



PARTIAL DECISION AND ORDER

EB-2022-0024

Elexicon Energy Inc.

**Application for rates and other charges to be effective
January 1, 2023**

BEFORE: Allison Duff
Presiding Commissioner

Michael Janigan
Commissioner

Anthony Zlahtic
Commissioner

December 8, 2022

1. OVERVIEW

The Ontario Energy Board is approving changes to the rates that Elexicon Energy Inc. (Elexicon Energy) charges to distribute electricity to its customers, effective January 1, 2023.

This Partial Decision and Order (Partial Decision) relates to Phase 1 of Elexicon Energy's 2023 distribution rate application. In this Partial Decision, the OEB makes findings on the incentive rate-setting mechanism (IRM) portion of this proceeding.

2. CONTEXT AND PROCESS

Elexicon Energy filed its application on July 27, 2022 under section 78 of the *Ontario Energy Board Act, 1998* and in accordance with Chapter 3 of the OEB's [Filing Requirements for Incentive Rate-Setting Applications](#) (Filing Requirements). The application was based on the Price Cap Incentive Rate-setting (Price Cap IR) option, with a five-year term.

On December 20, 2018, the OEB approved the amalgamation between the former Veridian Connections Inc. and Whitby Hydro Electric Corporation to form Elexicon Energy. Elexicon Energy was granted a ten-year deferred rebasing period from 2018 to 2028¹ for the Veridian RZ and the Whitby RZ. The elements of this application pertaining to both RZs are based on the Price Cap Incentive Rate-setting (Price Cap IR) option as Elexicon Energy is transitioning its Whitby RZ from the Annual IR Index rate-setting method to the Price Cap IR option as part of this application.

The Price Cap IR option is one of three incentive rate-setting mechanisms (IRM) approved by the OEB.² It involves the setting of rates through a cost of service application in the first year and mechanistic price cap adjustments which may be approved through IRM applications in each of the ensuing adjustment years.

The OEB follows a standardized and streamlined process for hearing IRM applications filed under Price Cap IR. In each adjustment year of a Price Cap IR term, the OEB prepares a Rate Generator Model that includes, as a placeholder, information from the distributor's past proceedings and annual reporting requirements. A distributor will then review, complete, and include the model with its application, and may update the model during the proceeding to make any necessary corrections or to incorporate new rate-setting parameters as they become available.

Elexicon Energy serves approximately 171,600 mostly residential and commercial electricity customers in Ajax, Pickering, Belleville, Brock, Uxbridge, Scugog, Clarington, Port Hope, Gravenhurst, Whitby, Brooklin, Ashburn and Myrtle.

Notice of the application was issued on August 16, 2022. Brooklin Landowners Group Inc. (Brooklin Landowners), Consumers Council of Canada (CCC), Coalition of Concerned Manufacturers and Businesses of Canada (CCMBC), Distributed Resource Coalition (DRC), Environmental Defence Canada Inc. (ED), Power Workers' Union (PWU), Small Business Utility Alliance (SBUA), School Energy Coalition (SEC) and Vulnerable Energy Consumers Coalition (VECC) requested intervenor status. CCC,

¹ EB-2018-0236, Decision and Order, December 20, 2018

² Each of these options is explained in the OEB's [Handbook for Utility Rate Applications](#).

CCMBC, ED, DRC, SBUA, SEC, and VECC requested cost eligibility. The OEB approved Brooklin Landowners, CCC, CCMBC, DRC ED, PWU, SBUA, SEC and VECC as intervenors. The OEB approved cost eligibility for CCC, CCMBC, ED, DRC, SBUA, SEC and VECC.

The application was supported by pre-filed written evidence and a completed Rate Generator Model and as required during the proceeding, Elexicon Energy updated and clarified the evidence.

On November 1, 2022, the OEB bifurcated this proceeding into two phases.³ This Partial Decision will only address Phase 1, the mechanistic IRM portion of this application, which is comprised of: (i) the annual adjustment mechanism adjustment, (ii) the review and disposition of Group 1 deferral and variance account (DVA) balances, (iii) Retail Transmission Service Rates (RTSRs), (iv) shared tax adjustments, and (v) the review and disposition of the lost revenue adjustment mechanism variance account (LRAMVA). A decision and order regarding Phase 2 (the incremental capital funding module requests) will be issued at a later date.

Elexicon Energy responded to interrogatories from OEB staff, CCC, CCMBC, ED, PWU, SEC and VECC. A submission on Phase 1 of this application was filed by OEB staff. Elexicon Energy filed a reply submission.

³ Procedural Order No. 2, November 1, 2022, p. 1-2

3. DECISION OUTLINE

Each of the following issues is addressed in this Decision, together with the OEB's findings.

- Annual Adjustment Mechanism
- Shared Tax Adjustments
- Retail Transmission Service Rates
- Group 1 Deferral and Variance Accounts
- Lost Revenue Adjustment Mechanism Variance Account

Instructions for implementing Elexicon Energy's new rates and charges are set out in the final section of this Decision.

This Partial Decision does not address rates and charges approved by the OEB in prior proceedings, such as specific service charges⁴ and loss factors, which are out of the scope of an IRM proceeding and for which no further approvals are required to continue to include them on the Elexicon Energy's Tariff of Rates and Charges.

⁴ Certain service charges are subject to annual inflationary adjustments to be determined by the OEB through a generic order. For example, the Decision and Order EB-2022-0220, issued November 3, 2022 established the adjustment for energy retailer service charges, effective January 1, 2023; and the Decision and Order EB-2022-0221, issued November 3, 2022, established the 2023 Wireline Pole Attachment Charge, effective January 1, 2023.

4. ANNUAL ADJUSTMENT MECHANISM

Elexicon Energy has applied to change its rates, effective January 1, 2023, based on a mechanistic rate adjustment using the OEB-approved **inflation minus X-factor** formula applicable to IRM applications. The adjustment applies to distribution rates (fixed and variable) uniformly across all customer classes.⁵

The components of the Price Cap IR adjustment formula applicable to Elexicon Energy are set out in the table below. Inserting these components into the formula results in a 3.40% increase to Elexicon Energy's rates in both RZs: **3.40% = 3.70% - (0.00% + 0.30%)**.

Table 4.1: Price Cap IR Adjustment Formula

Components		Amount
Inflation factor ⁶		3.70%
Less: X-factor	Productivity factor ⁷	0.00%
	Stretch factor (0.00% to 0.60%) ⁸	0.30%

An inflation factor of 3.70% applies to all IRM applications for the 2023 rate year.

The X-factor is the sum of the productivity factor and the stretch factor. It is a productivity offset that varies among different groupings of distributors. Subtracting the X-factor from inflation ensures that rates decline in real, constant-dollar terms, providing distributors with a tangible incentive to improve efficiency or else experience declining net income. The productivity component of the X-factor is based on industry conditions over a historical study period and applies to all IRM applications for the 2023 rate year.

The stretch factor component of the X-factor is distributor specific. The OEB has established five stretch factor groupings, ranging from 0.00% to 0.60%. The stretch

⁵ The adjustment does not apply to the following components of delivery rates: rate riders, rate adders, low voltage service charges, retail transmission service rates, wholesale market service rate, smart metering entity charge, rural or remote electricity rate protection charge, standard supply service – administrative charge, transformation and primary metering allowances, loss factors, specific service charges, microFIT charge, and retail service charges.

⁶ [OEB Letter, 2023 Inflation Parameters, issued October 20, 2022](#)

⁷ Report of the Ontario Energy Board – “Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario’s Electricity Distributors” EB-2010-0379, December 4, 2013.

⁸ Report to the Ontario Energy Board – “Empirical Research in Support of Incentive Rate-Setting: 2021 Benchmarking Update”, prepared by Pacific Economics Group LLC., July 2022.

factor assigned to any distributor is based on the distributor's total cost performance as benchmarked against other distributors in Ontario.

As part of the decision approving the amalgamation (MAADs decision), the OEB approved Elexicon Energy's request to maintain their pre-existing rate plans for Veridian Connections (Price Cap IR Index) and Whitby Hydro (Annual IR Index).⁹

Subsequent to the MAADs decision, the OEB issued a letter¹⁰ permitting distributors that are on the Annual IR Index rate-setting plan and in a current deferral period, arising out of consolidation, to move to the Price Cap IR plan for 2023 rates. As part of this application, Elexicon Energy requested approval to move its Whitby RZ to a Price Cap IR plan, effective January 1, 2023. In its submission, OEB staff supported this request.

The stretch factor assigned to Elexicon Energy for both RZs is 0.30%, resulting in a rate adjustment of 3.40% for both RZs.

Findings

The OEB approves the move to a Price Cap IR plan effective January 1, 2023 for the Whitby RZ. The OEB finds that this approval is consistent with the intent of the OEB's letter regarding rate setting in 2023 for consolidated distributors.

Elexicon Energy's request for a 3.40% rate adjustment for both RZs is in accordance with the annually updated parameters set by the OEB. The adjustment is approved, and Elexicon Energy's new rates for both RZs shall be effective January 1, 2023.

⁹ Decision and Order, EB-2018-0236, p. 18

¹⁰ OEB Letter, Applications for 2023 Electricity Distribution Rates, p. 3]

5. SHARED TAX ADJUSTMENTS

In any adjustment year of an IRM term, a change in legislation may result in a change to the amount of taxes payable by a distributor. The impacts of such legislated tax changes are shared equally between shareholders and customers.¹¹ The shared tax change amount, whether in the form of a credit or a debit, will be assigned to customer rate classes in the same proportions as the OEB-approved distribution revenue by rate class from the distributor's last cost of service proceeding.

For the Veridian RZ, the application identifies a total tax increase of \$5,698, resulting in a shared amount of \$2,849 to be collected from ratepayers. For the Whitby RZ, the application identifies a total tax decrease of \$100,344, resulting in a shared amount of \$50,172 to be returned to ratepayers.

For the Veridian RZ, this allocated tax sharing amount does not produce a rate rider to the fourth decimal place, in one or more rate classes. In such situations where the Rate Generator Model does not compute rate riders, distributors 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.

Findings

The OEB approves the tax sharing charge of \$2,849 for the Veridian RZ, and the tax sharing refund of \$50,172 for the Whitby RZ.

For the Veridian RZ, as the allocated tax sharing amount is not large enough to establish a rate rider in one or more rate classes, the OEB directs Elexicon Energy to record the debit amount of \$2,849 into Account 1595 - Sub-account Principal Balances Approved for Disposition in 2023.

For the Whitby RZ, the amount of \$50,172 shall be refunded through a fixed monthly rate rider for residential customers, and through riders calculated on a volumetric basis for all other customers over a one-year period from January 1, 2023, to December 31, 2023.

¹¹ On July 25, 2019, the OEB issued a [letter](#) providing accounting guidance with respect to changes in capital cost allowance (CCA) rules. The guidance provides that impacts from changes in CCA rules will not be assessed in IRM proceedings, and that any request for disposition of amounts related to CCA changes is to be deferred to the distributor's next cost of service rate proceeding. A distributor's request for disposition of shared tax adjustment amounts in an IRM application should, therefore, be comprised only of impacts for tax changes unrelated to CCA.

6. RETAIL TRANSMISSION SERVICE RATES

Both RZs of Elexicon Energy are partially embedded within Hydro One Networks Inc.'s distribution system.

To recover its cost of transmission services, Elexicon Energy requests approval to adjust the retail transmission service rates (RTSRs) that it charges its customers in accordance with the Uniform Transmission Rates (UTRs) and host-RTSRs currently in effect.

Findings

As part of its draft rate order process, Elexicon Energy shall update the RTSRs based on the current OEB-approved UTRs and host-RTSRs.¹²

UTRs and host-RTSRs are typically approved annually by the OEB. If new UTRs and host-RTSRs take effect during Elexicon Energy's 2023 rate year, any resulting differences (from the prior-approved UTRs and host-RTSRs) are to be captured in Retail Settlement Variance Accounts 1584 (Retail Transmission Network Charge) and 1586 (Retail Transmission Connection Charge).

¹² EB-2022-0250, Decision and Order, December 8, 2022 and EB-2021-0110, Decision and Rate Order, November 29, 2022.

7. GROUP 1 DEFERRAL AND VARIANCE ACCOUNTS

In each year of an IRM term, the OEB will review a distributor's Group 1 deferral and variance accounts to determine whether those balances should be disposed. OEB policy states that Group 1 account balances should be disposed if they exceed, on a net basis (as a debit or credit), a pre-set disposition threshold of \$0.001 per kWh, unless a distributor can justify why balances should not be disposed.¹³ If the balance does not exceed the threshold, a distributor may still request disposition.¹⁴

As Elexicon Energy is the amalgamation of the former Veridian Connections Inc. and Whitby Hydro Electric Corporation, Elexicon Energy has continued to maintain Group 1 accounts separately for the Veridian RZ and Whitby RZ. This Partial Decision addresses Elexicon Energy's proposal for the Veridian RZ's Group 1 accounts, followed by Elexicon Energy's proposal for the Whitby RZ.

Veridian RZ - Background

The 2021 year-end net balance for Veridian RZ's Group 1 accounts that are eligible for disposition, including interest projected to December 31, 2022, is a debit of \$6,596,499, and pertains to variances accumulated during the 2021 calendar year. This amount represents a total claim of \$0.0025 per kWh, which exceed the disposition threshold. Elexicon Energy has requested the disposition of this amount over a one-year period.

As part of Elexicon Energy's 2022 rates proceeding for the Veridian RZ, the OEB approved the disposition of Veridian RZ's 2018 to 2020 Group 1 account balances, on an interim basis. As part of this application, Elexicon Energy is also requesting the approval of the 2018 to 2020 balances on a final basis.

Included in the Group 1 accounts are certain variances related to costs that are paid for by a distributor's customers on different bases, depending on their classification. Namely, "Class A" customers, who participate in the Industrial Conservation Initiative, pay for GA charges based on their contribution to the five highest Ontario demand peaks over a 12-month period. "Class B" customers pay for GA charges based on their monthly consumption totals, either as a standalone charge or embedded in the Regulated Price Plan (RPP).¹⁵ A similar mechanism applies to Class A and Class B

¹³ Report of the OEB – "Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)." EB-2008-0046, July 31, 2009.

¹⁴ OEB letter, "Update to the Electricity Distributors' Deferral and Variance Account Review ("EDDVAR Report"), released July 2009 (EB-2008-0046)", issued July 25, 2014.

¹⁵ For additional details on the Global Adjustment charge, refer to the Independent Electricity System Operator (IESO)'s [website](#).

customers for Capacity Based Recovery (CBR) charges.¹⁶ The balance in the GA variance account is attributable to non-RPP Class B customers and is disposed through a separate rate rider. The balance in the CBR Class B variance account is attributable to all Class B customers.

Elexicon Energy's Veridian RZ had Class A customers during the period in which variances accumulated so it has applied to have the balance of the CBR Class B variance account disposed through a separate rate rider for Class B customers to ensure proper allocation between Class A and Class B customers.

During the period in which variances accumulated, the Veridian RZ had customers transition between Class A and Class B (transition customer). Under the general principle of cost causality, customer groups that cause variances that are recorded in Group 1 accounts should be responsible for paying (or receiving credits) for their disposal. Elexicon Energy has proposed to allocate a portion of the Veridian RZ's GA and CBR Class B balances to its transition customers, based on their customer-specific consumption levels.¹⁷ The amounts allocated to each transition customer are proposed to be recovered (or refunded, as applicable), by way of 12 equal monthly installments.

Unaccounted for Energy Issue

In Elexicon Energy's 2021 rates proceeding for the Veridian RZ, Elexicon Energy confirmed that it has implemented the OEB's accounting guidance for Accounts 1588 – RSVA Power and Account 1589 – RSVA Global Adjustment (GA) (Accounting Guidance).^{18,19}

In Elexicon Energy's 2022 rates proceeding for the Veridian RZ, Elexicon Energy identified an issue relating to unaccounted-for energy used in the Veridian RZ's settlement process due to a system modification implemented in December 2019. Elexicon Energy was approved interim disposition of the Veridian RZ's 2018 to 2020 Group 1 balances and Elexicon Energy committed to doing a final review of the balances prior to requesting final disposition.²⁰

In the current application, Elexicon Energy noted that the unaccounted-for energy issue impacted Accounts 1588 and 1589 by \$25,860 and \$11,460, respectively for 2019.²¹ In its response to interrogatories, Elexicon Energy noted adjustments were not made to

¹⁶ All Class B customers (RPP and non-RPP) pay the CBR as a separate charge based on their monthly consumption. For additional details on the CBR for Class A customers, refer to the IESO's [website](#).

¹⁷ 2023 IRM Rate Generator Model, Tab 6.1a "GA Allocation" and Tab 6.2a "CBR B_Allocation".

¹⁸ Accounting Procedure Handbook Update - Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589, February 21, 2019.

¹⁹ Manager's Summary, pp. 20-23.

²⁰ Ibid

²¹ IRR OEB Staff-43

the Account 1588 and 1589 balances to reflect the impact of the unaccounted-for energy issue as it is not a material impact.²² Furthermore, Elexicon Energy stated that it does not believe that there are any material systemic issues that have not been identified.²³

In its submission, OEB staff supported Elexicon Energy's proposed final disposition of Group 1 balances, subject to the condition that Elexicon Energy makes the adjustments of \$25,860 and \$11,460 to the 2019 Account 1588 and 1589 balances, respectively. OEB staff noted that Accounts 1588 and 1589 were approved on an interim basis to allow for adjustments, such as the potential adjustments identified in this proceeding. Furthermore, Accounts 1588 and 1589 are commodity pass-through accounts where no profit or loss is made and each account has different customer groups for the utilities to recover/refund the variance. Therefore, if the accounts were not accounted for accurately, there may potentially be cross-subsidization between customer groups.

In its reply submission, Elexicon Energy did not agree to make the adjustments to Accounts 1588 and 1589. Elexicon Energy referenced its previous response to OEB staff interrogatory²⁴ where Elexicon Energy explained that it had done an analysis prior to submitting the current application and determined that the principal amounts are not significant enough to change the calculated GA or DVA rate riders and would therefore have no bill impact. As a result, Elexicon Energy argued it was difficult to understand OEB staff's concern that "there may potentially be cross-subsidization between customer groups" as the evidence, in this case, is that there will be no such cross-subsidization.

Findings

The OEB distinguishes between materiality for rate-making and the need to file correct utility data. The OEB agrees with Elexicon Energy that adding entries of \$25,860 to Account 1588 and \$11,460 to Account 1589 will have no billing impact on customers and cross-subsidization is not an issue. There is no dispute regarding the amounts in question. However, the OEB prefers the addition of the entries as urged by OEB staff to provide an accurate basis for OEB regulatory oversight and approval.

Account 1595 (2019) Error

In the current application, Elexicon Energy identified an error relating to Account 1595 (2019), specifically the 2019 balance of Account 1589, which was previously disposed on an interim basis. Elexicon Energy proposed to reflect the correction to the 2021

²² Ibid

²³ Manager's Summary, p. 22.

²⁴ IRR OEB Staff-43b

balance of Account 1589 instead of revising the 2019 balance. If this proposal is approved, the unadjusted 1595 (2019) balance could be approved on a final basis. Elexicon Energy indicated that this proposal would result in sixteen transition customers being undercharged a total of \$8,897 and ten transition customers being under-credited by a total of \$5,914.²⁵ Elexicon Energy has proposed to absorb the \$8,897 total undercharge and to refund the \$5,914 total to the ten transition customers in 2023, funding the associated cost from Elexicon Energy's return on equity.²⁶

In its submission, OEB staff supported Elexicon Energy's proposal. OEB staff submitted that allowing for the final disposition of Account 1595 (2019) in this proceeding would allow for regulatory efficiency and Elexicon Energy has confirmed it expects no further transactions in this sub-account.

Findings

For the Veridian RZ, the OEB orders Elexicon Energy to adjust the 2021 balance requested for disposition, by the amounts of \$25,860 for Account 1588 and \$11,460 for Account 1589 to correct for the unaccounted for energy issue identified for 2019. Regarding the Account 1595 (2019) error, the OEB approves the proposed treatment of the sub-account as Elexicon Energy has indicated that it will refund amounts to customers that were under-credited through the company's return on equity.

As a result, the OEB approves the Group 1 balances as adjusted for Accounts 1588 and 1589 as at December 31, 2021, including interest projected to December 31, 2022 on a final basis. The OEB also approves on a final basis the 2018, 2019 and 2020 balances that were previously disposed on an interim basis.

Whitby RZ - Background

The 2021 year-end net balance for the Whitby RZ's Group 1 accounts that are eligible for disposition, including interest projected to December 31, 2022, is a debit of \$1,870,967, and pertains to variances accumulated during the 2021 calendar year. This amount represents a total claim of \$0.0021 per kWh, which exceed the disposition threshold. Elexicon Energy has requested disposition of this amount over a one-year period.

Elexicon Energy had Class A customers in the Whitby RZ during the period in which variances accumulated so it has applied to have the balance of the CBR Class B

²⁵ Manager's Summary, pp. 14-16.

²⁶ IRR OEB Staff-39

variance account disposed through a separate rate rider for Class B customers to ensure proper allocation between Class A and Class B customers.

During the period in which variances accumulated, the Whitby RZ had customers transition between Class A and Class B. Under the general principle of cost causality, customer groups that cause variances that are recorded in Group 1 accounts should be responsible for paying (or receiving credits) for their disposal. Elexicon Energy has proposed to allocate a portion of the Whitby RZ's.²⁷ The amounts allocated to each transition customer are proposed to be recovered (or refunded, as applicable), by way of 12 equal monthly installments.

In its application, Elexicon Energy indicated that it has not yet fully implemented the Accounting Guidance for the Whitby RZ due to high staff turnover and has requested an extension for the implementation until December 31, 2022.²⁸ Elexicon Energy also confirmed that the extension to implement the Accounting Guidance is strictly process driven, will not impact customers, nor the outcome of the account balances requested for disposition in this proceeding.²⁹ Elexicon Energy has used a modified approach to account for Whitby RZ's Accounts 1588 and 1589 since the 2017 balances and confirmed that it has continued to use the modified approach to account for the 2021 balances requested for disposition in this proceeding. In its submission, OEB staff noted that Elexicon Energy has confirmed that the extension to implement the Accounting Guidance will not impact customers, nor the outcome of the account balances requested for disposition in this proceeding. OEB staff stated that it reviewed the evidence on record and supported the disposition of Whitby RZ's Group 1 balances on a final basis. In its reply submission, Elexicon Energy agreed with OEB staff's submission.

Findings Whitby RZ

The OEB finds the balances proposed for disposition reconcile with the amounts reported as part of the OEB's *Electricity Reporting and Record-Keeping Requirements*.

The OEB approves the disposition of a debit balance of \$1,870,967 as of December 31, 2021, including interest projected to December 31, 2022, for Whitby RZ's Group 1 accounts on a final basis. The OEB also approves Elexicon Energy's extension request regarding implementation of the OEB's Accounting Guidance for the Whitby RZ, to June 2022 to enable process improvements and CIS upgrades. Elexicon Energy confirmed that the extension will not impact customers.

²⁷ 2023 IRM Rate Generator Model, Tab 6.1a "GA Allocation" and Tab 6.2a "CBR B_Allocation"

²⁸ Manager's Summary, p. 26.

²⁹ Manager's Summary, p. 28.

Table 7.2 identifies the principal and interest amounts, which the OEB approves for disposition.

Table 7.2: Group 1 Deferral and Variance Account Balances Whitby RZ

Account Name	Account Number	Principal Balance (\$) A	Interest Balance (\$) B	Total Claim (\$) C=A+B
LV Variance Account	1550	909,558	20,362	929,920
Smart Meter Entity Variance Charge	1551	(45,029)	(828)	(45,857)
RSVA - Wholesale Market Service Charge	1580	278,464	2,569	281,033
Variance WMS - Sub-account CBR Class B	1580	(112,578)	(2,182)	(114,760)
RSVA - Retail Transmission Network Charge	1584	1,534,006	25,994	1,560,000
RSVA - Retail Transmission Connection Charge	1586	230,304	2,612	232,916
RSVA - Power	1588	(316,731)	(21,305)	(338,036)
RSVA - Global Adjustment	1589	(536,901)	5,301	(531,600)
Disposition and Recovery of Regulatory Balances (2018)	1595	(12,422)	(27,439)	(39,861)
Disposition and Recovery of Regulatory Balances (2019)	1595	(72,795)	10,009	(62,786)
Total for Group 1 accounts		1,855,875	15,093	1,870,967

The balance of each of the Group 1 accounts approved for disposition shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595. Such transfer shall be pursuant to the requirements specified in the *Accounting Procedures Handbook for Electricity Distributors*.³⁰ The date of the transfer must be the same as the effective date for the associated rates, which is generally the start of the rate year.

The OEB approves these balances to be disposed through final rate riders, charges, or payments, as calculated in the Rate Generator Model. The final rate riders, charges,

³⁰ Article 220, Account Descriptions, Accounting Procedures Handbook for Electricity Distributors, effective January 1, 2012.

and payments, as applicable, will be in effect over a one-year period from January 1, 2023 to December 31, 2023.³¹

³¹ 2023 IRM Rate Generator Model Tab 6.1 GA, Tab 6.1a GA Allocation, Tab 6.2 CBR B, Tab 6.2a CBR B_Allocation and Tab 7 Calculation of Def-Var RR.

8. LOST REVENUE ADJUSTMENT MECHANISM VARIANCE ACCOUNT

The OEB has historically utilized an LRAMVA to capture a distributor's revenue implications resulting from differences between actual and forecast conservation and demand management (CDM) savings included in its last OEB-approved load forecast. The use of the LRAMVA is no longer the default approach for CDM activities.³²

Distributors delivered CDM programs to their customers through the Conservation First Framework (CFF) that began on January 1, 2015 until March 20, 2019, when the CFF was revoked.³³

Distributors filing an application for 2023 rates are required to seek disposition of all outstanding LRAMVA balances related to program savings for CFF programs or other conservation programs they delivered unless they do not have complete information on eligible program savings.³⁴

Elexicon Energy has applied to dispose of its LRAMVA debit balance of \$2,538,763 for the Veridian RZ and a debit balance of \$1,150,039 for the Whitby RZ. The balances consist of lost revenues from 2020 to 2022, resulting from 2020-2021 CDM programs for both RZs, persistence of 2012-2019 programs in 2020-2022 in the Veridian RZ, persistence of 2011-2019 programs in 2020-2022 in the Whitby RZ and carrying charges. The actual conservation savings claimed by Elexicon Energy under the CFF were validated with reports from the IESO, project-level savings files, or both.

Actual conservation savings were compared against Elexicon Energy's forecasted conservation savings of 45,241,985 kWh included in its last OEB-approved load forecast.³⁵

Distributors are also eligible under the Lost Revenue Adjustment Mechanism (LRAM) for persisting impacts of conservation programs until their next rebasing. The OEB provided direction for distributors to seek approval of LRAM-eligible amounts for 2023 onwards on a prospective basis, and a rate rider in the corresponding rate year, to

³² Conservation and Demand Management Guidelines for Electricity Distributors, December 20, 2021, chapter 8.

³³ On March 20, 2019 the Minister of Energy, Northern Development and Mines issued separate Directives to the OEB and the IESO.

³⁴ Chapter 3 Filing Requirements, section 3.2.6.1.

³⁵ EB-2013-0174, Decision and Order, April 10, 2014.

address amounts that would otherwise be recorded in the LRAMVA for all years until their next rebasing application.³⁶

Elexicon Energy also applied for approval of LRAM-eligible amounts for the years 2023 to 2028 on a prospective basis, arising from persisting savings from completed CDM programs.

Findings

The OEB finds that Elexicon Energy's LRAMVA balance has been calculated in accordance with the OEB's CDM-related guidelines and updated LRAMVA policy. The OEB approves the disposition of the LRAMVA debit balance of \$3,688,802 as set out in Table 8.1.

Table 8.1 LRAMVA Balance for Disposition

Account Name	Account Number	Actual CDM Savings (\$) A	Forecasted CDM Savings (\$) B	Carrying Charges (\$) C	Total Claim (\$) D=(A-B)+C
LRAMVA (Veridian RZ)	1568	3,207,289	711,161	42,637	2,538,763
LRAMVA (Whitby RZ)	1568	1,130,941	0	19,098	1,150,039
Total		4,338,229	711,161	61,734	3,688,802

The OEB also approves the LRAM-eligible amounts for the years 2023 to 2028, arising from persisting savings from completed CDM programs, as set out in Table 8.2 below. These amounts will be adjusted mechanistically by the approved inflation minus X factor applicable to IRM applications in effect for a given year and recovered through a rate rider in the corresponding rate year, beginning with the 2023 rate year. For the 2023 rate year, the OEB approves the requested LRAM-eligible amount of \$1,191,268,³⁷ to be recovered from customers, and the associated rate riders. Should Elexicon Energy rebase in, or prior to, the last year in table 8.2, amounts shown in table 8.2 in the year of

³⁶ [Guidance on Prospective Lost Revenue Adjustment Mechanism \(LRAM\) Amounts – 2023 Rates](#), June 16, 2022.

³⁷ This amount is arrived at by applying the applicant's approved rate adjustment (3.4%) for the 2023 rate year to the applicant's approved 2023 LRAM-eligible amount calculated based on the rates in effect for 2022 (\$1,152,097).

rebasing or later will not be recoverable, as any persisting impacts of CDM can be taken into consideration in setting new base rates.

Table 8.2 LRAM-Eligible Amounts for Prospective Disposition

Year	LRAM-Eligible Amount (in 2022 \$) (Veridian RZ)	LRAM-Eligible Amount (in 2022 \$) (Whitby RZ)
2023	779,539	372,558
2024	692,891	350,638
2025	622,055	322,269
2026	568,102	308,084
2027	501,286	286,385
2028	430,859	237,081

9. IMPLEMENTATION

Elexicon Energy shall file a draft rate order with detailed supporting material showing the impact of any required adjustments related to the approved 2023 inflation rate, Regulated Price Plan (RRR) pricing, current host-RTSR and UTRs, current regulatory charges (Wholesale Market Service Charge and Rural or Remote Electricity Rate Protection charge), Smart Meter Entity Charge and microFit charge.

The OEB will review the draft rate order and issue a rate order. If a rate order is not approved in time for Elexicon Energy to implement new rates for January 1, 2023, the OEB declares Elexicon Energy's current 2022 distribution rates and charges interim as of January 1, 2023 until such time as 2023 rates and charges are approved by the OEB.

The OEB will establish a cost award process at the end of this proceeding when it renders its decision on Phase 2 of this proceeding regarding Elexicon Energy's request for the incremental capital funding.

10. ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Elexicon Energy Inc. shall file with the OEB and forward to intervenors a draft rate order with a proposed Tariff of Rates and Charges attached that reflects the OEB's findings in this Partial Decision and Order, by **December 13, 2022**. Elexicon Energy Inc. shall also include customer rate impacts and detailed information in support of the calculation of final rates in the draft rate order.
2. Intervenors and OEB staff may file any comments on the draft rate order with the OEB, and forward to Elexicon Energy Inc by **December 14, 2022**.
3. If any intervenor or OEB staff file comments on the draft rate order, Elexicon Energy Inc. may file with the OEB and forward to intervenors a response to those comments by **December 16, 2022**.

Parties are responsible for ensuring that any documents they file with the OEB, such as applicant and intervenor evidence, interrogatories and responses to interrogatories or any other type of document, **do not include personal information** (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's [Rules of Practice and Procedure](#).

Please quote file number, **EB-2022-0024** for all materials filed and submit them in searchable/unrestricted PDF format with a digital signature through the [OEB's online filing portal](#).

- Filings should clearly state the sender's name, postal address, telephone number and e-mail address.
- Please use the document naming conventions and document submission standards outlined in the [Regulatory Electronic Submission System \(RESS\) Document Guidelines](#) found at the [File documents online page](#) on the OEB's website.
- Parties are encouraged to use RESS. Those who have not yet [set up an account](#), or require assistance using the online filing portal can contact registrar@oeb.ca for assistance.
- Cost claims are filed through the OEB's online filing portal. Please visit the [File documents online page](#) of the OEB's website for more information. All participants shall download a copy of their submitted cost claim and serve it on all required parties as per the [Practice Direction on Cost Awards](#).

All communications should be directed to the attention of the Registrar and be received by end of business, 4:45 p.m., on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Birgit Armstrong at Birgit.Armstrong@oeb.ca , and OEB Counsel, Lawren Murray at Lawren.Murray@oeb.ca .

Email: registrar@oeb.ca

Tel: 1-877-632-2727 (Toll free)

DATED at Toronto, December 8, 2022

ONTARIO ENERGY BOARD

Nancy Marconi
Registrar