



Ontario  
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**BY EMAIL**

November 20, 2020

Christine E. Long  
Registrar  
Ontario Energy Board  
2300 Yonge Street, 27th Floor  
Toronto ON M4P 1E4

Dear Ms. Long:

**Re: Elexicon Energy Inc. (Veridian Rate Zone)  
Application for 2021 Electricity Distribution Rates  
OEB Staff Submission  
OEB File Number: EB-2020-0013**

In accordance with Procedural Order No. 1, please find attached OEB staff's submission in the above proceeding.

Yours truly,

*Original Signed By*

Birgit Armstrong  
Project Advisor



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

Elexicon Energy Inc. (Veridian Rate Zone)

2021 Electricity Distribution Rates

EB-2020-0013

**November 20, 2020**

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## 1. Introduction

On December 20, 2018<sup>1</sup>, the Ontario Energy Board (OEB) approved an application to amalgamate Veridian Connections Inc. and Whitby Hydro Electric Corporation into Elexicon Energy Inc. (Elexicon Energy), which included the proposal to defer rebasing for ten years.

For its rate zone representing the service territory of the former Veridian Connections Inc. (Veridian RZ), Elexicon Energy filed an incentive rate-setting mechanism (IRM) application with the OEB on August 20, 2020 under section 78 of the *Ontario Energy Board Act, 1998* (OEB Act) seeking approval for changes to its electricity distribution rates to be effective January 1, 2021.

Elexicon Energy's application for the Veridian RZ is based on a Price Cap Incentive Rate-setting option (Price Cap IR). In accordance with the decision approving the amalgamation of Veridian Connections Inc. and Whitby Hydro Electric Corporation, the Veridian RZ will continue to have its rates adjusted until the end of the ten-year deferred rebasing period.

On November 9, 2020, the OEB issued a letter<sup>2</sup> establishing the process for the implementation of the inflation factor for use in 2021 rate adjustment applications and setting the OEB-approved inflation factor for 2021 at 2.2%. In the same letter, the OEB explained that, in light of the ongoing pandemic, utilities had the discretion of selecting the inflation factor of 2.2% or a lower value. The OEB also instructed utilities that have filed applications for January 1, 2021 rates to make their election by November 19, 2020 by filing a letter on the record of their 2021 rates proceeding. Elexicon Energy filed a letter with the OEB on November 17, 2020, advising that it has elected to apply the OEB-approved inflation factor of 2.2% for its 2021 rates.<sup>3</sup>

OEB staff has provided an updated IRM Model with this submission to reflect the 2.2% inflation factor.

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<sup>1</sup> EB-2018-0236, Decision and Order, December 20, 2018.

<sup>2</sup> OEB Letter RE: 2021 Inflation Parameters, November 9, 2020

<sup>3</sup> EB-2020-0013, Elexicon Energy, Letter re: Inflationary Parameters

Elexicon Energy has requested an update to its Retail Transmission Service Rates (RTSRs) to recover the wholesale transmission rates charged by the Independent Electricity System Operator (IESO).<sup>4</sup> Elexicon Energy's updated RTSRs, as filed, have been adjusted to reflect the current OEB-approved interim 2020 Uniform Transmission Rates (UTRs).<sup>5</sup> OEB staff has no concerns with Elexicon Energy's requested adjustments to its RTSRs.

Elexicon Energy had also requested a Shared Tax Savings Adjustment for its Veridian RZ due to legislative tax changes since its last rebasing application for rates effective May 1, 2014. The application identifies a total tax increase of \$5,698, resulting in a shared debit amount of \$2,849 to be collected from ratepayers.<sup>6</sup> This allocated tax sharing amount does not produce a rate rider in one or more rate classes. In such situations, where the Rate Generator Model does not compute rate riders, distributors typically are required to transfer the entire OEB-approved tax sharing amount into the Disposition and Recovery of Regulatory Balances Control Account (Account 1595) for disposition at a later date, which is consistent with Elexicon Energy's request. OEB staff supports this approach.

OEB staff makes detailed submissions on the following:

- Group 1 Deferral and Variance Accounts
- Lost Revenues Adjustment Mechanism Variance Account (LRAMVA)
- Renewable Generation Connection Rate Protection (RGCRP)
- COVID-19 Forgone Revenue Rate Rider
- Rate Year Alignment

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<sup>4</sup> Manager's Summary, Page 6

<sup>5</sup> If the OEB approves an update to the 2020 OEB-approved interim UTRs, or issues new 2021 UTRs prior to the Decision and Order for Elexicon Energy's 2021 rates, OEB staff will update Elexicon Energy's rate generator model accordingly.

<sup>6</sup> 2021 IRM Rate Generator Model, filed August 20, 2020

## 2. Group 1 Deferral and Variance Accounts

### Background

Elexicon Energy's 2019 Group 1 deferral and variance account (DVA) balances for its Veridian RZ are below the OEB's pre-set disposition threshold of \$0.001 per kWh. Elexicon Energy has elected not to dispose of the Veridian RZ Group 1 DVA balances in this proceeding.

In Elexicon Energy's 2020 rate proceeding for its Veridian RZ,<sup>7</sup> it addressed its implementation of the OEB's Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589 (Accounting Guidance)<sup>8</sup> and its review of historical account balances not yet disposed on a final basis in the context of the Accounting Guidance.

In its Decision and Rate Order for that proceeding, the OEB approved final disposition of the Veridian RZ's 2017 Group 1 balances that were previously approved on an interim basis. The 2018 Group 1 balances were not disposed as the OEB's pre-set disposition threshold was not exceeded. However, the OEB found that the 2018 balances appeared reasonable. The OEB further found that it would approve an extension for the implementation date of the Accounting Guidance to align with the implementation date of Elexicon Energy's new integrated Customer Information System (CIS). In the current proceeding, Elexicon Energy clarified that the timing of the integration of the new CIS was not a barrier for its implementation of the Accounting Guidance in the Veridian RZ<sup>9</sup>, and only a relevant consideration for its rate zone representing the service territory of the former Whitby Hydro Electric Corporation (Whitby RZ). Elexicon Energy further confirmed that it has implemented the Accounting Guidance in the Veridian RZ.<sup>10</sup> Elexicon Energy has also addressed the reasonability of its 2019 Account 1588 and Account 1589 balances for the Veridian RZ.<sup>11</sup>

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<sup>7</sup> EB-2019-0252, April 16, 2020

<sup>8</sup> Accounting Procedures Handbook Update – Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589, February 21, 2019

<sup>9</sup> Manager's Summary, page 15

<sup>10</sup> EB-2020-0013, IRR OEB Staff #6

<sup>11</sup> Account 1588 is discussed in IRR OEB Staff #8 and 9. Account 1589 reasonability is provided in the GA Analysis Workform and IRR OEB Staff #8-10.

### Submission

OEB staff does not take issue with Elexicon Energy's 2019 Group 1 balances. OEB staff also does not take issue with Elexicon Energy's disposition threshold calculation for the Veridian RZ and its proposal to not dispose Group 1 balances for Veridian RZ.

## **3. Request for Disposition of Account 1568 LRAMVA**

### Background

As part of its pre-filed evidence, Elexicon Energy applied to dispose of a debit balance of \$779,427 in lost revenues associated with conservation activities in 2018, persisting savings in 2018 from conservation activities completed from 2012 to 2017, and projected carrying charges to December 31, 2020. Elexicon Energy filed its 2019 Participation & Cost report, 2017 Final Verified Annual LDC CDM Program Results report, 2014 Final Verified Annual LDC CDM Program Results report and a report from IndEco Strategic Consulting Ltd. in support of its lost revenue claim.

Elexicon Energy proposes the disposition of the LRAMVA balances for all rate classes over a period of 12 months, from January 1, 2021 to December 31, 2021.

In response to OEB staff interrogatories<sup>12</sup>, Elexicon Energy made a minor update to correct an administrative issue relating to rate class allocations that increased the LRAMVA balance. The net result of this change is an increase to the balance by \$4,311 to a revised LRAMVA debit amount of \$783,738.

### Submission

OEB staff submits that Elexicon Energy has calculated its LRAMVA claim in accordance with OEB policy and filing requirements and agrees with the updates made in response to OEB staff interrogatories.

OEB staff supports the disposition of the LRAMVA debit balance of \$783,738 over a recovery period of 12 months..

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<sup>12</sup> EB-2020-0013, IRR OEB Staff-11

OEB staff supports the LRAMVA balance requested for disposition, as noted in Table 1 below:

**Table 1: LRAMVA Balances for Disposition**

Account Name	Account Number	Actual CDM Savings (\$) A	Forecasted CDM Savings (\$) B	Carrying Charges (\$) C	Total Claim (\$) $D=(A-B)+C$
LRAMVA	1568	993,212	243,503	34,029	783,738

#### 4. Renewable Generation Connection Rate Protection

##### Background

Subsection 79.1 (1) of the OEB Act states that the OEB may provide Renewable Generation Connection Rate Protection (RGCRP) compensation amounts to eligible distributors. Ontario Regulation 330/09 (the Regulation) prescribes the methodology that the OEB uses to determine the amount that the utility may collect from the IESO for any given year.

Distributors are required to plan for new electricity generation projects expected to connect to their systems. Based on their plans, distributors may apply to the OEB for funding to recover the cost of assets to enable and to connect generators to their distribution systems, including generators using renewable sources of energy such as wind or solar. The OEB then takes steps to ensure that all Ontario customers, not just the ratepayers of the individual distributor, contribute to the costs of investments to connect renewable generators in accordance with applicable legislation.

The OEB determines the eligibility of the connection investment made by a distributor in its distribution rate decision and issues an order to the IESO to collect and disburse specific amounts based on the approved entitlement. Since May 1, 2010, the OEB has issued such decisions pursuant to the Regulation.

In its cost of service (CoS) application for 2014 rates, the former Veridian Connections Inc. was approved for three renewable generation projects, including two Renewable

Enabling Improvement (REI) projects and one Renewable Expansion project. The associated expenditures for those projects are shown in Table 2 below.<sup>13</sup>

**Table 2 - 2014 Approved Renewable Generation Projects**

<b>Renewable Enabling Improvement Projects</b>						
		<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Communication Platform	\$	-	\$ 115,000	\$ 115,000	\$ 115,000	\$ 115,000
Micro-Grid Project	\$	-	\$ 300,000	\$ 165,000	\$ -	\$ -
Total	\$	-	\$ 415,000	\$ 280,000	\$ 115,000	\$ 115,000
<b>Monthly Amount Paid by IESO</b>	\$	-	\$ 3,099	\$ 8,230	\$ 11,038	\$ 12,551
<b>Renewable Expansion Project</b>						
Index Energy	\$	500,000	\$ -	\$ -	\$ -	\$ -
<b>Monthly Amount Paid by IESO</b>	\$	1,446	\$ 3,088	\$ 3,031	\$ 2,974	\$ 2,917

In a letter to the OEB dated December 19, 2019, Elexicon Energy made a request for the 2020 RGCRP compensation amount of \$217,996 (\$18,166 per month) from the IESO for two of the three renewable investments (the Micro-Grid and Index Energy projects) that were approved in the 2014 CoS decision and order.<sup>14</sup> Elexicon Energy stated that it has only received IESO funding to date for its Index Energy project, and no funding for either of the two REI projects. However, Elexicon Energy noted that only one of the two REI projects (the Micro-Grid) has been placed in-service, with the remaining one (Communication Platform) set to go into service in 2021. Elexicon Energy did not receive any revenue to date under the rate protection mechanism for the Micro-Grid project due to an administrative oversight in prior decision and orders for RGCRP compensation amounts.

The requested updated monthly payment of \$18,166 is significantly higher than the previously approved monthly payment of \$2,917 because it incorporates \$20,148<sup>15</sup> in

<sup>13</sup> EB-2013-0174, Settlement Proposal, Appendix 2-FA to 2-FC, filed March 26, 2014 and Decision and Order, issued April 10, 2014.

<sup>14</sup> EB-2013-0174, April 10, 2014.

<sup>15</sup> Total funding of \$241,776 includes the prior period recoveries from 2016 to 2019 (\$190,368) and the 2020-related funding (\$51,408). The monthly amount related to the Micro-Grid project is \$241,775 / 12 = \$20,148.

monthly funding associated with the Micro-Grid project (including the cumulative amounts from 2016 to 2019 that Elexicon Energy should have been previously compensated for). This funding increase was partially offset by a true-up for the Index Energy project for the 2014 to 2019 period. The off-setting amount of \$4,060 per month represents the difference between forecasted and actual capital expenditures for the Index Energy project. The total 2020 RGCRP compensation request also included in-year (2020) RGCRP funding for both the Index Energy and Micro-Grid projects, based on actual capital cost.<sup>16</sup> The actual costs for both projects were lower than the approved forecasted amounts. The components of the 2020 RGCRP funding request are shown in Table 3 below:

**Table 3: 2020 RGCRP Compensation**

	<b>Prior Period True-up Amounts (2014 – 2019) \$</b>	<b>Prior Period Recoveries (2016-2019) \$</b>	<b>RGCRP amount (2020) \$</b>	<b>Total \$</b>
<b>Micro-Grid</b>	-	190,368	51,408	<b>241,776</b>
<b>Index Energy</b>	(48,716)	-	24,936	<b>(23,780)</b>
<b>Total</b>	(48,716)	190,368	76,344	<b>217,996</b>
<b>Monthly Payments</b>	(4,060)	15,864	6,362	<b>18,166</b>

In its decision and order determining the 2020 RGCRP compensation amounts (2020 RGCRP Decision)<sup>17</sup>, the OEB approved interim RGCRP funding for the Index Energy and Micro-Grid projects that were approved as part of Veridian Connections Inc.'s 2014 CoS application.

The OEB found that the disposition of the variance account (which holds the amounts being proposed for recovery) requires a prudence review, which was not within the scope of the 2020 RGCRP proceeding. The OEB noted that it expects Elexicon Energy to provide evidence supporting the actual amounts for these two projects in its 2021 rate

<sup>16</sup> EB-2019-0279, Elexicon Energy's letter to the OEB, December 19, 2019, page 2

<sup>17</sup> EB-2019-0279, issued January 30, 2020

proceeding so that the OEB may be able to finalize these amounts. The OEB also found that Elexicon Energy should provide evidence supporting the remaining enabling project (Communication Platform) should it be scheduled to go into service in 2021.<sup>18</sup>

On August 20, 2020, as part of this current proceeding, Elexicon filed evidence with regards to the Index Energy and Micro-Grid projects and requested the finalization of the 2020 interim amounts, as well as 2021 RGCRP funding for these two projects.

On October 14, 2020, Elexicon Energy updated its evidence to extend its proposed RGCRP payments to 2028 (to account for the extended rebasing deferral period following amalgamation) and included a funding request for the Communication Platform project based on forecasted capital costs of \$460,000. Elexicon Energy proposed a staggered approach to in-service capital additions (\$115,000 over four years) starting in 2022.

In addition, Elexicon Energy has also requested that the OEB approve ongoing RGCRP funding for the period 2021-2028 as shown below. These amounts consist of on-going depreciation expenses for the Energy Index and the Micro-Grid projects, as well as new funding for the Communication Platform project starting in 2022. Table 4 below shows the proposed RGCRP funding schedule:

**Table 4: RGCRP Funding 2021- 2028<sup>19</sup>**

Years	2021	2022	2023	2024	2025	2026	2027	2028
Calculated annual amounts	\$74,719.44	\$78,633.71	\$83,470.54	\$105,503.64	\$108,761.94	\$99,728.27	\$93,539.55	\$87,350.83
True Up for end of 2020	-\$4,014.41							
Annual Amount Requested	\$70,705.02	\$78,633.71	\$83,470.54	\$105,503.64	\$108,761.94	\$99,728.27	\$93,539.55	\$87,350.83
Monthly Amount	\$5,892.09	\$6,552.81	\$6,955.88	\$8,791.97	\$9,063.49	\$8,310.69	\$7,794.96	\$7,279.24

## Submission

This submission will discuss:

- Finalization of interim 2020 RGCRP compensation amounts
  - Micro-Grid Project
  - Index Energy Project

<sup>18</sup> Ibid, p. 8

<sup>19</sup> IRR-Staff-2 Updated Appendices 2FA-2FC filed on November 5, 2020.

- RGCRP funding for the period 2021-2028
  - Communication Platform

#### Finalization of interim RGCRP compensation

The RGCRP compensation approved on an interim basis in 2020 was based on funding associated with the Micro-Grid and Index Energy projects.

#### *Micro-Grid Project*

In its CoS application for 2014 rates, the former Veridian Connections Inc. received approval for investing in a Micro-Grid project in the amount of \$465,000 (\$300,000 in 2015 and \$165,000 in 2016). The project was completed and went into service in 2015 at a total cost of \$429,343.<sup>20</sup>

In its 2020 RGCRP funding request, Elexicon Energy noted that it had not received any funding to date from the IESO for this project. As part of the 2020 RGCRP Decision, the OEB approved interim funding associated with the Micro-Grid project for the years 2016 to 2020 in the amount of \$241,776. This amount is based on the actual cost of the investment. The payment is comprised of a retroactive payment of \$190,368 for the 2016-2019 period and an amount of \$51,408 in funding for the 2020 year.

OEB staff notes that this project was completed under budget and on time. OEB staff takes no issue with the actual capital costs or RGCRP compensation amounts associated with this project and submits that the true-up amounts approved as part of the 2020 RGCRP decision and order should be made final.

#### *Index Energy Expansion Project*

As part of the former Veridian Connections Inc.'s 2014 rate proceeding, the OEB also approved an amount of \$500,000 in system expansion capital costs required to connect a new 25 MW generator located in Ajax, Ontario. Elexicon Energy received a total amount \$184,808 of IESO funding for this project between 2014 and 2019.

As part of this current proceeding, as well as in the 2020 RGCRP funding request, Elexicon Energy provided its total actual capital costs for the Index Energy project in the

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<sup>20</sup> EB-2020-0013, 2021 IRM Application, Appendix I, p. 3 of 4

amount of \$355,852. Based on these costs, Elexicon Energy calculated, and was approved for a 2014 to 2019 true-up amount of (\$48,716), on an interim basis, as part of the 2020 RGCRP Decision. Elexicon Energy was also approved for \$24,936 in RGCRP funding associated with the 2020 year.

OEB staff takes no issue with the actual capital costs of \$355,852 or the associated ongoing depreciation expense. OEB staff notes that the RGCRP funding previously granted on an interim basis was immaterially over-stated<sup>21</sup>. That difference has been included in the 2021 RGCRP funding requested by Elexicon Energy. OEB staff submits that with this minor correction accounted for, the 2020 RGCRP Decision should be made final.

#### RGCRP funding for the period 2021-2028

##### *Communication Platform*

As part of an application update filed on October 14, 2020, Elexicon Energy included a request for the approval of RGCRP funding for its Communication Platform project starting in 2022.

In its 2014 CoS application, Elexicon Energy proposed an investment in a high bandwidth, low latency communication platform that provides communication between Elexicon Energy's System Control Centre and components of the distribution system and renewable generator end-points. Elexicon Energy noted that the new platform would be purchased and installed over a four-year period from 2015 to 2018 with a total capital investment forecasted at \$911,000. The communication platform was intended to enable communication for both smart grid and renewable generators and costs were allocated on a 50/50 basis between provincial and local ratepayers for the purpose of determining the RGCRP funding.<sup>22</sup>

In its current application, Elexicon Energy noted that for the original funding request in 2014, a consultant conducted a study and a four-year plan was established. Due to

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<sup>21</sup> EB-2020-0013, Appendix 2 FA – 2-FC, Tab 4. Amounts presented in the 2020 RGCRP proceeding erroneously based 2014 funding on a 12-month period but should have been based on 8 months, given a May 1 effective date. This difference totalled (\$4,014).

<sup>22</sup> EB-2020-0013, Addendum to Appendix I, filed October 14, 2020, p. 2

subsequent merger talks, the implementation of the Communication Platform project was put on hold.<sup>23</sup>

Elexicon Energy noted that this project is now anticipated to be implemented over a four-year period between 2022-2025, with a in-service date by 2025.<sup>24</sup>

In response to interrogatories, Elexicon Energy stated that the Communication Platform will be installed in stages (each one being in-service) beginning in 2022.<sup>25</sup> No costs are forecasted, nor is funding requested, for the 2021 rate year. The requested RGCRP compensation for this project starts in 2022 and incorporates capital costs of \$115,000 annually until 2025, when all stages of the project will be fully in-service. For the remaining period 2026-2028, the request includes ongoing depreciation expense for this project.

OEB staff notes that the costs estimated for this project are based on a 2014 study, taking into consideration Veridian Connections Inc.'s circumstances and service territory at that time. In response to OEB staff interrogatories, Elexicon Energy stated that it has not received any updated cost estimates following the initial 2014 study and that a future assessment of this project will take into account the whole service territory with the newly-merged entity. Elexicon Energy further stated that if it receives updated cost estimates for this project, it will file that information with the OEB.<sup>26</sup>

Elexicon Energy also noted that it has yet to decide if start-up operations, maintenance and administrative (OM&A) costs should be included in its funding request and that the need for OM&A cost will be assessed by 2022.<sup>27</sup> In response to interrogatories<sup>28</sup>, Elexicon Energy stated that it will not be asking for more funds for this project. OEB staff notes that the basis for the 2014 approval of RGCRP funding has changed and Elexicon Energy's circumstances in the 2022 rate year is substantially different than it was in 2014. The amalgamation, and subsequent project postponement, has resulted in a substantial amount of time between when the project was originally-proposed and when it is now anticipated to be implemented. OEB staff submits that it is reasonable to expect that the assumptions underpinning the cost estimates have likely changed, due

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<sup>23</sup> EB-2020-0013, Appendix I, filed August 20, 2020, p. 2

<sup>24</sup> Ibid, p. 2

<sup>25</sup> EB-2020-0013, Interrogatory Responses VECC-3(a)

<sup>26</sup> EB-2020-0013, Interrogatory Responses OEB-staff 1(b)

<sup>27</sup> EB-2020-0013, Interrogatory Responses OEB-staff 1(c) and (d)

<sup>28</sup> EB-2020-0013, Interrogatory Response VECC 3(b)

to technological advances. Furthermore, as a newly-amalgamated entity serving a different service territory, the cost structure supporting a Communication Platform serving Elexicon Energy's service territory may be materially different than that of the one required for the former Veridian Connections Inc. The above factors may result in substantially different cost estimates and this warrants a revised RGCRP application, with a more timely and robust set of supporting evidence, prior to the OEB approving this request.

OEB staff is also unclear as to when this project will be fully used and useful. Elexicon Energy stated that various stages will be in-service over a four-year period but did not provide any further information. OEB staff does not understand the interrelated nature of the different "stages" and how each of these stages can independently provide in-service value and use before subsequent stages can be completed. OEB staff submits that since the applicable in-service date of this project remains unclear, Elexicon Energy's request is premature at this time. If this project can be split into four stages with standalone value, Elexicon Energy may consider a request for funding for each stage on an individual basis.

With regards to the cost allocation of this project, it is unclear whether it remains appropriate to allocate a 50% share of these costs to provincial ratepayers. Given the changes resulting from the amalgamation, OEB staff submits that Elexicon Energy should re-assess how much of this Communication Platform will be used to enable communication for both smart grid and renewable generators versus other local benefits. OEB staff submits that Elexicon Energy should provide updated cost estimates for the project, as well as an updated cost allocation proposal for this project (or justification for its proposed alternative allocation), as part of the proceeding for the rate year in which the project will go into service.

In OEB staff's view, Elexicon Energy has not provided the necessary information required by the OEB to accept its request for RGCRP funding for the Communication Platform. OEB staff further submits that the OEB would benefit from a more up-to-date set of evidence to support this request.

### Summary

OEB staff supports the extended funding request for the 2021 to 2028 period for the Index Energy and Micro-Grid projects, given the deferred rebasing period arising out of

the Elexicon Energy amalgamation. For the reasons discussed above, OEB staff does not support the funding request for the Communication Platform as part of this application. OEB staff submits that Elexicon Energy should file an updated Appendix 2 FA-FC, excluding the costs associated with the Communication Platform project. OEB staff also submits that Elexicon Energy should recalculate the required provincial rate protection funding based on the ongoing depreciation for the Index Energy and Micro-Grid projects only.

## 5. COVID-19 Forgone Revenue Rate Rider

### Background

On April 16, 2020, the OEB issued a Decision and Rate Order, which established Elexicon Energy's 2020 rates in the Veridian RZ.<sup>29</sup> This decision and rate order included a provision for Elexicon Energy to postpone the implementation of these rates due to the COVID-19 pandemic.

On April 21, 2020, Elexicon Energy filed a letter with the OEB seeking authorization to postpone the implementation of its new rates until January 1, 2021. Elexicon Energy explained that it wishes to determine the best options available to minimize rate impacts to customers given that it intends to propose harmonization of the Veridian RZ and the Whitby RZ, to a common rate year in January, 2021. On April 28, 2020, the OEB granted this request and issued a Vary Order to that effect.<sup>30</sup>

As part of this application, Elexicon Energy filed a request to implement 2020 rates, along with the associated COVID-19 foregone revenue rate riders. The requested total foregone revenue amounted to \$620,303. Elexicon Energy filed the supporting documentation and the COVID-19 foregone revenue rate model. On November 5, 2020, Elexicon Energy filed an updated model in response to interrogatories, resulting in a total foregone revenue request of \$618,891.<sup>31</sup>

### Submission

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<sup>29</sup> EB-2019-0252, Decision and Rate Order, issued April 16, 2020

<sup>30</sup> EB-2019-0252, Vary Order, issued April 28, 2020

<sup>31</sup> EB-2020-0013, Interrogatory Responses OEB-staff 4 (c)

For Elexicon Energy, the deferral of the implementation of 2020 rates from May 1, 2020 to December 31, 2020 resulted in a total forgone revenue amount of \$618,891.<sup>32</sup> OEB staff takes no issue with the calculation of the total amount of forgone revenue to be recovered over a twelve-month period from January 1, 2021 to December 31, 2021.

In order to establish COVID-19 foregone revenue rate rider, the model applied forecast 2021 billing determinants based on a combination of actual 2020 data as well as forecast data. In the case of Elexicon Energy, the model was adapted to allow for the extension of the deferral period into November and December 2020. In the application as originally filed on August 20, 2020, the COVID-19 Forgone Revenue Rate Rider model was populated with the following data:

Customer counts (or connections):

- May – July 2020: Monthly actual average of opening and ending balances
- August – December 2020: Internal projections
- 2021: December 2020 ending projection adjusted for limited or no growth due to COVID-19 uncertainty

Volumetric consumption (kW/kWh):

- May – July 2020: monthly actual billed, plus unbilled
- August – December 2020: Internal projections
- 2021: Average consumption or demand per customer applied to customer count or connection projections

In order to establish the reasonability of the billing determinants used to determine the Forgone Revenue Rate Rider, OEB staff compared the billing determinant used on tab 3 of the COVID-19 Forgone Revenue Rate Rider Model to the 2019 RRR data. In response to an interrogatory<sup>33</sup>, Elexicon Energy noted that in its original application it used higher 2020 demand data (kW) for the GS 3,000-4,999 kW rate class than historical data. This demand did not materialize due to changes in the business environment, including conservation efforts. Elexicon Energy also stated that the demand data used to determine the rate rider for the Sentinel class was incorrectly estimated.<sup>34</sup>

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<sup>32</sup> COVID-19 Forgone Revenue Rate Rider Model, updated November 5, 2020, Tab. 4

<sup>33</sup> IRR-Staff-4

<sup>34</sup> EB-2020-0013, Interrogatory Response, OEB Staff-4

Elexicon Energy advised that based on its review of actual 2020 consumption data (as of September 2020), it updated the COVID-19 Forgone Revenue Rate Rider model. The table below shows the 2019 RRR data as well as the originally applied for and updated billing determinants.

**Table 5 - Billing Determinants – Forgone Revenue Rate Rider Model**

	RRR Data	2021 Jan-Dec Recovery Period	2021 Jan-Dec Recovery Period
		As Applied	Updated
	kW	kW	kW
Rate Class			
GS 3,000-4,9999 kW	195,196	251,850	198,418
Sentinel	628	402	654

OEB staff takes no issue with the updated billing determinants.

OEB staff notes that the updated billing determinants result in the following rate riders:

**Table 6 – Foregone Revenue Rate Riders**

Combined Foregone Revenue Rate Rider			
Rate Class	Unit	Forgone Revenue Rate Rider (Fixed)	Forgone Revenue Rate Rider (Volumetric)
RESIDENTIAL SERVICE CLASSIFICATION	kWh	\$0.30	-
SEASONAL RESIDENTIAL SERVICE CLASSIFICATION	kWh	\$2.83	(\$0.0041)
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	\$0.19	\$0.0002
GENERAL SERVICE 50 TO 2,999 KW SERVICE CLASSIFICATION	kW	\$1.24	\$0.0371
GENERAL SERVICE 3,000 TO 4,999 KW SERVICE CLASSIFICATION	kW	\$65.67	\$0.0246
LARGE USE SERVICE CLASSIFICATION	kW	\$98.64	\$0.0357
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	\$0.08	\$0.0002
SENTINEL LIGHTING SERVICE CLASSIFICATION	kW	\$0.05	\$0.1626
STREET LIGHTING SERVICE CLASSIFICATION	kW	\$0.01	\$0.0376
microFIT SERVICE CLASSIFICATION	0	-	-

In response to interrogatories, Elexicon Energy noted that while a rate rider is calculated for the Sentinel rate class, the quantified amount allocated to this class is less than \$300 in total.<sup>35</sup> Sentinel Lights are typically attached to a customer account which is assigned to one of the other rate classes (i.e. residential, GS<50 kW). Elexicon Energy noted that as a result, the system setups and tracking require additional effort. Elexicon Energy is proposing to forgo this immaterial revenue amount as the costs to implement and track outweigh the benefit.

OEB staff takes no issue with the calculated COVID-19 Foregone Revenue Rate Riders as shown above. While OEB staff notes that the model creates a rate rider for the Sentinel rate class, OEB staff does not oppose Elexicon Energy forgoing the revenue allocated to this rate class.

## 6. Rate Year Alignment

### Background

As part of this application, Elexicon Energy is requesting to align the rate year in its Veridian RZ, effective January 1, 2021, with that of the Whitby RZ. Due to the amalgamation, Elexicon Energy is currently in a deferred rebasing period and both rate

<sup>35</sup>Ibid

zones will continue to have their rates adjusted under the Price Cap IR Index (Veridian RZ) and the Annual IR Index (Whitby RZ) until 2028.

As part of its request to defer implementation of 2020 rates, Elexicon notified the OEB of its intention to align its rate year to January 1 for its Veridian RZ. OEB staff notes, that while the OEB granted the deferral of the implementation of 2020 rates until January 1, 2021, it did not opine on the issue of rate year alignment.<sup>36</sup>

In its application, Elexicon Energy noted that since the OEB's Rate Year Alignment consultation in 2009, the effect of mergers, acquisitions, amalgamation and divestiture (MAADs) have created new scenarios whereby a distributor may have varying rate years across its multiple rate zones. In addition, distributors may choose longer CoS deferral periods (up to ten years) after an amalgamation. Elexicon Energy noted that it is one of those distributors.

Elexicon Energy listed a number of benefits of aligning rate years, including improved consistency for all its customers, greater efficiency of the rate application process and improved consistency in reporting fiscal year ROE.<sup>37</sup>

Elexicon Energy recognized that the rate year alignment has financial implications for customers resulting from advancing the start of the rate year by four months (from May 1 to January 1). Elexicon Energy stated the following:<sup>38</sup>

While this alignment carries forward each year until rates are reset during rebasing, the net effect of the rate year alignment is to simply pull forward those rates that would otherwise be approved for collection by [Elexicon Energy] in [its Veridian RZ]. For [Elexicon Energy], this creates an amount of over-collection equal to the incremental rate increase during the Jan-April 1<sup>st</sup> period of the 2028 rate year (the year prior to rebasing) under a May rate year.

To address the financial impacts to its customers, Elexicon Energy proposes to use an approach consistent with the Forgone Revenue Guidance provided by the OEB to address the May 1, 2020 rate deferral in order to hold its customers harmless.

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<sup>36</sup> EB-2019-0252, Vary Order, April 28, 2020, p. 1

<sup>37</sup> EB-2020-0013, Appendix H, p. 5 of 12

<sup>38</sup>e

Elexicon Energy has provided a model that calculates a total over-collection of \$326,351 based on the differential between current rates and proposed rates over a four-month period from January 1, 2021 to April 30, 2021. Elexicon Energy is proposing to refund this amount to all rate classes (with the exception of the Sentinel rate class) over a four-month period.

Elexicon Energy has used forecasted customer and consumption data to allocate the credit balances to the rate classes, similar to the approach developed by the OEB for establishing the COVID-19 Forgone Revenue Rate Rider. In response to interrogatories, Elexicon Energy updated the 2021 projected consumption data used for billing determinants for the GS 3,000 – 4,999 kW and Sentinel Lighting rate class as follows:

**Table 7 – Rate Year Alignment Billing Determinants**

2.1.2 Elexicon Veridian Rate Zone		Rate Year Alignment	
	2019 RRR	2021 Jan-Apr recovery period	Variance %
	2.1.5.4*		
Rate Class	kW		
Residential	-		
Seasonal Residential	-		
General Service < 50 kW	-		
General Service 50 to 2,999 kW	758,541	772,304	2%
General Service 3,000 to 4,999 kW (Intermediate Use)	65,065	83,950	29%
General Service > 5,000 kW (Large Use)	144,471	141,588	-2%
Unmetered Scattered Load	-		
Sentinel Lighting	209	134	-36%
Street Lighting	12,219	12,341	1%
Total	980,506		

Rate Year Alignment Proposed Revision	
2021 Jan-Apr recovery period	Variance %
kW	
772,304	2%
66,815	3%
141,588	-2%
216	3%
12,341	1%

\* Data reflects 2019 RRR prorated for 4 month timeframe

As a result, Elexicon Energy is proposing the following disposition amounts and credit rate riders (with the exception of the Sentinel Lighting rate class, discussed below):

**Table 8 – Rate Year Alignment Rate Riders**

Rate Class	Unit	Rate Year Alignment Revenue to Refund to Customers (MFC) \$	Rate Year Alignment Revenue to Refund to Customers (DVR) \$	Rate Year Alignment Rate Rider (MFC) \$	Rate Year Alignment Rate Rider (DVR) \$
RESIDENTIAL	kWh	(209,179.48)		(0.46)	
SEASONAL RESIDENTIAL	kWh	(5,335.68)		(0.84)	
GS<50 KW	kWh	(11,103.60)	(29,424.54)	(0.30)	(0.0003)
GS 50 TO 2,999 KW	kW	(7,846.28)	(45,411.48)	(1.91)	(0.0588)
GS 3,000 TO 4,999 KW	kW	(2,003.40)	(2,492.20)	(100.17)	(0.0373)
LARGE USE SERVICE CLASSIFICATION	kW	(2,407.68)	(7,433.37)	(150.48)	(0.0525)
USL	kWh	(408.00)	(474.30)	(0.12)	(0.0003)
SENTINEL LIGHTING	kW	(83.27)	(52.34)	(0.08)	(0.2423)
STREET LIGHTING	kW	(1,259.30)	(816.99)	(0.01)	(0.0662)

In order to hold customers harmless, Elexicon Energy has requested a new variance account to track amounts from the Rate Year Alignment Rate Riders against actual impacts during the transition period January 1, 2021 to April 30, 2021. Elexicon Energy proposes to dispose of any residual balances as part of a future rate application.

### Submission

In its letter of April 15, 2010, concluding the Rate Year Alignment consultation, the OEB found that it expects the distributor to include an analysis of the benefits and ratemaking implications, if any, of the alignment as part of its application.<sup>39</sup> The OEB has since not required such an analysis as part of cost of service applications per section 2.0.5 of the OEB's cost of service filing requirements. In addition, while rate year alignment is not on the list of exclusions identified in section 3.4 of the OEB's IRM filing requirements, that section makes it clear that those items are just examples. That said, OEB staff notes

<sup>39</sup> OEB Letter, April 15, 2010, p. 2 and Appendix B

that Elexicon Energy has requested to align its rate year for the Veridian RZ to its fiscal year, but also to align to the rate year of the Whitby RZ. In addition, the adjustment is a credit to customers. OEB staff is of the view that this is a unique circumstance. Elexicon Energy has provided the benefits of the rate year alignment and reviewed the rate implications from a rate payer's perspective. The analysis is mechanistic and OEB staff takes no issue with the calculations.

For all of the above reasons, OEB staff supports the implementation of the refund, the methodology used and the calculation of the Rate Year Alignment refund of \$326,351.

For the Sentinel Lighting rate class, Elexicon Energy is proposing not to return a total of \$137 as the costs to implement and track outweigh the benefit.<sup>40</sup> Elexicon Energy notes that the amount is offset by the amount it is proposing to forgo in lost revenue from deferring implementation of the May 1, 2020 rates. OEB staff does not oppose the proposal.

OEB staff notes that Elexicon Energy has requested approval for the establishment of a new variance account to track the difference between actual amounts as compared to the amounts refunded through the approved Rate Year Alignment Rate Riders. OEB staff does not oppose Elexicon Energy's proposed treatment for capturing these differences. But OEB staff questions whether this true up is required given that Elexicon Energy has requested, what is in effect, a one-time adjustment to rates to account for the rate year alignment. In OEB staff's view, there is no compelling reason to require precision to the level suggested by Elexicon Energy and OEB staff would be satisfied with a one-time adjustment with no further true up. In the event the OEB approves a true up, OEB staff notes that Elexicon Energy has provided a draft accounting order in its pre-filed evidence<sup>41</sup>. OEB staff does not have any concerns with the draft accounting order as filed.

In regard to future disposition of this variance account, Elexicon Energy has requested to treat any residual balance in a manner similar to Group 1 deferral and variance accounts and to dispose of the account as part of an IRM application. OEB staff is of the view that this newly established account (if approved) is not a typical Group 1 account but given the extended deferral period OEB staff does not oppose disposing of the residual balance in a future IRM application.

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<sup>40</sup> EB-2020-0013, Interrogatory Response OEB Staff-5 (d)

<sup>41</sup> EB-2020-0013, [Interrogatory Response OEB Staff #14](#)

All of which is respectfully submitted