



BY EMAIL and WEB POSTING

May 6, 2026

To: All Rate-regulated Electricity Distributors and Transmitters
All Rate-regulated Natural Gas Utilities
Ontario Power Generation Inc.
All Intervenors in Cost-based Rate Proceedings for 2026 and 2027 Rates
All Other Interested Parties

Re: Accounting and Rates Direction Regarding Bill C-15 for the Reaccelerated Investment Incentive for Capital Cost Allowance

What You Need to Know

- **The Ontario Energy Board (OEB) is providing direction to rate-regulated entities regarding the reaccelerated investment incentive (RII) for capital cost allowance (CCA).**
- **To address this new tax measure, rate-regulated entities are to continue to use the applicable CCA-related sub-account.**
- **Cost-based rate applications for the 2027 rate year and beyond are to reflect the direction provided in this letter.**

This letter provides information about new tax measures recently enacted by the federal government, along with the OEB's associated accounting and rate application requirements for rate-regulated electricity distributors, electricity transmitters, natural gas utilities, and Ontario Power Generation Inc. (OPG) (collectively, Utilities).

Background

In 2019, the *Budget Implementation Act, 2019, No. 1* introduced the Accelerated Investment Incentive (All) program, which provided for a first-year increase in CCA deductions on eligible capital assets acquired and available for use after November 20, 2018. The All for enhanced CCA measures were expected to be phased out between 2024 and 2027.

[Bill C-15](#), the *Budget Implementation Act, 2025, No. 1*, received Royal Assent on March 26, 2026. It includes a RII (i.e., accelerated CCA) for specific property acquired after 2024 and available for use before 2030, with an expected phase-out from 2030 to 2033.

The OEB's 2019 Direction

Under the [Accounting Procedures Handbook](#), electricity distributors and transmitters must record the impact of any differences that result from a legislative or regulatory change to the tax rates or rules assumed in the OEB Tax Model that is used to determine the tax amount that underpins rates. The impact of any differences that are not reflected in rates (due to such factors as timing of known changes) are to be recorded in Account 1592 - PILs and Tax Variances. Natural gas utilities and OPG have similar accounts.

On July 25, 2019, the OEB issued accounting [direction](#) regarding the impacts of the *Budget Implementation Act, 2019, No. 1* and of any future legislative or regulatory changes to the tax rates or rules for CCA.

Specifically, the OEB noted that it expected Utilities to record the impacts of CCA rule changes in the appropriate account (Account 1592 - PILs and Tax Variances – CCA Changes and similar accounts for natural gas utilities and OPG) for the period November 21, 2018 until the effective date of the Utility's next cost-based rate order. The OEB also stated that Utilities are to record the full revenue requirement impact of any changes in CCA rules that are not reflected in base rates as of the effective date of a change in those rules.

The OEB's Updated Requirements

Accounting Direction

The OEB expects Utilities to continue to adhere to the OEB's July 25, 2019 accounting direction and continue to use the applicable CCA-related sub-account to address the revenue requirement impacts of the RII and of any future CAA rule changes.

Some Utilities may have closed their CCA-related sub-account because their test year tax provisions included a smoothing mechanism for the CCA differences during the rate term (which eliminated the need to keep the sub-account open). To address the impacts of the RII, the applicable CCA-related sub-account should be reopened to capture the revenue requirement impacts of the RII and any future CCA rule changes.

The OEB expects Utilities to continue to bring forward any amounts tracked in their applicable CCA-related sub-account for review and disposition in accordance with the OEB's filing requirements for electricity distributor cost-based rate applications.¹ Utilities other than electricity distributors are expected to also follow these filing requirements as

¹ Filing Requirements for Electricity Distribution Cost of Service Rate Applications - 2026 Edition for 2027 Rate Applications, Chapter 2, Cost of Service, December 16, 2025, pp. 44, 45, 67, 68.

they relate to these tax measures, adapted as needed to reflect their own accounts.

Income Taxes or Payments in Lieu of Taxes (PILs) Models

The OEB's 2027 Tax Model for electricity distributors posted on the OEB's [website](#) has been modified to allow for recording of the impact of the RII. Specifically, column U "Relevant Factor" of tabs "B8 Sch 8 CCA Bridge" and "T8 Sch 8 CCA Test" has been modified to allow for data input by Utilities to reflect the appropriate relevant factors.

Other Utilities should reflect the RII in their utility-specific tax models and cost-based rate applications for the 2027 rate years and beyond, for approval by the OEB.

The OEB expects Utilities, including those whose applications are currently before the OEB, to reflect any impacts arising from CCA rule changes in their cost-based applications for 2027 rates and beyond, including taking the maximum deductions allowed under the RII. Utilities continue to have the option to propose smoothing mechanisms.

Any questions relating to this letter should be directed to industryrelations@oeb.ca. The OEB's toll free number is 1-877-632-2727.

Yours truly,

Ritchie Murray
Registrar