

December 9, 2022

via RESS

Ms. Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Suite 2700
Toronto, ON M4P 1E4
Email: Boardsec@oeb.ca

Dear Ms. Marconi:

**Re: 2023 IRM Application for Electricity Distribution Rates (EB-2022-0317)
Z-Factor Event Application**

Elexicon Energy Inc. ("Elexicon") is submitting the following evidence supporting its Z-Factor Application. Elexicon experienced a Z-factor event on May 21, 2022, specifically a powerful derecho storm. It notified the Ontario Energy Board ("OEB") on September 6, 2022 that it would be filing a Z-factor application. In its Z-Factor Application, Elexicon is seeking implementation of Rates effective July 1, 2023.

The derecho event was outside Elexicon's control, and significantly impacted operations which resulted in Elexicon incurring a material level of prudently incurred incremental costs.

Yours truly,



Cynthia Chan
Chief Financial Officer
Elexicon Energy Inc.

CC: John Vellone

Z-Factor Application



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1. Overview

On May 21, 2022, Elexicon Energy Inc. (“Elexicon”) experienced a Z-factor event as a result of a *derecho* storm (the “Derecho Storm Event”) that swept through the province of Ontario, including large portions of Elexicon’s service territory. This widespread and fast-moving storm caused extensive damage to Elexicon’s infrastructure, leading to prolonged power outages for the majority of Elexicon’s customers. The Derecho Storm Event was: outside Elexicon’s control; significantly impacted operations; and resulted in Elexicon incurring material, prudently incurred costs. As identified in greater detail below, this event meets the Z-factor eligibility criteria as set out in Section 2.6 of the Ontario Energy Board’s (“OEB” or the “Board”) Report on *3rd Generation Incentive Regulation for Ontario’s Electricity Distributors* dated July 14, 2008 (the “Z-Factor Guidelines”) and Section 3.2.8 of the Board’s *Chapter 3 Filing Requirements for Electricity Distribution Rate Applications*, dated May 24, 2022 (“the Chapter 3 Filing Requirements”).

Elexicon is seeking recovery of a total of \$ 4,602,788 in expenditures associated with the restoration of electricity service to its customers following this event and proposes to recover this amount from rate payers via two rate riders effective July 1, 2023.



Background

On May 21, 2022, parts of Southern Ontario experienced a powerful *derecho*¹ storm. Within this storm, an EF-2 tornado touched down in Elexicon's service territory in Uxbridge, ON, as confirmed by Environment Canada.²

Elexicon had very limited prior warning based on reports of high winds advancing into its service territory. Environment Canada's Severe Thunderstorm Warnings for Uxbridge and the broader Durham Region were not issued until after Elexicon had issued its own Pre-Event Readiness warning internally on May 21, 2022. The readiness warning alerts staff to the possible need for their assistance should conditions require it.

In the aftermath, over 95,000 customers were without power in the communities of Ajax, Belleville, Bowmanville, Pickering, Uxbridge and Whitby. Uxbridge was the most severely impacted service area with its main transformer station requiring a full rebuild as part of the Derecho Storm Event restoration operation. The Crisis Management Team immediately activated the organization's Power Restoration Plan and declared a Level 3 outage situation, which involves any power interruption event affecting more than 25,000 customers with an expected restoration time exceeding 24 hours.

Elexicon restored service to approximately 90% of customers by May 23, 2022 at approximately 10:30 am. This restoration took nearly 70 hours; by Friday May 27th power was restored to approximately 98.7% of customers, at which point and Elexicon declared its Level 3 Outage over. Major reconstruction work continued in Uxbridge and

¹ A widespread, long-lived, straight-line wind storm that is associated with a fast-moving group of severe thunderstorms.

² https://uwo.ca/ntp/blog/2022/uxbridge_on_ef2_tornado.html, and <https://www.theweathernetwork.com/ca/news/article/tornado-confirmed-in-ontario-after-destructive-long-weekend-storm>



along Westney Road in North Pickering on Saturday May 28th. Uxbridge was fully restored on Sunday, May 29th.

The Derecho Storm Event was one of the most severe storms in Elexicon or its predecessor utilities' history, with its impact spread over a wide portion of Elexicon's service territory. The harm caused by this extraordinary event was beyond Elexicon's experience and expectations. For additional details supporting the magnitude of the Derecho Storm Event, please see Appendix A-1 *Elexicon May 2022 Derecho Storm Event - Additional Information*.

Elexicon tracked the costs associated with restoration efforts associated with the Derecho Storm Events over the subsequent weeks. Once Elexicon understood the materiality of those costs, it promptly notified the OEB of its intention to file this Z-factor application, by letter dated September 6, 2022. A copy of this letter is attached as Appendix A-2 *Notice of Intent to file Z-Factor Application*.

While Elexicon had originally intended to make this Z-factor filing in October, the organization was working with the OEB through the process of the adjudication of its 2023 electricity distribution rate application which included two incremental capital module ("ICM") projects. This resulted in a re-prioritization of resources and this filing, dated, December 9, 2022.



2. Eligibility Criteria

Z-factor eligibility is defined as unforeseen events that are outside the control of a distributor's ability to manage.³ The cost to a distributor must be material and its causation clear for a Z-factor claim to be justified. The OEB has set out the eligibility criteria for applications to recover amounts via the Z-factor in its Incentive Regulation Report and its guidelines discussed in section 2.6 of the Z-Factor Guidelines⁴. The OEB's Z-Factor Guidelines state that a distributor must submit evidence that the costs incurred meet the following three eligibility criteria of causation, materiality, and prudence:

Causation: Amounts should be directly related to the Z-factor event. The amount must be clearly outside of the base upon which rates were derived.

Materiality: The amounts must exceed the Board-defined materiality threshold and have a significant influence on the operation of the distributor; otherwise they should be expensed in the normal course and addressed through organizational productivity improvements.

Prudence: The amount must have been prudently incurred. This means that the distributor's decision to incur the amount must represent the most cost-effective option (not necessarily least initial cost) for ratepayers.

³ OEB's Filing Requirements For 2023 Rate Applications Chapter 3 Incentive Rate-Setting Applications (<https://www.oeb.ca/sites/default/files/OEB-Filing-Reqs-Chapter-3-2023-20220524.pdf>)

⁴ https://www.oeb.ca/oeb/Documents/EB-2007-0673/Report_of_the_Board_3rd_Generation_20080715.pdf



Additionally, the OEB's 2023 Incentive Rate-setting Applications Filing Requirements state⁵:

To be eligible for a Z-factor claim, a distributor must demonstrate that its achieved regulatory return on equity (ROE), during its most recently completed fiscal year, does not exceed 300 basis points above its deemed ROE embedded in its base rates.

Elexicon confirms that its achieved Regulatory Return on Equity (ROE) in the most recently completed fiscal year does not exceed 300 basis points above the deemed ROE embedded in its base. The achieved regulatory ROE for 2021 was 6.97%, which is 2.56% less than the 9.43% OEB approved ROE⁶. Elexicon's forecast for its regulated 2022 ROE at this time is expected to be below the OEB Deemed ROE, and fall within the OEB's 300 basis points ROE deadband⁷.

The following sections provide the details as to how Elexicon's Z-Factor claim satisfies each of the OEB's three eligibility criteria.

3. Causation

The costs included in this Z-factor recovery claim were directly related to the restoration of service in the wake of the May 21, 2022 Derecho Storm Event, and have been incurred within a 12-month period⁸. Had the *derecho* storm not occurred, Elexicon would not have incurred any of the costs requested for recovery. Elexicon has verified

⁵ Chapter 3 Incentive Rate-Setting Applications May 24, 2022, Page 21

⁶ Elexicon's Interrogatory Response to SEC-05 in its 2023 Incentive Rate-Making Application, EB-2022-0024

⁷ IBID

⁸ Elexicon's filing date of its Z-factor application (i.e. December 9, 2022) is well within the 12-month period from May 21, 2022.



that the amounts sought for recovery are outside of the base upon which Elexicon's rates were derived.

As noted above, and further provided in Appendix A – 1a *Elexicon's May 21 2022 Outage Summary*⁹, Elexicon had very limited prior warning based on reports of high winds advancing into its service territory. Management enacted a Readiness Alert to the Core Power Restoration Team to stand-by in the Virtual Incident Command Centre prior to Environment Canada issuing a Severe Thunderstorm Warning on May 21, 2022.

In the normal course of business, Elexicon employs several strategies, in two broad methods, to reduce the impact of extreme weather events on its distribution system: proactively through asset hardening, and reactively through the safe and efficient restoration of power following a major event as outlined in its Power Restoration Plan.

The following is a high level listing of how Elexicon Energy employs asset hardening measures to reduce the risk of asset failure as a result of extreme weather such as high winds, ice storms, etc.:

- Assessing and replacing poles proactively to be able to withstand windspeeds to their design standard;
- Reinforcing key infrastructure with steel guy wires to make them more secure;
- Undergrounding around key infrastructure such as hospitals, fire stations, etc.;
- Vegetation management to reduce the likelihood of tree contacts during high winds or from snow/ice accumulation; and
- Investing in smart grids / micro grids.

⁹ Appendix A – 1a Elexicon's May 21 2022 Outage Summary, page 3



With respect to restoring power as quickly and as safely as possible following a major event, Elexicon Energy has a robust Power Restoration Plan (“PRP”) that outlines the processes and procedures to be followed for any power disruption events that are considered to be outside of the normal course of business.

The PRP executes readiness procedures that include continuous weather monitoring, and the issuance of readiness alerts to the key members of the Power Restoration Team, to ensure the proactive assembly of key staff and other resources

The PRP is a standalone plan under Elexicon Energy’s overarching Business Continuity Plan (“BCP”), which contemplates a number of different types of emergencies. These include emergencies such as fires, cybersecurity incidents, ice storms, all of which have the potential to threaten the distribution system.

In such events, Elexicon activates its PRP and declares the appropriate outage level. The PRP is tested annually through a hybrid drill/ tabletop exercise that tests the various areas of the plan and trains the key members of the Power Restoration team, to ensure an efficient response to a real event. The last training event prior to the May 21, 2022 derecho event was held on December 2, 2021 using an ice storm scenario that disrupted >25,000 customers for >24 hours (i.e., a Level 3 outage).

These strategies help mitigate the impact of a Z-factor event. However, Elexicon and other affected electricity distributors could not have foreseen the *derecho* storm, nor could they have planned or budgeted for damage caused by a storm of this magnitude and severity. Therefore, the costs resulting from this extreme weather event were not included in Elexicon’s rates.



4. Materiality

The materiality threshold applicable to Elexicon is 0.5% of distribution revenue requirement, which is the threshold applicable to distributors with a revenue requirement greater than \$10M and less than or equal to \$200M. As such, Elexicon's materiality threshold is \$346,352; equal to 0.5% of its distribution revenue requirement of \$69,126,603¹⁰. This amount is the sum of revenue requirement approved in Veridian and Whitby Hydro's last cost of service applications¹¹. The relief requested of \$677,031¹² as a result of expenditures incurred during the May 21 derecho storm exceeds the materiality threshold of \$346,352¹³.

5. Prudence

The amounts associated with restoring service to customers following the Derecho Storm Event were incurred prudently. The derecho storm hit on Saturday, May 21st, and caused extensive damage to Elexicon's distribution system.

Elexicon's operational systems and processes set out the plans for addressing events such as the Derecho Storm Event of May 21, 2022. In the aftermath, 95,000 customers were without power in the communities of Ajax, Belleville, Bowmanville, Pickering,

¹⁰ Elexicon's distribution revenue requirement is the sum of Veridian and Whitby Hydro's Distribution Revenue Requirement as decided by the OEB in their last cost of service applications. Veridian's Distribution Revenue Requirement is \$49,930,177 from its Draft Rate Order in its last cost of service application in 2014 (EB-2013-0174). Whitby Hydro's Distribution Revenue Requirement is \$19,196,426 from its Draft Rate Order in its last cost of service application in 2010 (EB-2009-0274). The sum of the legacy utility Distribution Revenue Requirement is \$69,126,603.

¹¹ EB-2020-0008 - CNPI 2021 IRM and Z-Factor Claim Decision and Order page 15, 16 approved the use of revenue requirement from the last approved cost of service application(s).

¹² The sum of VRZ and WRZ operating expenses and capital revenue requirements is \$677,031. (Sum of \$246,725 + \$298,156 + \$58,384 + \$73,766)

¹³ Materiality threshold calculated by multiplying \$69,126,603 by 0.005 or 0.5%/100.



Uxbridge and Whitby. The Crisis Management Team immediately activated the organization's Power Restoration Plan and declared a Level 3 outage situation, which involves any power interruption event affecting more than 25,000 customers with an expected restoration time exceeding 24 hours.

Power restoration efforts proceeded non-stop in the immediate aftermath of the storm, with crews and system operators working around the clock to restore power as quickly and as safely as possible. The damage was severe and widespread, particularly in Ajax, south Pickering, northwest Pickering, and Uxbridge. Environment Canada confirmed that an EF2 tornado directly struck the urban area of Uxbridge, including Elexicon's substation, which required a rebuild as a result.

The storm, and the impact it had on Elexicon's distribution system, was more destructive than the 2013 ice storm. While restoration was challenging and the team encountered many obstacles all power was restored within just over a week.

During the course of this event Elexicon issued several communications to the public to keep customers informed. These included:

- Outage map on website displaying information regarding outage locations and estimated restoration times ("ERTs").
- Website banner display that contained information regarding power restoration efforts, the number of customers affected, restoration time as a whole, contact information for customers to utilize should they see a downed power line or tree or to report an outage, a new storm email inbox, and Electrical Safety Association ("ESA") information for customer-owned infrastructure and connections. During the event, Elexicon had 689,539 page views on its website.



- Updated news releases posted to public facing website, twitter and sent to all local and major GTA media outlets to provide information regarding Elexicon's power restoration efforts, including critical information to ensure public safety.
- Media interviews to continue to update customers through traditional media, that was carried on Global and CTV News locally (Durham) and provincially.
- Social media updates including real-time posts from system control that aligned with the outage map and ETRs, supplemental posts regarding restoration efforts/images of damage and crews conducting restoration efforts, safety messages, conservation messaging to ensure ongoing reliability in areas where load needed to be transferred and shared with another substation, information regarding local community relief locations, power outage survival checklists, emergency management for those who require electricity for critical life support, and review/triaging of all messages from customers to ensure follow up by distribution operations and crews.
- Direct communications as well as regular updates to Mayors, City and Town Councilors and CAOs of all affected regions to ensure most up-to-date local information was provided to the public through municipal communication channels.
- Direct communications to customers and the public through Elexicon's call centre and specialized storm communication email address was actively monitored throughout the event.

In addition to executing its communications plan, Elexicon conducted its power restoration efforts in a prudent manner as per the Power Restoration Plan. Some of the steps it undertook included:

- With regards to the capital additions, Elexicon pulled primarily from its existing inventory/stores for replacements. Due to the magnitude of damage to the



distribution grid, Elexicon did purchase additional material to assist the restoration efforts. These purchases did not incur incremental costs over the current pricing that was negotiated for Elexicon's regular day-to-day purchases.

- Elexicon utilized all available internal labour, as well as several outside contractors to complete its restoration efforts. Elexicon labour costs are set in its collective agreement with the Power Workers Union (PWU), and for non-union staff, Elexicon has established its Overtime Policy with which it complied. Elexicon procured the services of its pre-approved contractors on a single source basis given the emergency situation. These pre-approved contractors charges used pre-established rates.
- Elexicon requested support from Alectra Utilities, Toronto Hydro and Oshawa PUC, however none of these LDCs were able to provide the support requested during the timeframes needed.
- Elexicon issued a Pre-Event Readiness Alert internally on May 21, 2022 and key members of the Power Restoration team immediately began assembling virtually via its Microsoft Teams Virtual Incident Command Centre to respond to the impending weather event.

Elexicon's decision to incur these amounts represented the most cost-effective option for rate payers. Labour and contractor costs were incurred according to previously negotiated agreements. Repairs were made where appropriate, and the portions of the system that were rebuilt were constructed on a 'like for like' basis. Elexicon also used materials available in its inventory and minimized the costs to procure materials on an emergency basis. Ultimately, Elexicon prioritized and coordinated work to ensure restoration was completed efficiently, and power was restored to customers as quickly as possible



6. Recoverability of Z-Factor Costs

Elexicon proposes to recover the Z-Factor costs for each of the rate zones through two separate fixed rate riders commencing July 1, 2023. One of the rate riders will be for the operating costs (effective for 1 year) and the other rate rider will be for the Revenue Requirement of the capital costs (effective until re-basing¹⁴) (“Z-Factor Capital Costs”). The proposed recovery is set out in Tables 7 through 10 below.

With respect to the recovery of Z-Factor capital costs, Elexicon evaluated the following two approaches:

1. A fixed rate rider recovering all of the Z-Factor Capital Costs in 1-year, similar to Elexicon’s proposal for recovery of its Operating Costs
2. A fixed rate rider that recovers the Z-Factor Capital Costs annually until re-basing.

Option 2 was determined as the most prudent approach of the two options based on it yielding the lowest monthly bill impact. Tables 11 and 12 below, demonstrate the bill impacts from Option 1 and 2 for both the Veridian Rate Zone (“VRZ”) and Whitby Rate Zone (“WRZ”) customers. For a typical VRZ residential customer the bill impact is \$1.48 less per month by selecting Option 2 versus Option 1, and similarly, a WRZ residential customer will experience a bill impact that is \$0.94 less per month. Elexicon proposes that its Z-Factor Capital Costs be recovered as a fixed rate rider until re-basing to minimize customer bill impacts.

¹⁴ Elexicon is operating under a deferred rebasing period until December 31, 2028



Elexicon has recorded eligible Z-factor amounts in its Account 1572, "Extraordinary Event Costs", of the Board's Uniform System of Accounts ("USoA"). Elexicon has allocated the Z-factor event costs to all rate classes based on its last Board-approved distribution revenue. The monthly rate rider is calculated using the number of customers as of December 31, 2021 as submitted in its RRR filing.

The total incremental operating costs and capital expenditures associated with the restoration of electricity service to Elexicon's customers following the Derecho Storm Event were \$305,110 and \$4,297,679 respectively, as shown in Table 1 below.

Table 1 – Total Z-Factor Event Costs

Category	Operating \$	Capital \$	Total \$
Incremental Labour/Material/Vehicle Costs	\$ 149,626	\$ 2,350,964	\$ 2,500,590
3rd Party Contractors	\$ 155,483	\$ 1,946,715	\$ 2,102,198
Total	\$ 305,110	\$ 4,297,679	\$ 4,602,788

Table 2 below shows the total Z-Factor Event Costs allocation between Elexicon Energy's two rate zones.

Table 2 – Allocation of Z-Factor Event Costs by Rate Zone

Category	Operating \$	Capital \$	Total \$
Veridian Rate Zone ("VRZ")	\$ 246,725	\$ 3,475,295	\$ 3,722,021
Whitby Rate Zone ("WRZ")	\$ 58,384	\$ 822,383	\$ 880,767
Total	\$ 305,110	\$ 4,297,679	\$ 4,602,788



Elexicon is seeking recovery of operating costs and the revenue requirement associated with capital expenditures, as identified in Table 3 and Table 4 below. The calculation of revenue requirement associated with capital expenditures is provided in Table 5 and Table 6 below.

Table 3 – Relief Requested Veridian Rate Zone (“VRZ”)

Category	Recovery Period	Amount \$
Operating Costs	1 Year	\$ 246,725
Capital Expenditures (Revenue Requirement)	Until Re-basing	\$ 298,156

Table 4 – Relief Requested Whitby Rate Zone (“WRZ”)

Category	Recovery Period	Amount \$
Operating Costs	1 Year	\$ 58,384
Capital Expenditures (Revenue Requirement)	Until Re-basing	\$ 73,766



Table 5 – Revenue Requirement Impact of Capital Expenditures VRZ

Description	%	Amount
Incremental Capital		\$ 3,475,295
Depreciation Expense		-\$ 93,359
Incremental Capital to be included in Rate Base		\$ 3,381,937
Deemed Short Term Debt (4%)	2.11%	\$ 2,854
Deemed Long Term Debt (56%)	4.94%	\$ 93,558
Deemed Equity (40%)	9.36%	\$ 126,620
Amortization Expense		\$ 93,359
Grossed up PILs		-\$ 18,235
Revenue Requirement		\$ 298,156
PILs Calculation		
Deemed Equity		\$ 126,620
Add Back Amortization Expense		\$ 93,359
Deduct CCA	8%	-\$ 270,555
Taxable Income		-\$ 50,576
PILs Before Gross Up	26.50%	-\$ 13,403
Incremental Grossed Up PILs		-\$ 18,235



Table 6 – Revenue Requirement Impact of Capital Expenditures WRZ

Description	%	Amount
Incremental Capital		\$ 822,383
Depreciation Expense		-\$ 21,619
Incremental Capital to be included in Rate Base		\$ 800,765
Deemed Short Term Debt (4%)	2.43%	\$ 778
Deemed Long Term Debt (56%)	5.48%	\$ 24,574
Deemed Equity (40%)	9.66%	\$ 30,942
Amortization Expense		\$ 21,619
Grossed up PILs		-\$ 4,147
Revenue Requirement		\$ 73,766
PILs Calculation		
Deemed Equity		\$ 30,942
Add Back Amortization Expense		\$ 21,619
Deduct CCA	8%	-\$ 64,061
Taxable Income		-\$ 11,501
PILs Before Gross Up	26.50%	-\$ 3,048
Incremental Grossed Up PILs		-\$ 4,147



Table 7 – Determination of Proposed VRZ Z-Factor Operating Costs Rate Riders – July 1, 2023 to June 30, 2024

Rate Class	2014 COS (EB-2013-0174) Revenue Requirement	Allocation of Revenue Requirement	# of cust/conn as at Dec 31, 2021	12-Month Fixed Rate Rider
RESIDENTIAL	\$31,645,089	\$156,371	113,409	0.11
SEASONAL RESIDENTIAL	\$867,951	\$4,289	1,557	0.23
GENERAL SERVICE LESS THAN 50 kW	\$6,553,835	\$32,385	9,339	0.29
GENERAL SERVICE 50 TO 2,999 KW	\$8,894,814	\$43,953	1,060	3.46
GENERAL SERVICE 3,000 TO 4,999 KW	\$692,222	\$3,421	6	47.51
LARGE USE	\$628,721	\$3,107	4	64.72
UNMETERED SCATTERED LOAD	\$145,696	\$720	803	0.07
SENTINEL LIGHTING	\$45,387	\$224	247	0.08
STREET LIGHTING	\$456,462	\$2,256	31,736	0.01
Total	\$49,930,177	\$246,725		

Table 8 – Determination of Proposed WRZ Z-Factor Operating Costs Rate Riders – July 1, 2023 to June 30, 2024

Rate Class	2010 COS (EB-2009-0274) Revenue Requirement	Allocation of Revenue Requirement	# of cust/conn as at Dec 31, 2021	12-Month Fixed Rate Rider
RESIDENTIAL	\$12,484,708	\$37,971	43,441	0.07
GENERAL SERVICE LESS THAN 50 kW	\$1,886,505	\$5,738	2,350	0.20
GENERAL SERVICE 50 TO 4,999 KW	\$4,386,869	\$13,342	398	2.79
UNMETERED SCATTERED LOAD	\$118,230	\$360	392	0.08
SENTINEL LIGHTING	\$3,106	\$9	47	0.02
STREET LIGHTING	\$317,008	\$964	13,214	0.01
Total	\$19,196,426	\$58,384		



Table 9 – Determination of Proposed VRZ Z-Factor Capital Rate Riders – **July 1, 2023 to Rebasing**

Rate Class	2014 COS (EB-2013-0174) Revenue Requirement	Allocation of Revenue Requirement	# of cust/ conn as at Dec 31, 2021	Fixed Rate Rider
RESIDENTIAL	\$31,645,089	\$188,967	113,409	0.14
SEASONAL RESIDENTIAL	\$867,951	\$5,183	1,557	0.28
GENERAL SERVICE LESS THAN 50 kW	\$6,553,835	\$39,136	9,339	0.35
GENERAL SERVICE 50 TO 2,999 KW	\$8,894,814	\$53,115	1,060	4.18
GENERAL SERVICE 3,000 TO 4,999 KW	\$692,222	\$4,134	6	57.41
LARGE USE	\$628,721	\$3,754	4	78.22
UNMETERED SCATTERED LOAD	\$145,696	\$870	803	0.09
SENTINEL LIGHTING	\$45,387	\$271	247	0.09
STREET LIGHTING	\$456,462	\$2,726	31,736	0.01
Total	\$49,930,177	\$298,156		

Table 10 – Determination of Proposed WRZ Z-Factor Capital Rate Riders – **July 1, 2023 to Rebasing**

Rate Class	2010 COS (EB-2009-0274) Revenue Requirement	Allocation of Revenue Requirement	# of cust/ conn as at Dec 31, 2021	Fixed Rate Rider
RESIDENTIAL	\$12,484,708	\$47,975	43,441	0.09
GENERAL SERVICE LESS THAN 50 kW	\$1,886,505	\$7,249	2,350	0.26
GENERAL SERVICE 50 TO 4,999 KW	\$4,386,869	\$16,857	398	3.53
UNMETERED SCATTERED LOAD	\$118,230	\$454	392	0.10
SENTINEL LIGHTING	\$3,106	\$12	47	0.02
STREET LIGHTING	\$317,008	\$1,218	13,214	0.01
Total	\$19,196,426	\$73,766		



Table 11 – VRZ Bill Impact Comparison of Capital Cost Recovered by Option 1
versus Option 2

RATE CLASSES / CATEGORIES (eg: Residential TOU, Residential Retailer)	Units	Lights	Veridian Rate Zone		
			Option 1 (A)	Option 2 (B)	Difference (A - B)
			\$	\$	\$
RESIDENTIAL SERVICE CLASSIFICATION - RPP	kWh		\$ 1.73	\$ 0.25	\$ 1.48
SEASONAL RESIDENTIAL SERVICE CLASSIFICATION - RPP	kWh		\$ 3.46	\$ 0.51	\$ 2.95
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION - RPP	kWh		\$ 4.36	\$ 0.64	\$ 3.72
GENERAL SERVICE 50 TO 2,999 KW SERVICE CLASSIFICATION - Non-RPP (Other)	kW		\$ 52.13	\$ 7.64	\$ 44.49
GENERAL SERVICE 3,000 TO 4,999 KW SERVICE CLASSIFICATION - Non-RPP (Other)	kW		\$ 716.69	\$ 104.92	\$ 611.77
LARGE USE SERVICE CLASSIFICATION - Non-RPP (Other)	kW		\$ 976.41	\$ 142.94	\$ 833.47
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION - RPP	kWh		\$ 1.13	\$ 0.16	\$ 0.97
SENTINEL LIGHTING SERVICE CLASSIFICATION - RPP	kW		\$ 1.14	\$ 0.17	\$ 0.97
STREET LIGHTING SERVICE CLASSIFICATION - Non-RPP (Other)	kW	10652	\$ 958.68	\$ 213.04	\$ 745.64

Table 12 – WRZ Bill Impact Comparison of Capital Cost Recovered by Option 1
versus Option 2

RATE CLASSES / CATEGORIES (eg: Residential TOU, Residential Retailer)	Units	Lights	Whitby Rate Zone		
			Option 1 (A)	Option 2 (B)	Difference (A - B)
			\$	\$	\$
RESIDENTIAL SERVICE CLASSIFICATION - RPP	kWh		\$ 1.10	\$ 0.16	\$ 0.94
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION - RPP	kWh		\$ 3.07	\$ 0.46	\$ 2.61
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION - Non-RPP (Other)	kW		\$ 42.14	\$ 6.32	\$ 35.82
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION - RPP	kWh		\$ 1.15	\$ 0.18	\$ 0.97
SENTINEL LIGHTING SERVICE CLASSIFICATION - RPP	kW		\$ 0.25	\$ 0.04	\$ 0.21
STREET LIGHTING SERVICE CLASSIFICATION - Non-RPP (Other)	kW	12262	\$1,103.58	\$ 245.24	\$ 858.34

7. Conclusion

Ellexicon respectfully requests recovery of \$4,602,788 associated with the restoration of electricity service to its customers in the wake of the May 21 derecho storm. This event meets the Z-factor eligibility criteria as set out in the Incentive Regulation Report and the Chapter 3 Filing Requirements.



Appendix A - 1

Elexicon May 2022 Derecho Storm Event - Additional Information



Overview

Elexicon experienced a Z-factor event on May 21, 2022 when a *derecho* storm swept through the province of Ontario and large portions of Elexicon's service territory. This appendix provides supplementary information to Elexicon's Z-factor application, organized in the following subsections:

- a. Appendix A-1a - Elexicon's May 21, 2022 Outage Summary
- b. Appendix A-1b - CityNews news report from May 24, 2022 coverage of the derecho storm's impact in Uxbridge, where an EF-2 tornado touched down¹.
- c. Appendix A-1c - DurhamRegion.com's report from May 25, 2022 on the recovery efforts from the derecho storm.
- d. Appendix A-1d - Elexicon's Major Event Response Report submitted to the OEB.

The information in this appendix is being provided to the OEB for its understanding of the magnitude of the Derecho Storm Event, and Elexicon's prudent response in its storm restoration activities.

¹ <https://toronto.citynews.ca/2022/05/24/ontario-storm-power-outages-durham-uxbridge/>

Appendix A – 1a

Elexicon's May 21, 2022 Outage Summary



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Elexicon's May 21, 2022 Outage Summary

Event Summary

The following is a time-based chronology of events running from Environment Canada's issuance of a Severe Thunderstorm Watch to Elexicon having restored electricity to 98.7% of affected customers:

- At 12:55 PM on May 21st, 2022, a Severe Thunderstorm Watch was issued by Environment Canada for Pickering and several of Elexicon's service territories
- At 13:17 A Readiness Alert was sent to the core Power Restoration Team to acknowledge and stand by in the Virtual Incident Command Centre
- At 13:52 Environment Canada issued a Severe Thunderstorm Warning for Uxbridge, Beaverton, Sunderland, Ajax, Port Perry, Whitby, Pickering and Clarington with no separate Tornado Warnings issued.
- Strong winds up to 195 km/hr were seen in many areas leading to tree contacts, broken poles and loss of supply events from Hydro One. The touchdown of an EF-2 tornado in Elexicon's service territory in Uxbridge would later be confirmed by Environment Canada
- Numerous Contractors assisted Elexicon starting on May 21 and continued for the duration of the restoration efforts. Assistance was provided in the areas of Lines crews, Tree Trimming crews, Vac trucks, Civil and Electrical crews.
- At its peak, approximately 64,000 customers were without power, leading Elexicon to declare a Level 3 Outage
- A request for Mutual Aid came from Hydro One at 08:00 on May 22, 2022; Elexicon could not supply any resources



- Lakeland Power managed Gravenhurst trouble calls for Elexicon while crews assisted in Uxbridge at the tornado recovery site
- By Friday May 27th, 98.7% of customers had power restored and the Level 3 Outage was declared over. Major reconstruction work continued in Uxbridge and along Westney Road in North Pickering on Saturday May 28th. Uxbridge was fully restored on Sunday, May 29th



Storm Impact Pictures

The following pictures were taken by Elexicon staff and show the impact of the derecho storm on Elexicon's distribution grid:

Figure 1: Whitby District Mid Town
Location: Ash St and Chestnut St.
Date May 22, 2022

Large tree snapped and pulled down 3 poles





Figure 2: Whitby District Mid Town 2

Location: Maple St. and Center St.

Date: May 22, 2022

Multiple damaged poles and circuits 2 blocks away from Municipal Substation





Figure 3: Central Uxbridge

Location: Albert St. and surrounding streets

Date: May 22, 2022

Large wind impacts that flattened all distribution poles and wires in the general vicinity





Figure 4: Pole line down

Location: Lakeridge Road South of Bayly St.

Date: May 22, 2022

Multiple poles down





Figure 5: Uxbridge TS
Location; Brock St West
Date: May 22, 2022
Municipal Substation damaged by strong winds





Communications and Stakeholder Outreach

Elexicon performed the following stakeholder outreach and media communications during the period of May 21 to May 27 in support of its storm restoration efforts:

Stakeholder Outreach

- 100+ emails and phone calls answered from Mayors and Councillors
- 5 phone calls to MPPs in affected areas
- 22 Official Mayor and Board Briefings
- 18 Official Briefings to CAOs of each municipality affected, 14 to Councillors of all affected areas as well as the Region of Durham
- 1 video conference call briefing with President & CEO and VP Distribution Operations (May 25th)
- 5 interactions with DDSB and DCDSB officials

Media Outreach

- 6 News Releases issued May 21 – May 27
- 7 TV and Radio Media interviews given by the President & CEO
- 96 Media Stories with Elexicon quoted or mentioned (Earned Media) equaling 103 million media impressions - CP24, Global News Toronto, 680 News, Toronto Star, City News, Durham Post

Stakeholder Feedback and Next Steps

Stakeholder Feedback

Elexicon received the following testimonials in appreciation of its rapid storm restoration efforts:



1 “Thank you to all the #utility workers across Ontario who have been working
2 around the clock after Saturday’s storm. To those in Ottawa and other areas of
3 the province still without power, please know that help is on the way.” – Premier
4 Doug Ford

5
6 “A big thank you to crews from across Ontario, Canada and the US who continue
7 to work around the clock to get power restored to families & businesses. With
8 significant damage to infrastructure, crews have gone above and beyond to
9 speed up restoration and get the light back on.” – MPP, Minister of Energy, Todd
10 Smith

11
12 “You folks and all the crews have done incredible work. Very grateful to the
13 Elexicon Energy team.” – MPP, Minister of Finance, Peter Bethlenfalvy

14
15 Positive feedback was also received from Mayors Barton (Uxbridge), Collier
16 (Ajax), Mitchell (Whitby) and numerous Regional and Municipal Councillors

17 **Next Steps:**

18
19 Management conducted a post storm restoration review of its outage management
20 processes. The following items were identified as opportunities or areas for continuous
21 improvement of Elexicon’s outage management processes:

- 22
- 23 • Changes to how customers report damage (potential self-reporting using map
24 pinning, use of special email address) to expedite the triage process
 - 25 • Improved information exchange between System Control with Customer Care
26 and Communications to improve messaging
 - 27 • Further refinement of the damage assessment process



- Changes to social media messaging and process once Level 3 declared, including restoration times
- Rollout of new website before the end of 2022, ADMS and outage map will address many of the complaints with the current outage map functionality

As one can see from the figures provided above, the aftermath of the derecho was apocalyptic and certainly was not within Management's control or planning, notwithstanding investments that continue to be made to ensure the resiliency of the distribution system. However, despite this, the incurred costs are material and Elexicon seeks relief for both operating and capital costs through this Application.

Appendix A – 1b

CityNews news report from
May 24, 2022

EF-2 tornado touchdown confirmed in Uxbridge, recovery efforts ongoing



Vehicles remain crushed under trees and power lines in the Ottawa Valley community of Carleton Place, Ont. on Tuesday, May 24, 2022, after a major storm hit parts of Ontario and Quebec on Saturday leaving extensive damage. THE CANADIAN PRESS/Sean Kilpatrick Sean Kilpatrick.

[Read More](#)

By News Staff

Posted May 24, 2022, 3:57PM EDT.

Last Updated May 25, 2022, 7:16AM EDT.

Crews are working to restore power to more than 150,000 Ontario customers who are still without hydro after a deadly storm swept through the province on Saturday.

At least ten people died and three communities declared states of emergency after the storm that down trees, brought down power lines and damaged property.

Environment Canada confirmed to CityNews that an EF-2 tornado did touch down in Uxbridge on Saturday, leaving widespread damage.

The Northern Tornadoes Project has said preliminary results showed a long narrow path of enhanced damage was 4.26 km in length and 260 metres wide with a speed of 195 km/h.

It says it's still investigating storm damage from Saturday in Ottawa and London.

Elexicon Energy, which covers Durham region, elaborated on the ongoing efforts to restore power as President and CEO Indrani Butany-DeSouza, says hydro crews have been working 24/7 since Saturday.

"This storm that we saw, for us, was worse than the [1998] ice storm," DeSouza said. "It hit so quickly, and the extensive damage because of downed trees and high winds was enormous."

Butany-DeSouza says that the eastern region of Uxbridge — one of the hardest-hit regions — is getting power back today. The Mayor of Uxbridge declared a state of emergency following the storm on Saturday due to the damage and widespread cleanup.

Butany-DeSouza says it could take several days to restore power in certain areas and Durham region neighbourhoods.

"Saturday's severe storms and heavy winds resulted in substantial damage and power outages across Whitby, Pickering, Ajax, Uxbridge and Port Perry, currently affecting more than 6,600 customers," Elexicon Energy's website reads.

"Our crews are working hard to bring back power and ensure public safety working with emergency services and our municipalities."

Three schools in Durham region remain closed on Wednesday.

More than 98,000 Hydro One customers are still without power. As of early Wednesday morning, Hydro Ottawa said it is working on restoring power to approximately 68,000 customers

Toronto Hydro says there are dozens of scattered outages across the city as crews hope to return power to all by Wednesday afternoon. [**Eight schools in Durham**](#) and one in North York had to close down Tuesday due to a lack of power.

The death toll in Ontario climbed to at least 10 on Monday, with Peterborough police confirming that a 61-year-old Lakefield man died during the storm after being struck by a falling tree. One person died in Quebec during Saturday's storm, and nine people died in Ontario as wind gusts up to 151 kilometres uprooted trees and downed power lines.

The storm led to more than 1,400 broken poles, 300 broken cross arms, and nearly 200 damaged transformers in Ontario.

Insurance claims expected to rise after deadly storm hits Ontario and Quebec

Insurance claims are expected to rise following a deadly storm that swept across Ontario and Quebec on Saturday.

Anne Marie Thomas, director of consumer and industry relations with the Insurance Bureau of Canada, says it is too early to project insurance claim tallies, but that home, auto and business insurance will play a key role in the recovery.

She says roofs, fences, cars and food waste will likely make up the bulk of home insurance claims, with additional living expenses such as hotels also covered under some plans should families have to temporarily decamp from damaged properties.



The remains of the roof of a hardware store that lifted off and crashed into neighbouring houses during a major storm is seen spread across residences in the community of Hammond in Clarence-Rockland, Ont., Monday, May 23, 2022. THE CANADIAN PRESS/Justin Tang
Justin Tang.

Thomas says extreme weather continues to highlight the cost of climate change to insurers and taxpayers.

The insurance bureau says severe weather caused \$2.1 billion in insured damage last year, stemming in part from November flooding in British Columbia and summer hailstorms in Calgary.

“What a tragedy, what happened over the weekend, with this storm, so widespread,” Progressive Conservative Leader Doug Ford, who is running for re-election as Ontario’s premier, said Tuesday morning at a campaign stop.

“I just want to give my prayers and thoughts to the families that lost loved ones.

With files from The Canadian Press

Appendix A – 1c

DurhamRegion.com's report
from May 25, 2022

WHAT YOU NEED TO KNOW: Recovery efforts continue after devastating storm hits Durham

Power outages, structural damage across region after sustained windstorm

[Moya Dillon](#)

DurhamRegion.com

Wednesday, May 25, 2022

Durham residents continue to clean up after a Derecho hit the region Saturday afternoon.

[Environment Canada](#) describes a Derecho as “a widespread, long-lived windstorm associated with a line of thunderstorms.” The May 21 storm cell formed near Sarnia and tracked across southwestern Ontario to Ottawa, with winds recorded as high as 132 km/h.

"It was unique because this storm touched all eight municipalities across Durham, so we had challenges everywhere, with Uxbridge being the hardest hit," said Durham Region Chair John Henry.

"We're working with our municipalities to ensure cleanup takes place where needed, disposing of trees that have fallen and just helping them get back to a more normal routine. But this isn't going to be over in just a few days or weeks, this is going to take months."

Henry points to ongoing efforts to restore power, ensure the safety of roads, assess damage not just to buildings but also regional conservation lands and other outdoor facilities, ensure community pumps and sanitation systems have adequate power and more as challenges remaining across the region.

Power remains a number one priority in most areas after the storm left more than 1 million without power across the province. In Durham, [Elexicon Energy](#) estimated 6,600 remained without power across

Whitby, Pickering, Uxbridge, Ajax and Port Perry as of Tuesday morning. Reinforcements have been called in from areas that weren't impacted to assist with reconnecting customers as quickly as possible. Residents can visit www.elexiconenergy.com for updates.

[Hydro One](#) has called the storm one of the worst weather events crews have seen, with more than 150,000 still without power.

"Our hearts remain with our customers who have been devastated by this storm," said Jason Fitzsimmons, chief customer care and corporate affairs officer from Hydro One. "I've heard from crews on the ground that this is the most destructive storm in recent memory, and you have our commitment that we will not stop until every last customer is restored."

The utility has brought in nearly 500 employees from other utilities, including out-of-province and international partners, as well as contractors, to assist in the hardest hit areas. Damage currently includes more than 1,400 broken poles, 300 broken crossarms, nearly 200 damaged transformers, and countless downed trees and branches. For more information or to report outages visit www.hydroone.com.

To support residents in their cleanup efforts, the Region of Durham is waiving bag limits for curbside collection, waiving fees at waste management facilities for any leaf and yard waste and keeping facilities open from 8 a.m. to 8 p.m. through May 28.

Appendix A – 1d

Elexicon's Major Event
Response Report submitted to
the OEB

Major Event Response Reporting

Wind Storm May 21 – May 29, 2022

Prior to the Major Event

1. Did the distributor have any prior warning that the Major Event would occur?

☒ Yes ☐ No

Additional Comments:

Yes, Elexicon Energy Inc. ("Elexicon") had very limited prior warning based on reports of high winds advancing into its service territory. However, Environment Canada's Severe Thunderstorm Warnings for Uxbridge and Northern Regions of Durham, Pickering, Oshawa, Southern Durham Region were not issued until after Elexicon had issued its own Pre-Event Readiness warning internally on May 21, 2022.

2. If the distributor did have prior warning, did the distributor arrange to have extra employees on duty or on standby prior to the Major Event beginning?

☒ Yes ☐ No

Brief description of arrangements, or explain why extra employees were not arranged:

Elexicon issued a Pre-Event Readiness warning internally on May 21, 2022. This Readiness warning alerts staff to the possible need for their assistance should the conditions require it.

3. If the distributor did have prior warning, did the distributor issue any media announcements to the public warning of possible outages resulting from the pending Major Event?

☐ Yes ☒ No

No, Elexicon did not have sufficient advance notice of the storm to issue any media announcements in advance of the event.



4. Did the distributor train its staff on the response plans to prepare for this type of Major Event?

☒ Yes ☐ No

Yes, Elexicon practices its Power Restoration Plan/Business Continuity Plan regularly and a Level 3 Outage training and tabletop exercise was completed on December 2, 2021. A Level 3 outage is a major outage affecting more than 25,000 customers for more than 24 hrs. It is the highest level assigned by Elexicon under its current Power Restoration Plan.

During the Major Event

1. Please identify the main contributing Cause of the Major Event as per the table in section 2.1.4.2.5 of the Electricity Reporting and Record Keeping Requirements.

- ☐ Loss of Supply
- ☐ Lightning
- ☒ Adverse Weather-Wind
- ☐ Adverse Weather-Snow
- ☐ Adverse Weather-Freezing rain/Ice storm
- ☐ Adverse Environment-Fire
- ☐ Adverse Environment-Flooding
- ☐ Other

Please provide a brief description of the event (i.e. what happened?). If selected “Other”, please explain:

On May 21, 2022 a derecho storm swept through the province of Ontario and large portions of Elexicon’s service territory. This widespread and fast-moving storm caused extensive damage to Elexicon’s infrastructure thereby leading to prolonged power outages for the majority of Elexicon’s customers.

2. Was the IEEE Standard 1366 used to derive the threshold for the Major Event?

- ☒ Yes, used IEEE Standard 1366*
- ☐ No, used IEEE Standard 1366 2-day rolling average
- ☐ No, used fixed percentage (i.e., 10% of customers affected)

*The OEB preferred option

3. When did the Major Event begin (date and time)?

May 21, 2022, 12:30pm



4. Did the distributor issue any information about this Major Event, such as estimated times of restoration, to the public during the Major Event?

☒ Yes ☐ No

During the course of this Major Event, Elexicon issued several communications to the public to keep them well informed. These included:

- Outage map on website displaying information about outage locations and estimated restoration times (“ETRs”).
- Website banner display that contained information about power restoration efforts, the number of customers affected, restoration time as a whole, contact information about where to call if customers see a downed power line or tree or to report an outage, including new storm email inbox, and Electrical Safety Association (“ESA”) information for customer owned infrastructure and connections. During the Major event, Elexicon had 689,539 page views on its website.
- Updated news releases posted to public facing website, twitter and sent to all local and major GTA media outlets to inform about Elexicon’s power restoration efforts including critical information to ensure public safety.
- News interviews to continue to update and communicate to customers through traditional media that was carried on Global and CTV News locally (Durham) and provincially.
- Social media updates including real-time posts from system control that aligned with outage map on location of outages and ETRs/supplemental posts on restoration efforts/images of damage and crews conducting restoration efforts/safety messages/conservation messaging to ensure ongoing reliability in areas where load needed to be transferred and shared with another substation/information about local community relief locations/power outage survival checklists and emergency management for those who require electricity for critical life support/review and triaging of all messages from customers to ensure follow up by distribution operations and crews.
- Direct communications as well as regular updates to Mayors, City and Town Councilors and CAOs of all affected regions to ensure most up-to-date local information can be provided to the public through their own communication channels as civic leaders.
- Direct communications to customers and the public through our call centre and specialized storm communication email address that was actively monitored throughout the major event.

5. How many customers were interrupted during the Major Event?

126,456



What percentage of the distributor's total customer base did the interrupted customers represent?

72.6%

6. How many hours did it take to restore 90% of the customers who were interrupted?

70 hours, 12 minutes

7. Were there any outages associated with Loss of Supply during the Major Event?

☒ Yes ☐ No

If yes, please report on the duration and frequency of the Loss of Supply outages:

1,195 Customers out for 48.78 hours

8. In responding to the Major Event, did the distributor utilize assistance through a third party mutual assistance agreement with other utilities?

☐ Yes ☒ No

If yes, please provide the name of the utilities who provided the assistance?

N/A

9. Did the distributor run out of any needed equipment or materials during the Major Event?

☒ Yes ☐ No

If yes, please describe the shortages:

Elexicon quickly ran out of materials at the onset of the event, but was able to resupply over the next few days with the needed material and equipment (poles, cable, hardware, etc.). The damage caused by the storm exceeded what is planned for in Elexicon's safety stock level. Emergency material was brought in from other distributors and contractors to meet the demand.



After the Major Event

1. What actions, if any, will be taken to be prepared for, or mitigate, such Major Events in the future?

- ☐ No further action is required at this time
- ☒ Additional staff training
- ☒ Process improvements
- ☒ System upgrades
- ☐ Other

Additional Comments:

Elexicon is currently undertaking an organization-wide event postmortem, including Lessons Learned from this event that will inform specific improvements related to staff training, process improvements and potential system upgrades.

Appendix A – 2

Notice of Intent
September 6 2022



September 6, 2022

Ms. Nancy Marconi
Registrar and Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Marconi:

Re: Elexicon Energy Inc. – Notice of intent to file Z Factor Application EB-2022-0024

Elexicon Energy Inc. (“Elexicon”) hereby notifies the Ontario Energy Board (“OEB”) of its intent to file a Z Factor Claim for implementation with its May 1, 2023 rates update.

On May 21, 2022, a derecho storm swept through the province of Ontario and large portions of Elexicon’s service territory. This widespread and fast-moving storm caused extensive damage to Elexicon’s infrastructure thereby leading to prolonged power outages for the majority of Elexicon’s customers.

Elexicon was unable to include its Z Factor application in its 2023 IRM application, because of the extended duration of the storm restoration and the event’s proximity with the July filing date of the IRM application. Elexicon plans to file the application by October 12, 2022, which is the Tranche 2 filing date set out by the OEB for entities seeking implementation of rates effective May 1, 2023.

If you require any further information, please contact the undersigned at (289) 356-3123 or via email at cchan@elexiconenergy.com.

Sincerely,

A handwritten signature in black ink, appearing to be 'CChan', written over a light blue circular stamp.

Cynthia Chan, CPA, CA
Chief Financial Officer
Elexicon Energy Inc.

cc: John Vellone

elexiconenergy.com

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