



Ontario
Energy
Board | Commission
de l'énergie
de l'Ontario

FINAL RATE ORDER – PHASE 2

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

August 8, 2023



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1 INTRODUCTION AND SUMMARY

This is a Final Rate Order of the Ontario Energy Board (OEB) on an application filed by Elexicon Energy Inc. (Elexicon Energy), under section 78 of the *Ontario Energy Board Act, 1998*, based on a request for incremental capital module (ICM) funding for the Whitby Smart Grid. On July 6, 2023, the OEB issued its Decision and Order – Phase 2 (Decision) for the ICM request.¹

In accordance with the Decision, Elexicon Energy filed its Draft Rate Order (DRO) on July 17, 2023. Submissions on the DRO were received from School Energy Coalition (SEC) and OEB staff on July 19, 2023 and July 25, 2023, respectively. Elexicon Energy filed its DRO reply submission on July 28, 2023 and included an updated DRO.

The OEB has considered the DRO and submissions and approves the ICM rate riders filed in the DRO filed by Elexicon Energy.

¹ Decision and Order – Phase 2, July 6, 2023

2 ICM INFLATION FACTOR

In the implementation section of the Decision dated July 6, 2023, the OEB stated:

The parameters used for the calculation of the ICM rates riders should reflect the currently known parameters, such as the approved 2023 rates, 2022 billing determinants and the most up-to-date inflation factor.²

The 2024 inflation factor for electricity distributors was issued on June 29, 2023.³

Elexicon Energy stated that it would not be provided sufficient funding for the Whitby Rate Zone, if 2024 inflation factor were used. Elexicon Energy requested the use of the 2023 inflation factor for the Whitby Rate Zone as the outcome of using the 2024 inflation factor is inconsistent with the spirit and intention of the Decision; the change in circumstances when the OEB released the 2024 inflation parameters was not within the control of Elexicon Energy; and the parties to the application did not have the opportunity to test the impact of the 2024 inflation factor on the ICM models.

SEC argued that the problem raised by Elexicon Energy could be addressed by amending the Decision to stipulate that the ICM Rider will be calculated at the time of the 2025 IRM Rate Order, rather than today.

OEB staff submitted that it had understood the 2023 inflation factor was intended to be used because the Decision found that Elexicon Energy met the materiality criteria in approving an exception to the ICM funding policy and practice in 2023, the 2023 inflation factor had been on the record throughout the application process, the use of the 2024 inflation factor does not come into effect for setting rates until 2024 and using the 2024 inflation factor would result in a material reduction (\$2.4 million) out of the requested \$8.8 million in approved ICM funding.

Findings

The OEB approves the ICM rate riders in the DRO filed by Elexicon Energy on July 14, 2023 in Tables 1 and 2 below. The OEB finds that the calculated ICM rate riders in the DRO are consistent with the \$8.8 million in ICM funding approved in the Decision.

The OEB finds that the use of the 2024 inflation figure would conflict with the clear intent of the Decision. The regulatory function of a Rate Order that follows an OEB decision is to enable the findings of the panel to be reflected in the future operations of the

² Ibid, p. 28

³ OEB Letter – 2024 Inflation Parameters, June 29, 2023

regulated utility and the collection of rates. Here, the clear intent of the OEB was to approve the ICM funding of \$8.8 million in the Whitby and Veridian rate zones. Use of the 2024 inflation factor as "the most up-to-date factor" would conflict with that intention. The use of the 2024 inflation factor would materially reduce the \$8.8 million approved.

The OEB notes that the Decision references the materiality thresholds of \$11.6 million and \$24.4 million and the resulting maximum eligible incremental capital amounts of \$63.3 million and \$16.2 million for the Whitby and Veridian rate zones respectively, which utilize the 2023 inflation factor (footnote page 14).

As noted in the submissions, the timing of the release of the 2024 inflation factor did not enable any exploration in the proceeding of the potential significance of its implementation on the approved ICM. The OEB also does not agree that the derivation of this rate order should be an opportunity for a review of the issue of the materiality in the calculation of ICM qualification for Elexicon Energy or reconsider the OEB's ICM funding policy and models generically. The OEB is of the opinion that other measures to adapt to the adoption of 2024 or other inflation factors are not within the proper ambit of this rate order.

The following ICM rate riders should be included in Elexicon Energy's proposed tariff in its 2025 rate application.

Table 1 – Rate Riders Veridian Rate Zone

Rate Class	Service Charge Rate Rider	Distribution Volumetric Rate kWh Rate Rider	Distribution Volumetric Rate kW Rate Rider
RESIDENTIAL	\$0.54		
SEASONAL RESIDENTIAL	\$0.99		
GENERAL SERVICE LESS THAN 50 kW	\$0.35	\$0.0004	
GENERAL SERVICE 50 TO 2,999 KW	\$2.25		\$0.0695
GENERAL SERVICE 3,000 TO 4,999 KW	\$118.34		\$0.0440
LARGE USE	\$177.77		\$0.0620

UNMETERED SCATTERED LOAD	\$0.14	\$0.0004	
SENTINEL LIGHTING	\$0.09		\$0.2862
STREET LIGHTING	\$0.01		\$0.0783

Table 2 – Rate Riders Whitby Rate Zone

Rate Class	Service Charge Rate Rider	Distribution Volumetric Rate kWh Rate Rider	Distribution Volumetric Rate kW Rate Rider
RESIDENTIAL	\$0.56		
GENERAL SERVICE LESS THAN 50 kW	\$0.47	\$0.0003	
GENERAL SERVICE 50 TO 4,999 KW	\$3.60		\$0.0718
UNMETERED SCATTERED LOAD	\$0.17	\$0.0006	
SENTINEL LIGHTING	\$0.10		\$0.2765
STREET LIGHTING	\$0.03		\$0.1210

3 RATE ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The Ontario Energy Board approves the ICM rate riders effective **April 1, 2025**.
2. Elexicon Energy Inc. shall include the approved ICM rate riders on its proposed tariff for its 2025 rate application.

DATED at Toronto August 8, 2023

ONTARIO ENERGY BOARD

Nancy Marconi
Registrar