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BY EMAIL

January 30, 2026

Ritchie Murray
Acting Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ritchie Murray:

**Re: Alectra Utilities Corporation (Alectra Utilities)
2027-2031 Custom Rate Application for Electricity Rates and Charges
Ontario Energy Board (OEB) File Number: EB-2025-0252**

In accordance with Procedural Order No. 1, Ontario Energy Board (OEB) staff advises the OEB that staff intends to file expert evidence in this proceeding.

OEB staff have retained Pacific Economics Group Research LLC (PEG) to prepare an expert report reviewing the evidence prepared by Alectra Utilities' consultant, Clearspring Energy Advisors (Clearspring) with respect to the "Econometric Benchmarking and Incentive Regulation Parameter Study for Alectra Utility's 2027 Custom IR Application", as well as Alectra Utilities' proposed Custom Incentive Rate-setting (CIR) framework.

PEG's analysis will include a detailed review of Clearspring's report and working papers, and may include additional or new analysis of the historical and forecasted cost performance of Alectra Utilities and the relevant input price and productivity trends. PEG may rely on its own data to undertake alternative empirical research on these matters. The expert will assess key aspects of Clearspring's empirical research and provide commentary in the report.

PEG will also assess Alectra Utilities' proposed rate framework, with a focus on the attrition relief mechanism and variance accounts. The framework will be evaluated in the context of OEB policy and policies from other jurisdictions, where relevant. The report will address the factors in the proposed CIR plan, including the proposed Custom Price Cap Index, and will provide commentary on Alectra Utilities' proposals. This

analysis will include a comparison of the proposed treatment of capital ratemaking with an alternative approach (i.e., K-bar) used in other jurisdictions, as well as relevant precedents from previous proceedings and/or other jurisdictions.

In order for PEG to complete its assessment on Alectra Utilities' proposed treatment of capital ratemaking against the K-bar alternative approach stated above, Alectra Utilities' response to 1-staff-24 interrogatory is required.

While a team of PEG staff is engaged on this matter, the expert whom OEB staff intend to offer as an expert witness is Dr. Mark Newton Lowry, principal and President of PEG. Dr. Lowry is an economist who has testified on matters of economic analysis, total and partial factor productivity analysis, cost benchmarking, and incentive regulation, in Ontario, Alberta, Québec, British Columbia, in U.S. jurisdictions, and overseas. Dr. Lowry and PEG have been involved in policy consultative processes and applications in Ontario for over 15 years. Of particular relevance is Dr. Lowry's evidence and/or testimony on similar productivity and/or cost benchmarking analysis in four recent or relevant applications before the OEB:

- EB-2023-0195: Toronto Hydro-Electric System Limited 2025-2029 Custom IR Rate Application
- EB-2021-0110: Hydro One Networks Inc. 2023-2027 Custom Rate Application
- EB-2019-0261: Hydro Ottawa Limited 2021-2025 Custom IR Rate Application
- EB-2018-0165: Toronto Hydro-Electric System Limited 2020-2024 Custom IR Rate Application

Additionally, Dr. Lowry has testified on matters related to the theory and design of incentive regulation. Dr. Lowry's work has led PEG to be recognized as a leading expert in the field of incentive regulation, supporting both utilities and commissions in establishing or evolving incentive regulation frameworks. Notably, PEG has participated in the following proceedings outside Ontario

- Alberta Utilities Commission (AUC) Proceeding 27388: Third-Generation Performance-Based Regulation. As part of this proceeding, PEG played a prominent role in several issues relating to the design of the AUC's incentive regulation for electricity distributors.
- British Columbia Utilities Commission (BCUC): Review of British Columbia Hydro and Power Authority's Performance Based Regulation Report. As part of this proceeding, the BCUC retained PEG to prepare an independent report on the options regarding performance-based regulation, providing alternatives and case studies for the BCUC.

The estimated budget for PEG's work in preparing its evidence in this proceeding is approximately \$360,000 including the potential for matters such as interrogatory responses, technical conference participation, submission drafting, and hearing attendance.

Any questions relating to this letter should be directed to Narisa Jotiban at Narisa.Jotiban@oeb.ca.

Yours truly,

Narisa Jotiban
Senior Advisor, Electricity Distribution

cc: All proposed intervenors, Alectra Utilities, Charles Keizer, Torys LLP