

## Decision on the Cost of Capital and Other Matters Generic Proceeding

On March 27, 2025, the Ontario Energy Board (OEB) issued a [Decision and Order](#) regarding the cost of capital and other matters generic proceeding (the Proceeding).

The OEB found, among other matters, that the Fair Return Standard has been met since 2009, using the 2009 Cost of Capital Framework. The OEB also set the return on equity (ROE) of 9.00%, effective January 1, 2025.

These findings will affect the rates that customers pay for electricity and natural gas services. Utilities will use the new parameters set in this proceeding to inform rates on a go forward basis.

### Background

[The Proceeding](#) was initiated on the OEB's own Motion to consider the cost of capital and other matters for electricity transmitters, electricity distributors, natural gas utilities, and rate-regulated electricity generators.

Effective January 1, 2025, the OEB has revised the methodology for determining the values of the cost of capital parameters to be used to set rates, approved updated values to be used for 2025 cost-based rates applications and, in doing so, has left the methodology for determining capital structure unchanged, as well as the capital structure values themselves.

### Key Findings

A total of 22 issues were addressed through the proceeding, the key findings of which include:

- The Fair Return Standard has been met since 2009, using the 2009 Cost of Capital Framework.
- Cost of capital parameters have been set on a final basis, effective January 1, 2025:
  - ROE of 9.00% (including 25 basis points for flotation costs) applicable to all electricity transmitters, electricity distributors, natural gas utilities, and rate-regulated electricity generators
  - Deemed long-term debt rate (DLTDR) of 4.51%
  - Deemed short-term debt rate (DSTDR) of 3.91%
- An annual ROE adjustment formula has been determined to adjust rates for 2026 and forward cost-based rate applications.
- No changes in capital structure have been made. The capital structure applicable to Enbridge Gas Inc., Ontario Power Generation Inc., and EPCOR Natural Gas LP South Bruce territory will be determined at the next cost-based rates application for each of these utilities.
- The new cost of capital parameters (i.e., ROE, DSTDR, and DLTDR) will be implemented at the utility's next rebasing application.

- The term of the new Cost of Capital Framework is five years, such that the cost of capital policy shall be reviewed again in five years.
- Q2 2025 prescribed interest rates will be effective April 1, 2025 on a final basis,
  - The prescribed interest rate for deferral and variance accounts will be 3.16%
  - The prescribed interest rate for the construction work in progress account will be 4.23%

## Intervenors and Participants

A total of 36 Intervenors and utility participants took part in this Proceeding, a complete list of which can be found as Schedule A to the [Decision and Order](#). Not all parties participated in all stages of the proceeding.

Intervenors are individuals or groups who have permission to participate in a hearing before the OEB because they have a substantial interest in the proceeding.

## ABOUT THE OEB

The OEB is the independent regulator of Ontario's electricity and natural gas sectors. It protects the interests of consumers and supports the delivery of clean, reliable and affordable energy for the people, farms and businesses of Ontario. Its goal is to deliver public value through prudent regulation and independent adjudicative decision-making which contributes to Ontario's economic, social and environmental development. You can learn more about the OEB at [oeb.ca](http://oeb.ca).

Independence in the hearing and determination of matters is a key element of the OEB's mandate, established through legislative structures, the [Memorandum of Understanding](#) between the Minister of Energy and Electrification and the Chair of the OEB, and by-laws that set out clear lines of communication between government and the OEB. Commissioner panels hear and determine matters independently, with legislative protections and other instruments to ensure decisions are free from interference by the CEO, the Board of Directors and government. This also includes the Chief Commissioner when not assigned to the specific case.

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*Ce document est aussi disponible en français.*

*This Backgrounder was prepared by OEB staff to inform Ontario's energy consumers about the OEB's decision and is not for use in legal or regulatory proceedings. It is not part of the OEB's reasons for decision; those may be found in the Decision and Order issued March 27, 2025, which is the official OEB document.*