November 6, 2026

VIA RESS & EMAIL

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

Attention: Mr. Ritchie Murray, Registrar

Dear Mr. Murray:

RE: OEB File No. EB-2025-0252, Alectra Utilities Corporation ("Alectra Utilities") 2027-2031 Custom Incentive Rate Application for Electricity Distribution Rates and Charges (the "Application") - Decision and Order - OEB Settlement Adjustment

On October 14, 2025, Alectra Utilities filed an application with the Ontario Energy Board ("OEB") under Section 78 of the Ontario Energy Board Act, 1998, seeking approval to set electricity distribution rates and other charges, effective January 1, 2027, to December 31, 2031, in accordance with a Custom Incentive Rate-setting framework.

On October 15, 2026, the OEB issued its Decision and Order on the Settlement Proposal ("Decision"). The OEB accepted the Settlement Proposal subject to an adjustment (the "Settlement Adjustment") relating to opening rate base and a related rate rider intended to provide a credit to ratepayers associated with the impact of accounting policy changes. In its Decision, the OEB proposed replacing the rate rider contemplated in the Settlement Proposal with an annual rate rider that, beginning in 2027, would refund the difference in the cost associated with the proposed opening rate base and the opening rate base that would have resulted if the accounting changes had not been applied before 2027.

The OEB directed Alectra Utilities to report by October 29, 2026 on whether the OEB's adjustment to the Settlement Proposal is accepted by the Parties. On October 29, 2026, Alectra Utilities filed a letter advising that the Parties were continuing discussions regarding the Settlement Adjustment. On November 3, 2026, Alectra Utilities provided a further update advising the OEB that the Parties had reached an agreement in principle with respect to the implementation of the Settlement Adjustment that preserved all other elements of the Settlement Proposal.

Details on the agreed upon implementation of the Settlement Adjustment over the 2027-2031 rate term are provided below and will also be included in a further revised Settlement Proposal to be filed with the Draft Rate Order.

Implementation of the new annual rate rider (Settlement Adjustment)

Alectra Utilities will establish annual rate riders to refund customers in each year over the life of the assets affected by the accounting policy change. The refund will be subject to the rate smoothing approach for the Group 2 Deferral and Variance Account disposition agreed-upon in the Settlement Proposal for 2027-2031.

The annual amounts to be used to derive the rate riders is provided in Attachment 1 to this letter. In accordance with the OEB's proposal, Alectra Utilities calculated the revenue requirement impact of the difference between the proposed opening rate base and the opening rate base that would have resulted had the accounting changes not been applied before 2027. The calculation also takes into account the duration of the asset lives affected by the accounting changes. As the affected assets are fully depreciated in 2076, the annual rate rider refund will be in place for 49 years, from 2027-2075. The Parties believe that this approach is consistent with the Decision.

Alectra Utilities relied on evidence already filed in the proceeding to complete the calculation. Specifically, the $47.7 million adjustment to opening net book value shown in the "Rate Base" tab in Attachment 1 reconciles to the analysis provided in response to Undertaking JT-1.1.7. The impact over the remaining service lives of the affected assets is based on the Service Lives data provided in Appendix 2-C filed with the Settlement Proposal.

ROE and ESM Adjustment

In the Settlement Proposal, the Parties agreed that Alectra Utilities would establish an asymmetrical Earnings Sharing Mechanism ("ESM") that provides for sharing on a 50/50 basis above a deadband of 150 basis points. To ensure that the Settlement Adjustment does not affect the RRR ROE nor the ESM calculation, the Parties agree to exclude its impact from the RRR ROE calculation for the 2027-2031 rate period, without prejudice to their positions on this issue in future rebasing proceedings. As part of its ROE calculation in the annual RRR 2.1.5.6 filing, Alectra Utilities will adjust regulated net income by adding back the annual rate rider amounts refunded to customers, net of tax.

Please let us know if you have any questions or concerns.

Sincerely,

Christine E. Long

Digitally signed by Christine E. Long
Date: 2026.11.06 11:03:49 -05'00'

Christine E. Long
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cc: All parties
Natalie Yeates, Alectra Utilities
Charles Keizer, Daliana Coban, and Jonathan Myers, Torys LLP

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Attachment 1
Settlement Adjustment Rate Rider

Please see live Excel