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February 13, 2026

Registrar
Ontario Energy Board
2300 Yonge Street, 27th floor
Toronto, ON M4P 1E4

Re: Spending Pattern Analysis – Toronto Hydro-Electric System Limited Comments on Spending Pattern Analysis Report (EB-2025-0108)

Toronto Hydro-Electric System Limited (“Toronto Hydro”) is the local electricity distribution company for the City of Toronto. It serves over 790,000 customers and delivers approximately 18% of the electricity used in Ontario. Toronto Hydro’s customers range from single family dwellings and neighbourhood shops to multi-use skyscrapers, and some of the province’s largest commercial, institutional, and industrial facilities. The utility powers non-residential customers from a variety of sectors, including dozens of hospitals and healthcare operations; hundreds of schools, colleges, and universities; data centres; and large industrial and manufacturing facilities. Each of the thousands of multi-unit residential condominium and apartment buildings served by Toronto Hydro can have dozens or hundreds of units behind-the-meter. All told, every day, more than three million people are served by Toronto Hydro’s electricity distribution system.

On January 8, 2026, the Ontario Energy Board (“OEB”), through its consultant Pacific Economics Group (“PEG”), released a Spending Pattern Analysis Report (“SPA Report”), which is the culmination of the OEB’s Spending Pattern Analysis consultation intended to engage stakeholders in assessing how the Renewed Regulatory Framework for Electricity structure for multi-year planning and rates affects utility spending patterns and the capitalization of assets. In parallel, the OEB also launched the Next Generation Rate Framework consultation, as a successor to various utility remuneration-oriented consultations (including Spending Pattern Analysis), in order to consider rate making in a holistic and comprehensive manner. The OEB has invited stakeholder feedback on the SPA Report, with the aim to inform developments in the Next Generation Rate Framework consultation. Toronto Hydro offers the following comments for the OEB’s consideration.

Ontario's regulated electricity distribution sector has reached a pivotal moment. After a prolonged period of stagnant and declining demand, the system is now facing rapid change as all levels of government advance ambitious growth agendas. The current regulatory framework has not kept pace, creating friction between government priorities that require system expansion and regulatory mechanisms designed to constrain growth and limit utility spending below approved thresholds. Toronto Hydro's urges the OEB to realign regulatory oversight with this new reality, ensuring it is fit for purpose in an era defined by accelerated grid investment and modernization.

Toronto Hydro is concerned that the premise behind the SPA Report is fundamentally misaligned with and fails to reflect the objectives of the current Provincial and Federal energy policy landscape. The upcoming decade is expected to require considerable investment in energy infrastructure, to accommodate the Provincial and Federal Governments' plans for economic growth, housing expansion, and electrification. These goals have been formally reflected at multiple levels, including by the Prime Minister through a stated intent of doubling Canada's grid capacity¹, as well as forecasts issued by the IESO as part of its October 2025 Toronto Integrated Regional Resource Plan (peak demand is expected to nearly double by 2043²) and most recent Annual Planning Outlook (net annual energy demand to grow 75 per cent by 2050³). In these circumstances, Toronto Hydro submits that engaging in a discussion of an operational utility matter such as spending patterns and positioning those spending pattern variations as an issue or problem that needs to be resolved, is grossly counterproductive to the larger policy objectives of the Province. Further, the pursuit of the remedies contained in the SPA Report does not contribute to promoting or enabling the energy objectives of multiple levels of Government and the broader energy industry, and in fact in many ways do the exact opposite by introducing new layers of complexity and placing additional limits on utility operational and financial flexibility.

Structurally, Toronto Hydro also submits that the underlying premise behind the SPA Report, that existing capex policies are contributing to adverse spending patterns, has not been materially proven by PEG, and certainly not to a degree that would warrant the proposed remedies. While the SPA Report presents a finding of material statistical variation in capex spending between early and latter rate plan

¹ <https://www.pm.gc.ca/en/news/speeches/2026/02/05/prime-minister-carney-announces-new-strategy-transform-canadas-auto>

² <https://www.ieso.ca/-/media/Files/IESO/Document-Library/regional-planning/Toronto/toronto-IRRP-Report-20251031.pdf>

³ <https://www.ieso.ca/Sector-Participants/Planning-and-Forecasting/Annual-Planning-Outlook>

years, it acknowledges that these trends are far from uniform across distributors and concedes that the pattern is in fact *not* present amongst most large distributors (which as a group Toronto Hydro notes represent over 82% of Ontario distributors' collective annual gross capital additions⁴). In responses to survey questions circulated by PEG as inputs into the SPA Report, respondents noted that there are many practical reasons and conditions that affect the timing of spending across a rate cycle, and that any found patterns can be further randomly affected by external business conditions. The SPA Report acknowledges these possibilities but treats them as factors to normalize rather than considering them as explanatory to any identified trends. Considering the above, Toronto Hydro submits that the premise behind the SPA Report fails under scrutiny; the problem is not substantively material on an aggregate basis, and in the instances that it is found within individual utilities' spending, it cannot be demonstrably tied to a failing within an existing rate framework as opposed to business conditions or other exogenous explanations.

Notwithstanding the above, Toronto Hydro is further concerned that the remedies proposed in the SPA Report are disproportionate to the perceived concerns they are attempting to address. To its credit, the SPA Report acknowledges that "since skewed patterns have not occurred in quite a few plans, including many of those for larger distributors, the introduction of complicated and novel mechanisms is probably not warranted". Despite this, however, the SPA Report nonetheless suggests that ad-hoc special ratemaking treatment, efficiency carryover mechanisms, and most notably, an expanded role for statistical benchmarking could and should be considered, with the latter two encouraged based on providing additional ratemaking efficiency benefits beyond addressing spending pattern issues. Toronto Hydro respectfully disagrees. As noted in detail in its May 2025 submission to the OEB concerning the use of benchmarking in rate setting contexts⁵, introducing additional complexity is not the solution, especially not to address an unproven concern of questionable materiality. This observation is not reserved only to benchmarking. Other measures floated for consideration within the SPA Report would also to varying degrees introduce complexity within a regulatory rate framework that industry, government, and stakeholders alike are increasingly hoping to streamline and simplify, as well as inadvertently limit utility operational and financial flexibility at a time when growth and trends towards electrification warrant the exact opposite approach. Toronto Hydro submits that the relatively immaterial concern that is the subject of the SPA Report, observed occurring on a sporadic basis and

⁴ OEB 2024 RRR Data; Gross Capital Additions of Toronto Hydro, Hydro One, Alectra, Elexicon, and Hydro Ottawa as a percentage of total Gross Capital Additions of all distributors.

⁵ "Total Cost Benchmarking Update (EB-2025-0102): Comments of Toronto Hydro-Electric System Limited", May 26, 2025.

with a wide variety of possible explanatory factors, does not justify the heavy set of proposed remedies, and in Toronto Hydro's respectful submission should not warrant material consideration in the OEB's successor Next Generation Framework consultation.

In considering the objectives of multiple levels of Government and the energy sector at large, namely the electrification and growth of the grid for the benefit of customers, communities, and the broader economy, the SPA Report and its recommendations appear at cross-purposes. It does not consider or advance these public interest objectives and in many ways actively works to undermine attaining them over the near, medium, and long-term by introducing additional limitations on utility operational and financial flexibility. The premise and recommendations behind the SPA Report, similarly to the parallel Total Cost Benchmarking review, appear to Toronto Hydro to originate from a different policy era, in which strict cost management and containment (often to the exclusion of other considerations) was seen by regulators and consultants alike as the directionally appropriate response to shrinking load and relatively stable growth objectives. While that philosophy has resulted in the current underinvestment in grids across Ontario, expressly persisting with that philosophy during a time of growth and expansion is increasingly proving to be at cross purposes with the broader policy objectives being pursued, and will work to stifle and delay grid investments, consequently impairing economic development and threaten the competitiveness of the Province and Country at a time when we are meant to be building Canada Strong.

Respectfully,

A handwritten signature in blue ink that reads "Andrew J. Sasso". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Andrew J. Sasso
Vice President, Regulatory & Municipal Relations
Toronto Hydro-Electric System Limited

AJS/jl