrus Powerlines provided bill impacts comparing the disposition of Group 1 balances on a rate zone basis and a consolidated basis. The impacts were less than 10% for all rate classes.<sup>22</sup> Entegrus Powerlines provided a similar analysis for Group 2 balances where all bill impacts were less than 1.5% on a harmonized basis except for the Street Lighting rate class in both rate zones.<sup>23</sup>

The Parties agreed that amounts settled for the Group 1 and Group 2 DVA balances in

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<sup>15</sup> EB-2025-0044: [Application Exhibit 9](#), p 12

<sup>16</sup> *Ibid*

<sup>17</sup> *Ibid*, p 13

<sup>18</sup> [Handbook to Electricity Distributor and Transmitter Consolidations](#), p 31

<sup>19</sup> *Ibid*

<sup>20</sup> EB-2025-0044: [Interrogatory Responses Exhibit 9](#), IRR 9-Staff-49, part a

<sup>21</sup> EB-2025-0044: [Application Exhibit 9](#), p 12-13

<sup>22</sup> *Ibid*, part d; bill impacts over 10% require a rate mitigation plan per the [2026 Chapter 2 Filing Requirements for Distributors](#), Section 2.8.12: Rate Mitigation

<sup>23</sup> EB-2025-0044: [Interrogatory Responses Exhibit 9](#), IRR 9-Staff-50, part e

the legacy Main and St. Thomas rate zones shall be disposed of on a harmonized basis, over a one-year disposition period, effective May 1, 2026. For the purposes of settlement, disposing of DVA balances by rate zone or on a consolidated basis did not result in a material difference in the resulting rates.<sup>24</sup>

OEB staff does not have concerns with the Parties' agreement to dispose of Entegrus Powerlines' Group 1 and Group 2 DVA balances on a consolidated basis, mainly because of the relatively small cross-subsidization between rate zones.

OEB staff notes that consolidating Group 1 DVA amounts results in a small "smoothing" between Main and St. Thomas customers, where the typical residential bill changes by a few percentage points. For certain other rate classes, the consolidation results in small decreases relative to a rate-zone disposition.<sup>25</sup> For Group 2 DVAs, rate impacts are less than 1.5% for all classes except for Street Lighting. However, OEB staff notes that the increase in disposition amounts for Street Light customers on a consolidated basis is less than \$5k, and immaterial.<sup>26</sup> In OEB staff's view, the disposition on a consolidated basis is reasonable, given the small percentage changes and the broader benefits to customers from operational efficiencies.

Nor does OEB staff have concerns with the Parties' agreement to track Group 1 and Group 2 DVAs on a consolidated basis effective May 1, 2026. The consolidation of Group 1 and Group 2 Main and St. Thomas balances will reduce the risk of misallocations and complexity in RRR filings and future applications. Furthermore, a consolidated DVA structure simplifies future IRM and rebasing applications, where a single set of continuities and rate riders can be reviewed. OEB staff notes that the OEB recently approved the consolidation and tracking of Group 2 DVAs in the case of Newmarket-Tay Power's application for approval to dispose of certain Group 2 DVA balances and to consolidate all Group 1 and Group 2 DVAs for its two rate zones. In that case, the OEB noted that the original impetus for the application "was a proposal by [Newmarket-Tay] Power to realize significant operational efficiencies by consolidating DVAs for its post-merger rate zones."<sup>27</sup>

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<sup>24</sup> EB-2025-0044: [Entegrus Powerlines Settlement Proposal](#), p 49

<sup>25</sup> EB-2025-0044: [Interrogatory Responses Exhibit 9](#), IRR 9-Staff-49, part d

<sup>26</sup> Materiality threshold defined as \$195k for the application in Exhibit 1, Section 1.5.8

<sup>27</sup> EB-2024-0309, [Decision and Order](#), May 22, 2025, p 10

**Issue 7: Other***7.1 Is the proposed effective date appropriate?*

OEB staff supports the Parties' agreement that Entegrus Powerlines' proposed effective date of May 1, 2026, is appropriate.

*7.2 Has the applicant responded appropriately to all relevant OEB directions from previous proceedings?*

OEB staff supports the Parties' agreement that Entegrus Powerlines has responded appropriately to all previous OEB directions from prior proceedings.

*7.3 Is the rate harmonization proposal appropriate?*

OEB staff agrees that the harmonization proposal is appropriate. The plan consolidates the Entegrus Main and Entegrus St. Thomas rate zones into a single tariff using the Main rate zone classifications, with standby charges extended to the former St. Thomas rate zone. Blended rates are calculated using weighted averages based on customer counts and load. The resulting bill impacts show an average increase of 1% for Entegrus Main rate zone customers and decrease for all St. Thomas rate zone customers, with no mitigation required. OEB Staff considers the approach reasonable and consistent with harmonization objectives.

~All of which is respectfully submitted~