



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

BY EMAIL

February 20, 2024

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Marconi:

Re: EB-2023-0014 Application for 2024 Rates -Phase II

In accordance with Procedural Order NO. 1, please find attached the Ontario Energy Board (OEB) staff interrogatories in the above proceeding. The applicant and intervenors have been copied on this filing.

Elexicon Energy Inc.'s responses to interrogatories are due by March 5, 2024.

Any questions relating to this letter should be directed to Oluwole (Wolly) Bibiresanmi at oluwole.bibiresanmi@oeb.ca or at 437-880-4352. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Oluwole (Wolly) Bibiresanmi
Case Manager

Encl.

**OEB Staff Interrogatories
Elexicon Energy Inc.
EB-2023-0014**

Please note, that Elexicon Energy Inc. (Elexicon Energy) is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff interrogatories and any other supporting documentation, 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*.

1-Staff-1

Ref 1: Manager's Summary Appendix A p.3

Ref 2: RRR 2.1.5.6 ROE Complete Filing Guide, March 2016

In Reference 1, Elexicon Energy stated that for the purposes of the ESM, achieved regulatory net income will be calculated in the same manner as regulatory net income for the purposes of the RRR filings, and in accordance with the RRR 2.1.5.6, as it currently exists. Elexicon Energy further explained that under this methodology, Regulated Return on Equity (ROE), is calculated by dividing the current year's adjusted regulatory net income by the deemed equity.

Elexicon Energy proposed that the revenues and expenses which included (but are not limited to) the below-listed items will be excluded for regulatory purposes:

- I. The settlement of any regulatory assets/liabilities including the lost revenue adjustment mechanism ("LRAM")
- II. Changes in Taxes/PILs to which Account 1592 applies, which will be shared through that account rather than through earnings sharing.
- III. Any revenue collected from Incremental Capital Module (ICM) rate riders.
- IV. Donations

Page 3 of the Reference 2 states that:

A distributor shall report, in the form and manner determined by the Board, the regulatory return on equity earned in the preceding fiscal year. The reported return is to be calculated on the same basis as was used in establishing the distributor's base rates.

Page 4 of Reference 2 states the purpose of the ROE filing as follows:

- To provide a consistent methodology and standardized approach to calculating the achieved ROE as reported in the RRR and on the electricity distributor's Scorecard.

- To assess a distributor's ROE performance in the reporting year in order to determine whether a distributor's ROE falls within/outside of the 300 basis points dead band.
- To provide a mechanism for distributors to explain the drivers for over/underearning if applicable.
- Distributors must ensure the accuracy of the RRR 2.1.7 trial balance before completing the ROE filing.

Questions:

- Please confirm that the list of revenue and expense adjustment items proposed for the achieved ROE calculation is not a complete list, rather, it is an example of the items that should be excluded in the calculation of achieved ROE in Ellexicon Energy's view.
- Ellexicon Energy states that the achieved ROE is calculated by dividing the current year's adjusted regulatory net income by the deemed equity. Please clarify the calculation of the "deemed equity" in the year it is to use the actual inputs (i.e. PP&E and working capital calculations) for the year.
- Ellexicon Energy proposed one adjustment item for the calculation of the achieved ROE: any revenue collected from ICM rate riders. Please explain how Ellexicon Energy assesses ICM assets: whether Ellexicon Energy is to adjust out the ICM assets from the PP&E values reported or the ICM assets are not included in the PP&E values for the purpose of the achieved ROE calculation. If not, please explain why not.

1-Staff-2

Ref 1: Manager's Summary Appendix A p. 2

Ellexicon Energy proposed that the most recently approved ROE for both of the predecessor utilities be used to develop a weighted average deemed ROE for Ellexicon Energy: Whitby and Veridian RZs.

	Veridian RZ	Whitby RZ	Ellexicon
OEB-Approved Rate Base (\$000's)	238,106	75,768	313,874
Weighting	75.86%	24.14%	100.00%
OEB-Approved ROE	9.36%	9.66%	9.43%

Questions:

- a. Please repopulate a table using the same format as in the table above using the actual rate bases for each of the rate zones for the most recent available year-end data. The table should show the OEB's approved ROE using the weighting of the two rate zones' actual rate bases.
- b. Please compare the resulting OEB-approved ROE with the 9.43% which is based on Elexicon Energy's proposed method.
- c. Please provide Elexicon Energy's thoughts (pros and cons) in using the most recent actual rate bases as weighting for the deemed ROE as compared to the approved rate base proportions as shown in Elexicon Energy's proposed method.

1-Staff-3

Ref 1: Whitby RZ Cost of Service (COS) Draft Rate Order application (EB-2009-0274)

Ref 2: Veridian RZ Cost of Service (COS) Draft Rate Order application (EB-2013-0174)

Cost Of Capital

In Reference 1 Whitby RZ explained that the Parties accepted the proposed capital structure of 60% debt and 40% equity. Whitby RZ explained further that the Parties agreed to apply the 2011 cost of capital parameters set out in the Board's November 15, 2010, update, being 9.66% for ROE.

For greater certainty, the Parties also agreed that the cost of capital parameters in the proceeding would have no impact on any of Whitby Hydro's cost of capital parameters in future distribution rate proceedings.

Question

- a. Please provide any other adjustments that differ from the details made available during both Whitby and Veridian RZ the COS proceeding.