

Investing in Local Distribution to Support Local Growth

AMO'S SUBMISSION ON THE PANEL FOR UTILITY LEADERSHIP AND
EXCELLENCE (PULSE) REVIEW

December 15, 2025

Executive Summary

The Association of Municipalities of Ontario (“AMO”) appreciates the opportunity to provide feedback as the Panel for Utility Leadership and Excellence (“PULSE”) considers recommendations on how to deliver the next generation of electricity infrastructure. Municipalities support exploring innovative ways for local distribution corporations (“LDCs”) to fund and deliver electricity for local growth.

Clean, reliable, affordable energy is critical to supporting local housing and economic growth. Municipalities are important partners in ensuring growth planning and energy planning work together to meet local needs. We encourage PULSE to take four key considerations in account when making its recommendations. These considerations include the importance of:

1. Majority municipal ownership of LDCs with expanded private financing tools (ownership).
2. Transparent and accountable reporting and board composition (governance).
3. Flexibility for shareholders to decide what governance and financial models best meet local demands (local decision making).
4. Implementation timelines that account for the 2026 municipal elections (timing).

Majority Municipal Ownership and Private Financing

We understand that PULSE is exploring changes to LDC ownership and revenue generation including increased private ownership. Municipalities agree that attracting investment from institutional investors, including pension funds, could help raise capital to build and maintain electricity infrastructure. In instances where equity ownership is contemplated, municipalities should retain majority ownership and majority board membership to keep LDCs accountable to the communities they serve and maintain integrated energy and growth planning.

Municipalities take a broad view of LDC ownership beyond maximizing profits. Their mandate extends to ensuring equitable electricity access and managing infrastructure as a public asset and public good. Majority public ownership of LDCs would help strike a balance between maximizing profits and larger fairness and stewardship outcomes.

LDCs make important decisions about when to build new infrastructure, and how to allocate the limited capacity to meet growth needs. These decisions must also balance the needs of existing customers to avoid undermining reliability. Recent changes to the Distribution System Code give LDCs and developers more flexibility to fund and build infrastructure along new development. For these changes to be most effective, system planning needs to be coordinated with the local growth planning. Municipalities are making decisions about what developments to approve, and how to coordinate the construction of new infrastructure with this growth. This makes them ideally positioned to help guide LDC decision making that meets community needs, aligns with local

growth plans, and avoids over or under-building electrical infrastructure.

Transparent and Accountable Governance and Oversight

We understand that PULSE is exploring recommendations for good corporate governance and oversight of LDCs, including standardized key performance indicators (“KPIs”) and long-term planning. Municipalities support strong accountability and transparency measures that give ratepayers clear information about the costs and services they are receiving from their LDCs, and the management of LDCs assets.

We recommend developing standardized KPIs in collaboration with LDCs and their shareholders to reflect operational differences across the province. For example, the time needed to restore power during an outage may differ between rural and urban areas. Such differences may reflect the distance a repair crew needs to travel rather than service quality. Similarly, the ability to maintain sufficient capital reserves to meet long-term capital planning may be more challenging depending on the size of an LDC’s service area or number of customers. An approach to long-term planning that is flexible enough to account for regional and size-based differences will be best to balance accountability and transparency with operational realities.

We understand that consideration is being given to board membership and qualifications. The composition of LDC boards currently consists of a mix of members with professional experience in the energy sector, elected officials representing local councils, and community appointees who contribute diverse perspectives to decision making. There are pros and cons to each type of board member, with different compositions working to deliver corporate responsibility for operational management and strategic oversight. In the interest of balancing these needs with public oversight, municipalities expect that the appointment of board members should be proportional to the ownership stake. Further, in LDCs that are jointly owned and service multiple municipalities, it is important to have representation from each community on the board to capture local needs and perspectives in decision making. Within this context, we support continued flexibility for LDC shareholders – both public and private to determine what board composition and expertise best meets local needs.

Flexible Implementation of Changes

We understand that PULSE is exploring options to attract more private investment by removing barriers to LDC mergers, amalgamations, acquisitions, and divestitures. Municipalities support looking at innovative ways to structure LDCs to effectively fund, build, and manage infrastructure. The financial and governance needs of LDCs are varied. It’s essential that shareholders have flexibility to decide what changes best position their LDC for success.

Financial and governance models may not make sense in all contexts – for example, urban LDCs may need to raise significant capital for grid expansion, while rural and northern LDCs may only need to invest in sustaining operations for safety and service reliability. Similarly, some communities are best served by large LDCs that can benefit from economies of scale across multiple municipalities, and others by smaller LDCs that can make targeted investments in a focussed service area. The ability to attract private capital will vary. For example, small LDCs with limited growth potential may be less attractive investments than large LDCs with a growing rate base.

For these reasons, requiring all LDCs to transition to a specific share distribution model or investment target could create significant disruption with unclear benefits during a period when timely electricity infrastructure growth is needed to deliver on housing and economic growth needs. The most prudent approach is to provide more flexibility for governance structures and revenue generation, then allow LDCs in consultation with the communities they serve to determine which options work best in the local context.

2026 Municipal Elections

Municipal elections are scheduled for October 2026. It will be important to take into consideration key municipal election dates and the potential impact of elections on local decision making, particularly if PULSE recommendations require municipalities to take actions such as buying or selling shares in an LDC.

Councils are subject to a “restricted acts” period in an election year if it is determined that it is statistically impossible for 75% of the membership of municipal council to return for the following term. During this time, councils may be unable to take certain actions including disposition of any municipal property, making expenditures, or incurring any liability with a value exceeding \$50,000. There are two key dates where the restricted acts period may come into effect:

- Nomination Day (August 21, 2026) if less than 75% of the current members of council are running for re-election or acclaimed.
- Voting Day (October 26) if less than 75% of the current members of council are re-elected or acclaimed.

Conclusion

AMO appreciates the effort that PULSE and the Ministry of Energy and Mines have taken to ensure municipalities can provide input into the review of LDCs in Ontario. We know that in addition to the PULSE review, other initiatives are underway to support commitments outlined in Energy for Generations – the Province’s integrated energy plan. This includes work by the Ontario Energy Board (“OEB”) and the Integrated Electricity System Operator (“IESO”) to modernize their roles in energy system planning and oversight. We encourage PULSE and the Province to ensure that changes coming from these concurrent reviews are coordinated to provide a smooth implementation.

AMO supports efforts to recognize the important role municipalities play in supporting the energy grid and providing more options for LDCs and their municipal owners to deliver infrastructure and electricity service on-time and on-budget. We look forward to supporting PULSE and the Province in modernizing LDC governance, and making sure municipalities are active participants in energy planning.