



Ontario Energy Board  
2300 Yonge Street, 27th floor,  
P.O. Box 2319, Toronto, ON, M4P 1E4

*Submitted via RESS*

February 13, 2026

**RE: EB-2025-0108 Feedback on the Spending Pattern Analysis Report**

Dear Mr. Ritchie,

On January 8, 2026, the Ontario Energy Board (“OEB”) issued a Spending Pattern Analysis (SPA) Report by the Pacific Economics Group Research, LLC (PEG). The report included PEG’s analysis on spending patterns and capitalization policies of electricity distributors. The OEB welcomed feedback on the SPA Report with a deadline of Friday, February 13, 2026.

Elexicon appreciates the opportunity to provide the comments below for the OEB’s consideration.

Sincerely,

DocuSigned by:  
  
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Vice President, Regulatory Affairs & Stakeholder Relations  
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Elexicon Energy Feedback  
Feedback on the Spending Pattern Analysis Report  
Ontario Energy Board File Number: EB-2025-0108  
(as part of EB-2026-0002 – Next Generation Rate Framework)  
February 13, 2026

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Elexicon appreciates the OEB’s interest in understanding how multi-year rate plans (“MRPs”) influence utility decision-making. Incentive-based regulation is, by design, meant to shape behaviour. At the same time, Ontario’s distribution sector is operating in a very different environment than the one assumed in much of the SPA Report. Among other drivers, LDCs today are facing unprecedented demand for electricity requiring major system buildout, increasing system complexity to meet changing customer preferences and enable new technologies (e.g. DERs), responding to increasing frequency and impact of major weather events while continuing to need to manage the condition and performance of system assets. These factors are increasing the scale of investment needed in the system. In this context, it is important to distinguish incentive effects from reasonable, operational responses to real-world conditions.

Elexicon submits that the SPA Report’s analytical approach does not fully separate incentive-driven behaviour from the practical realities of planning and operating a distribution system in a period of rapid change. Increasing volatility, shifting requirements, and execution constraints reduce the explanatory power of retrospective spending analysis when considered on its own.

Timing differences in spending can arise for many ordinary, well-documented reasons that are difficult to disentangle from pure incentive effects. The SPA Report itself notes factors such as external volatility, project timing, delays, and other operational drivers that influence both capital and operating decisions. Where these factors are material, backward-looking interpretations of spending profiles risk overstating the role of behaviour and understating the realities of implementation, sequencing, and evolving system needs.

The SPA Report’s empirical work also demonstrates meaningful differences among utilities and plan types. Timing effects are inconsistent, differing across utility types and varying across distributors and rate cycles. Elexicon respectfully submits that this is inconsistent with a presumption that a uniform, sector-wide issue exists, or that a uniform sector-wide approach is likely to be proportionate or effective in all cases.

Instead, Ontario’s current operating context should be central to how the SPA Report is interpreted. Utilities are scaling their systems and operations over time to respond to rapid demand growth, evolving customer expectations, electrification, and increasing resilience and



security requirements. In that environment, historical spending timing patterns, viewed in isolation, are less able to distinguish between incentive response and other, unrelated decision drivers.

As a result, Elexicon submits it would be premature to draw broad conclusions or introduce sector-wide policy changes based on the SPA Report. Specifically, if the OEB believes that spending timing warrants greater regulatory attention, Elexicon recommends against complex new generic mechanisms adopted solely to address spending timing, particularly where the empirical evidence is mixed and where any such mechanism risks unintended consequences for investment planning, execution, and outcomes. In addition, multiple historical reference years should not be required across the board. In a period of rapid system change and increasing investment needs driven by external factors, relying more heavily on historical years means relying more heavily on data that is less reflective of expectations and detracts from forward-looking information needed to assess efficient costs and system readiness. The use of multiple years should therefore not be the default expectation across the sector.

With respect to capitalization policy, Elexicon notes the SPA Report's concern that changes in capitalization practices can affect transparency and comparability, particularly if changes occur mid-plan. Elexicon also notes that the SPA Report has provided no evidence of specific customer harm arising from the current practise. Elexicon submits that any response in this area should also be proportionate and the perspectives of other experts, such as external auditors, should also be considered. Improved transparency around material policy changes may be helpful, but overly prescriptive approaches should be approached cautiously given differences in utility circumstances and the need for flexibility as operating conditions evolve.

In summary, Elexicon appreciates the OEB's desire to continuously improve Ontario's rate-setting framework but submits that the results of the SPA Report do not substantiate a policy response at this time of significant change.