

July 29, 2026

Mr. Ritchie Murray
Registrar
Ontario Energy Board
PO Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

**RE: Niagara Peninsula Energy Inc.
Cost of Service Rate Application – Additional Deferral Request**

Niagara Peninsula Energy Inc. (“NPEI”) last filed a Cost-of-Service (“COS”) rate application for rates effective January 1, 2021 (EB-2020-0040). Accordingly, in its letter of December 9, 2024, *Re: Applications for 2026 Electricity Distribution Rates*, the Ontario Energy Board (“OEB”) initially placed NPEI on its list of electricity distributors that were scheduled to file a COS rate application for 2026 rates.

On January 14, 2025, NPEI filed a letter with the OEB requesting to defer its COS rate application for a two-year period, for rates effective January 1, 2028. The OEB approved this request on January 29, 2025 (“Initial Deferral”). In granting the initial deferral, the OEB found: *“With this deferral, Niagara Peninsula Energy must file a cost-of-service application for 2028 rates. If the rebasing application is not filed by the commencement of the 2028 rate year, the OEB will declare Niagara Peninsula Energy’s rates interim until Niagara Peninsula Energy files a rebasing application. Additionally, there is no availability of an Incremental Capital Module for 2026 rates and the OEB will not require Niagara Peninsula Energy to file a DSP during this deferral period.”*

For the reasons set out below, NPEI respectfully requests an additional one-year deferral, to file its COS rate application by April 30, 2028, for rates effective January 1, 2029 (“Additional Deferral”). NPEI further requests OEB approval to file a Price Cap Incentive Rate Mechanism (“IRM”) rate application for rates effective January 1, 2028, with NPEI’s distribution rates only being declared interim in the event that NPEI does not file a COS rate application by the commencement of the 2029 rate year.

NPEI understands that there would be no eligibility for an Incremental Capital Module (“ICM”) during the additional one-year deferral.

The OEB’s Approach to COS Deferral Requests

In a letter dated December 1, 2021, *Re: Applications for 2023 Electricity Distribution Rates*, the OEB communicated its revised approach to COS deferral requests. The OEB noted that it will allow a deferral of up to three years, such that distributors would rebase no later than eight years after their last rebasing. Deferrals can be requested for one, two or three years. We note that the Initial Deferral of two years, together with this additional deferral of one year, remains within the OEB’s stated policy.

We understand that the OEB’s typical practice is to give distributors one opportunity to request a deferral as their Price Cap IR or Custom IR term is coming to an end. However, due to the change

in circumstances discussed below, we ask the OEB to consider and grant this additional deferral request.

Change in Circumstances

Since the initial deferral approved by the OEB, NPEI's President and CEO has retired, and NPEI's Chief Operating Officer will be retiring imminently. NPEI's current President & CEO, Mr. Igor Rusic, commenced his position in March 2026. NPEI is actively recruiting for a Chief Financial Officer.

The deadline to file a cost-of-service application for rates effective January 1, 2028 is anticipated to be on or around April 30, 2027. Given the ongoing transition in key leadership roles, it is NPEI's view that this would not allow sufficient time for NPEI's new President & CEO, and eventual new CFO, to familiarize themselves with NPEI's historical and current performance and practices, develop a fulsome plan for NPEI's future business requirements and compile a thorough COS rate application filing.

Although the December 1, 2021 letter provides for a single opportunity for a distributor to request a deferral, it is NPEI's view that the additional deferral is prudent due to this change in circumstances. An additional deferral of one year will allow NPEI's new management team (once in place) sufficient time to understand the business and prepare a comprehensive COS application that reflects the business needs determined by its new leadership and provides for a total deferral that is within the maximum deferral of three years as set out in the OEB's December 1, 2021 letter.

Financial and Non-Financial Performance

In its December 1, 2021 letter, the OEB noted that when considering a deferral request, it would look at both financial and non-financial performance, which would include consideration of information about return on equity and recent capital expenditures, as well as the distributor's OEB Scorecard performance. In support of its additional deferral request, NPEI has provided information related to each of these considerations below.

Financial Performance

Return on Equity

The table below outlines NPEI's annual regulated return on equity ("ROE"), for each year since its last rebasing in 2021.

Year	2021	2022	2023	2024	2025	Average
Achieved ROE	7.49%	8.83%	9.81%	9.45%	7.92%	8.70%
Approved ROE	8.34%	8.34%	8.34%	8.34%	8.34%	8.34%
Variance	-0.85%	0.49%	1.47%	1.11%	-0.42%	0.36%

NPEI's achieved ROE over this five-year period has remained consistently within the +/- 300 basis points deadband, with an average achieved ROE of 8.70%.

Capital Expenditures

NPEI has continued to make progress on the capital expenditures included in its 2021 – 2025 Distribution System Plan ("DSP").

The table below shows NPEI's actual annual capital expenditures (net of capital contributions) versus annual planned capital expenditures (net of capital contributions) for the years 2021-2025.

Year	2021	2022	2023	2024	2025	Average
Actual Capital Expenditures	13,486,605	11,122,340	15,268,591	14,808,040	16,210,594	14,179,234
Planned Capital Expenditures	12,837,107	13,006,259	14,108,741	14,635,805	16,228,463	14,163,275
Annual % of Completion	105.06%	85.52%	108.22%	101.18%	99.89%	100.11%

NPEI's average annual percentage of completion for this five-year period is 100.11%.

NPEI also expects that the funding envelope provided by the annual Price Cap IR rate increase during the additional 2028 deferral period will remain sufficient to satisfy its ongoing capital needs until its next rebasing in 2029.

Total Cost Benchmarking

In the Pacific Economics Group ("PEG") annual total cost benchmarking report, NPEI maintained its Group 3 efficiency ranking for 2021 and 2022. In 2023 and 2024, NPEI improved its position to Group 2, where a Group 2 distributor is defined as having actual costs from 10 to 25 percent below predicted costs.

NPEI expects that it will be able to maintain its efficiency performance, while continuing its mission of delivering safe, efficient, and reliable electricity with excellent customer service and community value, provided by engaged employees.

Non-Financial Performance

NPEI has continued to maintain strong OEB Scorecard results that have mostly met or exceeded both industry and Distributor targets (where such targets are established). NPEI has attached its most recent OEB Scorecard for 2025 (Appendix "A"), which provides an overview of its recent performance. NPEI remains committed to ongoing strong performance and continuous improvement going forward.

Reliability

The table below shows NPEI's annual reliability results for the years 2021-2025. NPEI's average Number of Hours that Power to a Customer is Interrupted (SAIDI) over this five-year period is 1.83, which is slightly above NPEI's 2021-2025 SAIDI target of 1.81. NPEI's average Number of Times that Power to a Customer is Interrupted (SAIFI) over this five-year period is 1.41, which is within NPEI's 2021-2025 SAIFI target of 1.64.

Year	2021	2022	2023	2024	2025	2021 - 2025 Average	2021- 2025 Target
SAIDI	1.99	1.89	1.45	1.65	2.16	1.83	1.81
SAIFI	1.80	1.33	1.17	1.05	1.69	1.41	1.64

During 2025, NPEI's SAIDI and SAIFI results were both outside of their respective targets. Significant incidents contributing to NPEI's reliability results include several instances of tree contacts in November and December 2025 due to high wind events. Most of these incidents were due to high winds causing trees outside of the right-of-way to fall onto NPEI's distribution lines and occurred in the rural areas of NPEI's service territory. The table below provides the impact of these events on NPEI's 2025 SAIDI and SAIFI:

2025	SAIDI	SAIFI
Annual Result	2.16	1.69
Impact of Nov and Dec Tree Contacts	- 0.43	- 0.39
Annual Result - Excluding the Impact of Nov & Dec Tree Contacts	1.74	1.30

To mitigate the impact of tree contacts due to high winds, NPEI has improved the management and oversight of its vegetation management program beginning with the 2024-2028 five-year tree trimming cycle. NPEI has commenced installing auto-ranging fault indicators on certain feeders in rural areas that have significant tree exposure and feeder length. Installing the fault indicators at strategic locations speeds up the process of patrolling the line and fault finding, resulting in quicker restoration.

Conclusion

For the reasons stated above, NPEI respectfully requests that the OEB approve its request to extend its Price Cap IR rate setting term and defer its next COS rate application for an additional one-year period. When considering its forecast of continued stable financial performance under Price Cap IR rate setting, and the additional time required for NPEI's new leadership team to plan for and prepare a COS rate application, NPEI believes that deferring its COS at this time by one additional year is in the best interest of both the utility and its customers.

Should you have any questions, please do not hesitate to contact the undersigned.

Yours truly,
NIAGARA PENINSULA ENERGY INC.



Paul Blythin
Vice-President, Regulatory Affairs & Revenue

Cc: Igor Rusic, President & CEO, NPEI
Encl: Appendix A – NPEI 2025 OEB Electricity Distributor Scorecard

Appendix A

NPEI's 2025 OEB Electricity Distributor Scorecard

Scorecard - Niagara Peninsula Energy Inc.												7/27/2026	
												Target	
Performance Outcomes	Performance Categories	Measures		2021	2022	2023	2024	2025	Trend	Industry	Distributor		
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time		91.39%	82.24%	90.98%	95.42%	94.72%	⬆️	90.00%			
		Scheduled Appointments Met On Time		100.00%	100.00%	100.00%	100.00%	100.00%	➡️	90.00%			
		Telephone Calls Answered On Time		86.64%	84.71%	88.11%	81.54%	76.59%	⬇️	65.00%			
	Customer Satisfaction	First Contact Resolution		99.35%	98.67%	98.48%	98.21%	98.98%					
		Billing Accuracy		98.82%	99.87%	99.97%	99.93%	99.96%	⬆️	98.00%			
		Customer Satisfaction Survey Results		95%	95%	91%	91%	93%					
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness		83.00%	83.00%	83.00%	85.00%	85.00%					
		Level of Compliance with Ontario Regulation 22/04 ¹		C	C	C	C	C	➡️		C		
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	3	1	⬆️		1		
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.652	0.215	➡️		0.135		
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²		1.99	1.89	1.45	1.65	2.16	⬆️		1.81		
		Average Number of Times that Power to a Customer is Interrupted ²		1.80	1.33	1.17	1.05	1.69	⬇️		1.64		
	Asset Management	Distribution System Plan Implementation Progress		105.06%	85.52%	108.22%	101.18%	99.89%					
	Cost Control	Efficiency Assessment		3	3	2	2						
		Total Cost per Customer ³		\$750	\$812	\$909	\$954						
		Total Cost per Km of Line ³		\$9,522	\$10,327	\$11,664	\$12,143						
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Connection of Renewable Generation	New Micro-embedded Generation Facilities Connected On Time		100.00%	100.00%	100.00%	100.00%	100.00%	➡️	90.00%			
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)		2.39	2.06	1.23	2.56	1.04					
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		1.01	0.96	0.90	0.95	0.92					
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	8.34%	8.34%	8.34%	8.34%	8.34%					
			Achieved	7.49%	8.83%	9.81%	9.45%	7.92%					
1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC). 2. An upward arrow indicates decreasing reliability while downward indicates improving reliability. 3. A benchmarking analysis determines the total cost figures from the distributor's reported information.							Legend:	5-year trend ⬆️ up ⬇️ down ➡️ flat Current year 🟢 target met 🟡 target not met					