

February 13, 2026

Mr. Ritchie Murray
Registrar
Ontario Energy Board
2300 Yonge St, 27th Floor
Toronto, ON M4P 1E4

Dear Mr. Murray:

Re: Spending Pattern Analysis – Reply to PEG’s Spending Pattern Analysis (SPA) Report (EB-2025-0108)

The Electricity Distributors Association (EDA) is pleased to submit the enclosed report in response to the Ontario Energy Board’s Spending Pattern Analysis report prepared by Pacific Economics Group Research LLC (PEG), as invited by the Board’s letter dated January 8, 2026.

The EDA represents Ontario’s local electricity distributors, which deliver electricity to residential, commercial, industrial, and institutional customers in every community across the province. Collectively, distributors own more than 33 billion dollars in electricity distribution infrastructure and invest over 3.1 billion dollars annually to maintain system reliability, accommodate growth, and support electrification, while remaining accountable to customers for affordability and service quality.

Insufficient Evidentiary Foundation for Policy Reform

The EDA supports evidence-based regulatory evolution. However, as outlined in our enclosed submission, we respectfully submit that PEG’s SPA report, in its current form, does not provide a sufficient evidentiary foundation to support policy changes to Ontario’s performance-based regulatory framework.

While targeted refinements to regulatory tools may be appropriate as circumstances evolve, the SPA’s statistical analysis of historical spending patterns does not justify conclusions that wholesale or structural changes to the framework are required. In particular, historical expenditure timing, absent full contextual consideration of system growth, policy direction, and investment drivers, should not be interpreted as evidence of suboptimal utility behaviour.

Ontario’s distributors are operating in a materially different environment than that reflected in the limited and narrowly constructed SPA dataset. Rapid electrification, accelerating housing development, increased connection volumes, climate-driven system hardening, and heightened reliability expectations are fundamentally altering both the scale and timing of required investment. The regulatory framework must enable timely and prudent capital deployment in support of reliability, economic development, and customer-driven transformation, while maintaining accountability and affordability.

Independent Expert Review

To support the development of our submission, the EDA retained Nexus Economics, led by Dr. Larry Kaufmann and Mr. Ralph Zarumba. Dr. Kaufmann brings extensive experience with Ontario's regulatory framework, including prior advisory work to Board staff on the development of both third- and fourth-generation incentive ratemaking models, including the Inflation minus TFP approach underpinning Ontario's IRM framework. Mr. Zarumba contributes expertise in utility cost analysis, regulatory benchmarking, and financial review. Together, Nexus provided an independent assessment of PEG's analytical approach, findings, and policy implications, and advised that, in the absence of access to the underlying data set and computational work, the results should be interpreted with extreme caution, particularly where conclusions are framed in a manner that may appear more definitive than the supporting analysis would warrant.

Consideration Within the Next Generation Rate Framework

The Board's advancement of the Next Generation Rate Framework, announced January 8, 2026, provides the appropriate forum for any further consideration of incentive design, productivity benchmarking, capital formation, and customer outcomes. Consolidating related workstreams within the NGRF ensures these complex issues are examined holistically and in a forward-looking manner.

Any further examination of spending patterns or incentive structures should occur within the broader NGRF consultation, where incentive design can be assessed in alignment with Ontario's articulated policy objectives, including electrification, system expansion, resiliency, reliability, and affordability. As set out in *Energy for Generations*, the Minister's December 18, 2025, Direction distributors are expected to undertake sustained and accelerated capital investment in a materially different planning environment. Establishing forward-looking regulatory policy based primarily on retrospective statistical characterizations risks misalignment with these priorities and could unintentionally constrain timely, policy-driven investment to support our growing customer demand.

In this context, the EDA also encourages the Board to consider the ratemaking reform concepts advanced in our recent PULSE supplementary submission dated January 20, 2026. As outlined in that submission, the current IRM formula, and particularly the productivity factor within the Inflation minus X framework, was developed in a period characterized by declining load and modest capital requirements. It is increasingly misaligned with today's growth trajectory and investment demands. The EDA has therefore recommended reforming or eliminating the productivity factor to ensure that inflationary adjustments better reflect current system realities while maintaining simplicity and predictability.

These concepts are directly relevant to the NGRF and should be considered before drawing policy conclusions from historical spending analyses.

Engagement, Transparency and Evidentiary Weight

Transparency concerns further limit the evidentiary weight that can reasonably be placed on the SPA report prepared by PEG. In the Total Cost Benchmarking proceeding, the EDA requested access to PEG's

underlying datasets, computations, and supporting analysis to test and evaluate its conclusions. That information was not provided.

The subsequent issuance of the SPA report without disclosing the underlying data and analytical methods constrains stakeholders' ability to replicate, validate, or independently assess the reported findings. Where conclusions are advanced as a potential basis for regulatory reform, full, and complete transparency of data and methodology is essential to support confidence in the analytical foundation.

The EDA and its members remain committed to constructive engagement as the Board advances the Next Generation Rate Framework. We appreciate the Board's structured and coordinated approach to regulatory modernization and look forward to meaningful stakeholder engagement in the subsequent consultation stages.

Thank you for the opportunity to provide these comments. Should you have any questions or require further information, please do not hesitate to contact Brittany Ashby, Senior Regulatory Affairs Advisor, at bashby@eda-on.ca or 416-886-4420.

Sincerely,

A handwritten signature in cursive script, appearing to read "Teresa Sarkesian".

Teresa Sarkesian
President & Chief Executive Officer