



October 3, 2025

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](mailto:Boardsec@oeb.ca)

Dear Ms. Marconi:

**Re: EB-2025-0046 – Elexicon Energy Inc. (“Elexicon”) IRM  
Application Responses to Interrogatories (“IRs”)**

Pursuant to the Procedural Order dated September 3, 2025, and the email dated September 18, 2025, please find enclosed Elexicon’s Responses to the questions provided by OEB Staff.

All interrogatory responses will be filed through the OEB’s web portal (“RESS”) and include the following files:

- Excel Model: IRR\_STAFF\_30\_EE\_WRZ\_2026\_ACM\_ICM\_20251001.xlsm

Please contact Erin Stevens by phone at (289 355 9390) or by e-mail at [estevens@elexiconenergy.com](mailto:estevens@elexiconenergy.com) if you have any questions.

DocuSigned by:  
  
9BD249B1E5DC4D7...

Stephen Vetsis  
Vice President Regulatory Affairs and Stakeholder Relations  
Elexicon Energy Inc.

cc: Oluwole Bibiresanmi (Wolly), [Oluwole.Bibiresanmi@oeb.ca](mailto:Oluwole.Bibiresanmi@oeb.ca),  
Michael Millar, [Michael.Millar@oeb.ca](mailto:Michael.Millar@oeb.ca)

---

**elexiconenergy.com**

Office T (905) 427-9870 T 1 (888) 445-2881 F (905) 619-0210

Customer Care T (905) 420-8440 T 1 (888) 420-0070 F (905) 837-7861

**55 Taunton Rd. E.**

Ajax, ON L1T 3V3

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-1**

5  
6  
7   Commodity Accounts WorkForm

8   Ref 1: EE\_VRZ\_2026\_Commodity\_Accounts\_Analysis\_WF\_20250715

9  
10   Question(s): a. Please provide an explanation in the text box a) in tabs GA 2023 and GA  
11   2024 since columns G and H for unbilled consumption are not used in the Note 4 of these  
12   tabs.

13  
14  
15  
16   **RESPONSE:**

- 17       a) Columns G and H for unbilled consumption are not used in the Note 4 of tabs GA  
18       2023 and GA 2024. The explanation that should have been in the text box a) in tabs  
19       GA 2023 and GA 2024 is below.

20  
21       *The data used in Note 4 reflects actual consumption by calendar month. This*  
22       *approach is more retrospective in nature. Elexicon has tracked the actual monthly*  
23       *consumption data for GA from the billing system for inclusion in the Commodity*  
24       *Accounts Analysis Workform for improved accuracy and to limit the reconciliation to*  
25       *the key elements.*

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31

## RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

### INTERROGATORY 1-STAFF-2

Account 1508 Other Regulatory Asset - Sub-account OEB Cost Assessment  
Ref 1: EE\_2026\_Group 2 Continuity Schedule\_20250715.XLSX, Principal Adjustments  
during 2024.

Question(s): a. Please explain the principal adjustment (-\$295,632) recorded in 2024 for  
Account 1508 - Sub-account OEB Cost Assessment, including the period of the  
adjustment related to, the nature of the adjustment, rationale for the adjustment and how  
the amount was determined.

### RESPONSE:

a) The OEB established 'Account 1508 Other Regulatory Assets, Sub-account OEB Cost  
Assessment' variance account for electricity distributors to record any material differences  
between OEB cost assessments currently built into rates, and cost assessments that will  
result from the application of the new cost assessment model effective April 1, 2016. Elexicon  
had used the amount built into rates for this calculation to the end of 2024, as prescribed.

However, Elexicon was aware of the OEB decision in EB-2024-0309 for Newmarket-Tay  
Power Distribution in which the OEB found "it is neither fair nor reasonable to calculate the  
amount to be recovered from NT Power's customers in respect of the OEB Cost Assessment  
Sub-account in a way that reflects only the base amount for OEB cost assessments  
embedded in NT Power's rates, without regard for annual rate increases that have occurred  
under NT Power's IRM plan. The OEB finds that the balance of Account 1508 - Sub-account

:

1 OEB Cost Assessment, including applicable interest, should be recalculated with  
2 adjustments to the base amount for OEB cost assessments embedded in NT Power's rates  
3 to reflect the annual rate increases that have occurred under NT Power's IRM plan."  
4

5 In light of the OEB's decision in EB-2024-0309, and the lengthy duration since rebasing,  
6 Elexicon proactively recalculated these amounts to 'uplift' for inflation going back to 2016  
7 using base rate amounts that have been escalated by the OEB-approved Input Price Index  
8 ("IPI") less stretch factor and also recalculated the associated carrying charges.  
9

10 This has resulted in a decrease in the requested disposition amount.  
11

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-3**

5  
6  
7   1508 Other Regulatory Asset - Sub-Account - One-Time Incremental IFRS Costs  
8   Ref 1: EE\_2026\_IRM Application\_EB-2025-0046\_20250715, Appendix D, p. 22 of 61,  
9   Table 4.1

10  
11   Question(s): a. Please explain the rationale for why the total costs incurred in 2009 and  
12   2010 are higher than in other years and please explain what factors contributed to the  
13   relatively high cost in 2012 compared to the remaining years.

14  
15  
16  
17   **RESPONSE:**

18       a) Costs in 2009 and 2010 were higher than other years in preparation for the mandatory  
19       changeover to IFRS that was anticipated for January 1, 2011.

20  
21       In September 2010, the Canadian Accounting Standards Board (AcSB) provided the first  
22       optional deferral for rate-regulated entities to adopt IFRS on January 1, 2012. The  
23       company opted to defer IFRS. Since most of the IFRS preparation work was completed  
24       in 2009 and 2010 it resulted in lower costs in 2011.

25  
26       In March 2012, the AcSB issued a further optional 1-year deferral to January 1, 2013 and  
27       the company opted to defer IFRS. However, some of the IFRS preparation work had to  
28       be refreshed in 2012 resulting in higher costs. The AcSB provided further optional  
29       deferrals for rate-regulated entities, allowing them to remain on Canadian GAAP  
30       (CGAAP) until January 1, 2015. IFRS transition costs decreased in 2013 and then  
31       increased again in 2014 in final preparation for the adoption of IFRS on January 1, 2015.  
32

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-4**

5  
6  
7   1508 Other Regulatory Asset - Sub Account - LEAP EFA Funding  
8   Ref 1: EE\_2026\_IRM Application\_EB-2025-0046\_20250715, Appendix D, p. 42 of 61,  
9   Table 4.16

10  
11   Question(s): a. Please explain the rationale behind Elexicon Energy's \$241,629 in  
12   Emergency Finance Assistance contributions in 2024 and please confirm that the actual  
13   LEAP EFA amount of \$241,629 was prudently incurred contributions made in 2024.

14  
15  
16  
17   **RESPONSE:**

18       a) On February 12, 2024, in its review of the Low-income Energy Assistance Program  
19       Emergency Finance Assistance ("LEAP EFA", (EB-2023-0135)), the OEB announced  
20       changes to the program and related Accounting Orders that came into effect March  
21       1, 2024. As a result of the changes, electricity distributors were expected to incur  
22       more LEAP funding costs.

23  
24       Elexicon Energy's \$241,629 Emergency Finance Assistance contributions in 2024  
25       were due to the OEB's rule changes. Specifically,

- 26       • Eligible customers cannot be denied a LEAP grant due to lack of funding  
27       • Income eligibility criteria expanded to align with the OESP income thresholds  
28       • LEAP funding grants increased.  
29               ○ Electric heating LEAP grants increased from \$600 to \$780  
30               ○ Non-electrical heating LEAP grants increased from \$500 to \$650  
31

32       Elexicon confirms that the actual LEAP EFA amounts of \$241,629 were prudently  
33       incurred. Elexicon Energy's LEAP Agencies screen and qualify customers for LEAP

1 grants based on the LEAP eligibility rules. Elexicon only confirms that the customer  
2 is in our service territory and what their arrears are. The eligibility and approval for  
3 the program lies with the Agencies.

4

5 In 2024 the Veridian Rate Zone was able to assist 336 customers with Emergency  
6 Finance Assistance. In the 4 years prior to the rule changes (2020-2023) the  
7 Veridian Rate Zone assisted an average of 130 customers per year.

8

9

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-5**

5  
6  
7   Account 1518 - Retail Cost Variance Accounts - Retail and 1548 - Service  
8   Transaction Requests (STR)

9   Ref 1: EE\_2026\_IRM Application\_EB-2025-0046\_20250715, Appendix D, p. 46 and 49 of  
10   61, Tables 4.18 and 4.21

11  
12   Question(s): a. Tables 4.18 and 4.21 show equal and opposite balances in Accounts 1518  
13   and 1548 for the years 2013 to 2021. The 2021 variance of \$1,000,279 has been explained  
14   in the application but explanations were not provided for other years.

15       I.    Please provide a detailed explanation of any adjustments made to Accounts 1518  
16       and 1548 in years prior to or after 2021. Were there any similar reclassifications or  
17       corrections in those years?

18       II.   Please confirm whether any uncorrected misallocations in years other than 2021  
19       would have a material impact on the proposed rate riders. If yes, please provide  
20       revised calculations.

21       III.   Please confirm whether the correction made in 2021 between Accounts 1518 and  
22       1548 has been reflected in the RRR filings for that year. If not, please provide a plan  
23       to refile prior RRR filings for these accounts.

24  
25   **RESPONSE:**

26   a)

27       I.    As noted, in 2021, the \$1,000,279 adjustment was made between VRZ 1518 and  
28       VRZ 1548 when it was realized that labour had been attributed to the incorrect  
29       variance account. The correction was made retroactively back to 2013. There  
30       have been no other reclassifications or corrections made to VRZ 1518 and VRZ  
31       1548.

- 1       II.       There are no uncorrected misallocations in years other than 2021.
- 2
- 3       III.       Elexicon confirms that the correction made in 2021 between Accounts 1518 and
- 4               1548 has been reflected in the RRR filings for that year.
- 5
- 6

**RESPONSES TO ONTARIO ENERGY BOARD STAFF  
INTERROGATORIES**

**INTERROGATORY 1-STAFF-6**

Account 1575 IFRS-CGAAP Transitional PPE amounts - Principal Disposition  
Variance and Retirement Adjustment

Ref 1: EE\_2026\_IRM Application\_EB-2025-0046\_20250715, Appendix D, p. 56 of 61,  
Table 4.25

Ref 2: EE\_2026\_Group 2 Continuity Schedule\_20250715.XLSX, Principal  
Adjustments during 2024

Preamble:

OEB staff compiled tables below based on the evidence filed in the application:

Table 1: Disposition Amounts by Year

Year	Principal Adjustment Per Tab 3 Continuity Schedule	Transactions Per Tab 3 Continuity Schedule	Total Principal Disposition Per Tab 3 Continuity Schedule	Total Principal Disposition Per Table 4.25	Variance
	A	B	C=A+B	D	E=D-C
2014	\$ -	\$ -	\$ -	\$ 560,126	\$ (560,126)
2015	\$ 590,518	\$ 261,551	\$ 852,069	\$ 345,298	\$ 506,771
2016	\$ (30,391)	\$ 297,795	\$ 267,404	\$ 271,396	\$ (3,992)
2017	\$ -	\$ 155,517	\$ 155,517	\$ 94,306	\$ 61,211
2018	\$ -	\$ 251,264	\$ 251,264	\$ 149,782	\$ 101,482
2019	\$ -	\$ 935,134	\$ 935,134	\$ 812,812	\$ 122,322
2020	\$ -	\$ 514,739	\$ 514,739	\$ 386,358	\$ 128,381
2021	\$ -	\$ 219,971	\$ 219,971	\$ 212,779	\$ 7,192
2022	\$ -	\$ 831,706	\$ 831,706	\$ 775,593	\$ 56,113
2023	\$ -	\$ 978,589	\$ 978,589	\$ 668,547	\$ 310,042
2024	\$ (1,017,819)	\$ 1,026,725	\$ 8,906	\$ 738,303	\$ (729,397)
<b>Total</b>	\$ (457,692)	\$ 5,472,992	\$ 5,015,299	\$ 5,015,300	\$ (1)

1 Table 2: Net Depreciation CGAAP vs IFRS

Year	Net Depreciation CGAAP	Net Depreciation IFRS	Net Depreciation Difference
	A	B	C=A-B
2014	\$ (10,414,709)	\$ (10,364,286)	\$ (50,423)
2015	\$ (11,378,818)	\$ (11,257,294)	\$ (121,524)
2016	\$ (11,812,656)	\$ (11,608,892)	\$ (203,764)
2017	\$ (12,504,963)	\$ (12,284,664)	\$ (220,299)
2018	\$ (12,947,148)	\$ (12,669,589)	\$ (277,559)
2019	\$ (13,257,507)	\$ (12,565,248)	\$ (692,259)
2020	\$ (14,555,590)	\$ (14,072,451)	\$ (483,139)
2021	\$ (15,243,645)	\$ (14,680,253)	\$ (563,392)
2022	\$ (16,379,173)	\$ (15,585,491)	\$ (793,682)
2023	\$ (16,720,434)	\$ (15,839,951)	\$ (880,483)
2024	\$ (16,240,458)	\$ (15,179,950)	\$ (1,060,508)
<b>Total</b>	<b>\$ (151,455,101)</b>	<b>\$ (146,108,069)</b>	<b>\$ (5,347,032)</b>

2  
3

4 Table 1 above compares the year-by-year principal disposition amounts recorded in the  
 5 Continuity Schedule to those presented in Table 4.25 of the evidence. While the total  
 6 principal disposition aligns across both sources, notable year-by-year variances are  
 7 observed. In particular, a principal adjustment of -\$1,017,819 was recorded in the 2024  
 8 continuity schedule with the comment: "correct calc of Loss on Retirement using 2EA  
 9 schedule."

10

11 Table 2 above compares the year-by-year net depreciation between CGAAP and IFRS.

12

13 Question(s):

14 a. Please explain the variance observed in Table 1 above, including the rationale for  
 15 any differences and how the amounts were determined.

16 b. Please provide a detailed explanation of this adjustment (-\$1,017,819), including:

- 17 • The asset categories impacted
- 18 • The methodology used in the revised calculation
- 19 • How the 2EA schedule was applied

:

- 1 c. Please confirm whether this adjustment aligns with OEB guidance on transitional  
2 PP&E balances and whether the account has been reviewed or audited internally.
- 3 d. Please provide commentary on the trend of the annual differences. Specifically:
- 4 • Why do the differences increase over time?
  - 5 • Are the increases driven by changes in asset useful lives, componentization,  
6 or other IFRS-related adjustments?
- 7  
8

9 **RESPONSE:**

10 a) Table 1, column D summarizes the total claim for this account. Table 1, column C ties to  
11 the Continuity Schedule and is how the transaction will flow through the general ledger (GL).  
12 As noted, the 2024 ending principal balance is the same. The difference is due to timing of  
13 when the entries were made in the GL and a retroactive adjustment that affected all prior  
14 periods.

15

16 b) Elexicon notes that the adjustment of (\$1,017,819) reduces the requested disposition  
17 amount. As Elexicon was finalizing and refining the disposition request in preparation for this  
18 application, and the completion of schedule 2EA, an adjustment was made to the account  
19 balance. In line with the Board's guidance on derecognition gains and losses, Elexicon has  
20 recorded derecognition losses recognized under IFRS in account 1575. Upon completion of  
21 the 2-EA schedule, all subsequent depreciation on those derecognized assets in the years  
22 following the removal have been applied to 1575 and reduced the balance in the account.

23

24 All asset categories were impacted. The methodology used for the revised calculation using  
25 2-EA is as follows: Schedule 2-EA was completed so that the 2014 Opening Net PP&E was  
26 the same for CGAAP and MIFRS. The cumulative difference between the net additions  
27 under CGAAP and MIFRS represent the assets that were derecognized. The difference  
28 between the net depreciation under CGAAP and MIFRS represents the cumulative financial  
29 differences of those retirements.

30

31 c) Elexicon confirms that this adjustment aligns with OEB guidance on transitional PP&E  
32 balances.

1

2 Specifically, Article 220 and Article 510 of the Accounting Procedures Handbook (January 1,  
3 2012) requires distributors use account 1575 to record differences in PP&E arising as a result  
4 of accounting policy changes caused by the transition from previous Canadian GAAP to  
5 modified IFRS. In addition, distributors are required to record the subsequent year-over-year  
6 cumulative financial differences in the account before a cost-of-service application under  
7 MIFRS. The calculation for the balance in this account does not accrue carrying charges. A  
8 rate of return component shall be applied to the balance in Account 1575 upon its disposition  
9 in rates.

10

11 Elexicon has also followed the guidance provided in The Accounting Procedures Handbook  
12 Guidelines, Issued March 2015, question #7.

13

14 Elexicon has tracked and recorded the PP&E differences arising from the restatement of  
15 2014 balances under IFRS and the subsequent PP&E differences in each IFRS year in  
16 Account 1575 as directed in the Accounting Procedures Handbook. Elexicon confirms that  
17 no carrying charges have been applied to the balance, rather, a rate of return component  
18 has been calculated.

19

20 Elexicon confirms that the balance has been reviewed internally.

21

22 d) Under previous CGAAP, assets were pooled, thus when the assets were removed from  
23 service no gain or loss was recognized upon removal of the asset. The asset remained in  
24 the general ledger until the end of its useful life. In summary, under CGAAP the assets  
25 continue to have depreciation expense.

26

27 Therefore, as demonstrated in Table 2, there is an annual difference in depreciation expense  
28 between CGAAP and MIFRS. These differences will increase over time as the impact on  
29 depreciation accumulates until such time as the CGAAP assets reach end-of-life.

:

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-7**

5  
6  
7   Account 1575 IFRS-CGAAP Transitional PPE amounts -Treatment of Return on Rate Base  
8   vs. Interest

9   Ref 1: EE\_2026\_IRM Application\_EB-2025-0046\_20250715, Appendix D, p. 56 of 61,  
10   Table 4.25

11   Ref 2: EE\_2026\_Group 2 Continuity Schedule\_20250715.XLSX - Principal  
12   Adjustments during 2024

13   Ref 3: Accounting Procedures Handbook, December 2011, Article 220, p. 33

14  
15   **Preamble:**

16   Elexicon Energy's continuity schedule includes a projected interest amount of \$331,010 for  
17   Account 1575, resulting in a total claim of \$5,346,309. However, the OEB's  
18   Accounting Procedures Handbook states that Account 1575 "does not accrue carrying  
19   charges" and instead allows for a rate of return component to be applied prospectively in  
20   rates.

21  
22   In Appendix D, Table 4.25 of Elexicon Energy's current application, the \$331,010 is  
23   described as a "return on rate base", not interest. This appears to conflict with the label  
24   "Projected Interest" used in the continuity schedule.

25  
26   **Question(s):**

- 27       a. Please confirm whether the nature of \$331,010 is return on rate base or as interest.  
28       b. If it is interest, please explain the rationale for including it in the continuity schedule,  
29       given the OEB's guidance that Account 1575 does not accrue interest.  
30       Please also confirm whether the proposed rate rider calculation based on the total  
31       claim of \$5,346,309 will be revised. If so, provide the updated rate rider

1 calculation and confirm whether the revised amount will be applied prospectively  
 2 through rates.

3 c. If it is a return on rate base, please clarify why it is labeled as “Projected Interest”  
 4 and whether it will be removed from the continuity schedule and instead applied  
 5 through rate riders, consistent with OEB guidance.  
 6

7

8 **RESPONSE:**

- 9 a) Ellexicon confirms \$331,010 is return on rate base.  
 10 b) See response to a), above.  
 11 c) Ellexicon acknowledges that column EK of the continuity schedule was incorrectly  
 12 labelled “Projected Interest”. It would have been more correct to label column EK  
 13 similar to Table 2.4 below  
 14

**Table 2.4: Group 2 Accounts Submitted for Disposition - VRZ**

Account Descriptions	USoA #	2024		2025		Table Reference	
		Closing Principal	Closing Interest	Forecasted Interest/WACC	Total Claim		
<b>Group 2 Accounts</b>							
IFRS Transition Costs	1508	442,733	119,139	561,871	13,968	575,840	4.1
OEB Cost Assessments	1508	1,785,664	189,405	1,975,069	56,338	2,031,407	4.2
Collection of Account Variance	1508	6,750,409	676,943	7,427,352	212,975	7,640,327	4.6
Pole Attachments	1508	- 2,589,275	- 282,378	- 2,871,653	- 81,692	- 2,953,344	4.9
Locates	1508	559,125	18,717	577,841	17,640	595,482	4.15
LEAP EFA Funding	1508	177,000	3,349	180,349	5,584	185,933	4.16
Retail Cost Variance Account - Retail	1518	454,374	85,050	539,424	14,336	553,760	4.17
Retail Cost Variance Account - STR	1548	81,245	15,714	96,959	2,563	99,522	4.20
Stranded Meters	1555	- 49,086	21,177	- 27,909	- 1,549	- 29,458	4.23
IFRS-CGAAP Transitional PP&E	1575	5,015,299	-	5,015,299	331,010	5,346,309	4.25
<b>Total Group 2</b>		<b>12,627,487</b>	<b>847,116</b>	<b>13,474,603</b>	<b>571,175</b>	<b>14,045,778</b>	

15  
 16 Ellexicon confirms that the total claim of \$5,346,309 is correct. The \$331,010 was  
 17 only included in the Continuity Schedule for clarity and to demonstrate how the  
 18 Continuity Schedule and the Total Claim tie together.  
 19

20 The 1575 Principal amount \$5,015,299 + Return on Rate Base \$331,010 =  
 21 \$5,346,309 will be disposed as a separate rate rider as per the OEB’s expectations.  
 22 See the proposal in Table 5.1 below:

**Table 5.1: Rate Riders – VRZ – 1575 Rate Riders**

Rate Class	Total Revenue by Rate Class	Billed Customers or Connections	Billed kWh	Billed kW	Service Charge Rate Rider	Distribution Volumetric Rate kWh Rate Rider	Distribution Volumetric Rate kW Rate Rider
RESIDENTIAL	\$2,039,472	118,313	1,031,246,130	0	1.44		
SEASONAL RESIDENTIAL	\$24,235	1,560	12,254,148	0	1.29		
GENERAL SERVICE LESS THAN 50 kW	\$581,841	9,506	294,204,123	0		0.0020	
GENERAL SERVICE 50 TO 2,999 KW	\$1,874,463	1,075	947,810,445	2,196,478			0.8534
GENERAL SERVICE 3,000 TO 4,999 KW	\$180,950	5	91,496,325	210,721			0.8587
LARGE USE	\$613,031	5	309,975,107	530,618			1.1553
UNMETERED SCATTERED LOAD	\$8,983	798	4,542,089	0		0.0020	
SENTINEL LIGHTING	\$429	236	216,725	602			0.7120
STREET LIGHTING	\$22,907	33,008	11,582,548	32,169			0.7121
<b>Total</b>	<b>\$5,346,309</b>	<b>164,506</b>	<b>2,703,327,640</b>	<b>2,970,588</b>			

1

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-8**

5  
6  
7   Account 1575 IFRS-CGAAP Transitional PPE amounts - continuity and  
8   disposition

9   Ref 1: EE\_2026\_IRM Application\_EB-2025-0046\_20250715, Appendix D, p. 11 of 61,  
10   Table 2.1

11   Ref 2: Accounting Procedures Handbook, December 2011, Article 220, p. 33

12  
13   Preamble:

14   The Accounting Procedures Handbook (page 33) states that distributors shall record the  
15   cumulative difference between CGAAP and MIFRS depreciation in a deferral account,  
16   and the balance in this account (which does not accrue carrying charges) should be  
17   considered for adjustment to the opening rate base in the first modified IFRS rebasing year.

18  
19   Question(s):

20   a. Please confirm that Elexicon Energy's next rebasing application would be considered as  
21   the first modified IFRS application. If confirmed, please explain Elexicon Energy's proposal  
22   regarding the disposition of Account 1575.

23  
24   b. Please provide Elexicon Energy's thoughts on one-time disposition of Account 1575  
25   balance accumulated till its next rebasing application.

26  
27  
28  
29   **RESPONSE:**

30       a) Elexicon Energy's confirms that the next rebasing application would be considered  
31       as the first modified IFRS application. In the re-basing application Elexicon Energy  
32       will request the final disposition of Account 1575.

:

1           b) Due to the time elapsed since the last rebasing, the balances in 1575 have been  
2           accumulating since 2014. Elexicon submits that disposing of accumulated balances  
3           now will mitigate intergenerational inequity concerns for its ratepayers. Disposition in  
4           2026 also ensures that Elexicon's rates more accurately reflect costs and associated  
5           cost drivers in a timelier manner instead of waiting till its next rebasing year  
6           (scheduled for 2029 but requested to occur in 2027).

7  
8           Elexicon submits that Group 2 disposition in its current IRM confers a number of  
9           benefits to ratepayers: (1) smoothing of rates over multiple years; (2) aligns with the  
10          OEB's Handbook to Electricity Distributor and Transmitter Consolidations by dealing  
11          with intergenerational equity concerns sooner given the accumulation of significant  
12          account balances during the deferred rebasing period since the MAADs application  
13          was approved by the OEB in December 2018; (3) narrowing the scope of Elexicon's  
14          next COS proceeding by disposing the historical Group 2 account balances now; (4)  
15          aligns the Group 2 accounts across rate zones given that VRZ was last disposed in  
16          2014 and WRZ in 2018 and (5) avoids continued accumulation of carrying charges.

17  
18          Elexicon is therefore proposing that the balance at the end of 2024 be disposed of in  
19          2026, and the 2025/2026 balances be disposed of on a final basis as part of the 2027  
20          application (assuming re-basing).

21

1                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-9**

5  
6  
7   Proposed Rate Riders

8   Ref 1: EE\_2026\_IRM Application\_EB-2025-0046\_20250715, Appendix D, p. 59 and  
9   60 of 61

10  
11   Question(s):

12   a. Please explain how Elexicon Energy decided which account should be included in  
13   Distribution and Other Income while calculating the rate riders.

14  
15  
16  
17   **RESPONSE:**

18       a) Please see response to 1-STAFF-10  
19  
20

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-10**

5  
6  
7   Rate Rider Calculation: Treatment of Distribution Revenue and Other Income

8   Ref 1: EE\_2026\_IRM Application\_EB-2025-0046\_20250715, Appendix D, p. 59-61

9   Ref 2: EE\_2026\_Group 2 Continuity Schedule\_20250715.XLSX - Tab: Allocation of  
10 Balances

11  
12   Preamble:

13   Elexicon Energy’s continuity schedule includes a detailed allocation of Group 2 account  
14 balances between “Distribution Revenue” and “Other Income” categories for the purpose of  
15 calculating rate riders. The schedule also notes that this classification facilitates financial  
16 statement reporting.

17  
18   Question(s):

19       a. Please explain how Elexicon determined which accounts are included under  
20       “Distribution Revenue” and which are included under “Other Income” for the  
21       purpose of rate rider calculation.

- 22               • Specifically, clarify the criteria used to classify account balances under each  
23               category.  
24               • Confirm whether this classification affects the allocation methodology or the  
25               rate rider design.

26       b. Please explain how this classification facilitates financial statement reporting, as  
27       referenced in the application.

28  
29   **RESPONSE:**

30       a) The criteria that Elexicon used to classify each account as *Distribution* or *Other*  
31       *Income* for the purpose of rate rider calculation was USoA. Specifically, the following

:

1 deferral and variance (DVA) accounts have revenue that goes to accounts  
2 determined to be “Other Operating Income”

- 3 • Pole Attachments - USoA 4210
- 4 • Collection of Account - USoA 4235
- 5 • Retail Cost Variance – Retail USoA 4082
- 6 • Retail Cost Variance – STR USoA 4084

7  
8 This classification does not affect rate rider design. As described in Appendix D, page  
9 58, the allocation methodology is as follows:

10 *The Group 2 balances have been allocated by rate class based on the following:*

- 11 • *Retail Cost Variance Account - STR and Retail Cost Variance Account - Retail*  
12 *are allocated using customer count proportions (not lights / connections).*
- 13 • *Pole Attachment Revenue Variance and Collection of Account is allocated*  
14 *through distribution revenue proportions.*
- 15 • *The remaining accounts are allocated using kWh proportions.*

16  
17 Elexicon additionally notes that in Whitby Hydro’s last Group 2 disposition (EB-2017-  
18 0085 / EB-2017-0292) the rate riders were treated as subtotal B, not A.

19  
20 b) For IFRS reporting each month, Elexicon needs to identify the rate rider recovery in  
21 one of three categories so that the amounts get reported on the correct line of the  
22 Financial Statements:

- 23 • Cost of Power related (Group 1), or
- 24 • Distribution related, or
- 25 • Other Income.

26 Having the rate riders separated this way helps to facilitate this reporting.  
27  
28  
29  
30

1                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-11**

5  
6  
7   Account 1508 Other Regulatory Asset - Sub-account OEB Cost Assessment  
8   Ref 1: EE\_2026\_Group 2 Continuity Schedule\_20250715.XLSX, Principal  
9   Adjustments during 2024

10  
11   Question(s):

12   a. Please explain the principal adjustment (-\$148,929) recorded in 2024 for Account  
13   1508 - Sub-account OEB Cost Assessment, including the rationale for the adjustment and  
14   how the amount was determined.

15  
16   **RESPONSE:**

17  
18       a) See response to Staff-2.

**RESPONSES TO ONTARIO ENERGY BOARD STAFF  
 INTERROGATORIES**

**INTERROGATORY 1-STAFF-12**

1508 Other Regulatory Asset - Sub Account - Estimated Useful Lives - WRZ

Ref 1: Tab 3 Continuity Schedule in Rate Generator Model

Ref 2: EE\_WRZ\_2026\_Change in Useful Lives Summary\_20250715

Table 2: Disposition Amounts by Year

**Table 2: Disposition Amounts by Year**

Year	Per Tab 3 Continuity Schedule	Per EE_WRZ_2026_Change in Useful Lives Summary_20250715	Variance
2019	\$ 398,286	\$ 353,453	\$ 44,833
2020	\$ (304,405)	\$ 29,430	\$ (333,835)
2021	\$ (82,937)	\$ (49,980)	\$ (32,956)
2022	\$ 395,358	\$ 107,777	\$ 287,581
2023	\$ 315,620	\$ 300,841	\$ 14,778
2024	\$ 351,582	\$ 331,983	\$ 19,600
<b>Total</b>	<b>\$ 1,073,505</b>	<b>\$ 1,073,505</b>	<b>\$ -</b>

Question(s):

a. Please explain the variance observed in Account 1508 - Sub Account Estimated Useful Lives between the 'Change in Useful Lives' summary file and the Continuity Schedule presented in Table above. Include the rationale for any differences and how the amounts were determined.

**RESPONSE:**

a) As noted, the ending principal balance is the same. The difference is due to timing of when the entries were made in the 1508 –Estimated Useful Lives General Ledger (GL) account. A subsequent review of the calculation methodology for this account resulted in revisions to entries. The entries were done to ensure that depreciation balances related to WRZ assets that underpin the opening balance at merger were being accurately reflected in the account, and also to ensure accurate adjustments for derecognition impacts.

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-13**

5  
6  
7   1508 Sub Account - Getting Ontario Connected Act (GOCA)  
8   Ref 1: EE\_2026\_IRM Application\_EB-2025-0046\_20250715, Appendix D, p. 40 of 61,  
9   Table 4.15

10  
11   Question(s):

- 12       a. Please provide a detailed breakdown of the 2023 and 2024 locate costs related to  
13       Bill 93 and locate costs not related to Bill 93. For each category, please include the  
14       nature and description of the associated costs. ‘

15  
16  
17  
18  
19   **RESPONSE:**

20   a) A detailed breakdown of the 2023 (April to Dec) and 2024 locate costs related to Bill 93  
21   and locate costs not related to Bill 93 is as follows:

	2023	2024
Total Locates costs	1,570,875	1,886,962
Bill 93 Related	532,872	641,347
Non Bill 93 Related	<u>1,038,003</u>	<u>1,245,615</u>

22  
23   Costs not related to Bill 93 are calculated by subtracting the incremental Bill 93 costs from  
24   the total locate costs.

25  
26   Locate costs related to Bill 93 were determined to be made up of two main components:

- 27       1. Incremental price increases from locates third-party service providers  
28       2. Incremental internal labour costs associated with additional locates program  
29       oversight.

:

	2023	2024
a) LAC price increase	532,872	573,704
b) One Call price increase		3,059
c) Incremental Internal Labour		64,583
	<u>532,872</u>	<u>641,347</u>

1

2 Elexicon assessed the changes in Locate Service Provider (“LSP”) rates between 2022 and  
3 2023/2024 to determine what portion of costs could be reasonably attributed to Bill 93  
4 (GOCA).

5

6 This was done by comparing the difference between:

7

1) the actual 2023/2024 LSP rates charged; and

8

2) the 2022 LSP rate (pre-GOCA) escalated by expected inflation (2% - 3%).

9

10 The delta between “1” and “2” is considered an incremental cost for locates attributable to  
11 the GOCA. From 2022 to 2023, LSP rates increased by approximately 30% to 160%  
12 depending on the LSP and the type of service to be performed.

13

14 Elexicon also assessed the changes in Ontario One Call’s fee schedule due to the passage  
15 of the GOCA and subsequent regulations. Ontario One Call fees increased by approximately  
16 12% in 2023.

17

18 Elexicon has also added incremental internal supervisory and administrative staff to ensure  
19 compliance with the GOCA requirements. The revised timelines for locates, as well as the  
20 risk of penalties for non-conformity, required implementing additional oversight, tracking and  
21 reporting, as well as supervision.

22

23 Note that the ‘Locates cost related to Bill 93’ is greater than the amount in the variance  
24 account. Elexicon has absorbed a portion of the Bill 93 costs, up to the amount determined  
25 to be in rates.

:

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-14**

5  
6  
7   Ref 1: EE\_2026\_IRM Application\_EB-2025-0046\_20250715, Appendix A, Section 5,  
8   p. 21 of 24

9  
10   Preamble: Elexicon Energy proposes ICM rate riders on an interim basis using the half-  
11   year rule. If  
12   early rebasing is not approved, Elexicon Energy requests to update the rate riders to reflect  
13   the full-year rule.

14  
15   **Question(s):**

- 16       a. Please explain how Elexicon Energy will recover any foregone revenue if early  
17       rebasing is not approved.  
18       b. Please confirm whether Elexicon Energy will seek retroactive recovery of  
19       foregone revenue for 2026, and describe how this would be calculated and  
20       presented to the OEB.

21  
22  
23  
24   **RESPONSE:**

- 25       a) Elexicon has requested approval of the ICM rate riders on an interim basis. Should  
26       the OEB not approve early rebasing, Elexicon will request to modify the ICM rate  
27       riders approved in this application when it files its 2027 IRM. Specifically, Elexicon  
28       will request rate riders in 2027 for the full amount of depreciation which were included  
29       in this application (EB-2025-0046). See Excel files entitled “\_EE\_VRZ\_2026\_Sandy  
30       Beach\_ACM\_ICM\_Full\_Year\_20250715” and “EE\_VRZ\_2026\_Belleville\_ACM-  
31       ICM\_Model\_Full\_Year\_20250715”. Should the OEB approve Elexicon’s request for

1 early rebasing, the interim ICM rate riders would become final and no further  
2 adjustments required.

3 b) Elexicon reserves the right to seek foregone revenue for 2026 if it is unable to rebase  
4 in the 2027 rate year. In addition to adjusting the ICM rate riders for 2027 to reflect  
5 the full-year rule for depreciation, Elexicon would request approval for foregone  
6 revenue riders for under-recovery in 2026. The foregone revenue riders would be  
7 calculated by taking the difference between the full-year riders and half-year riders  
8 and be in effect for one year. This would ensure that Elexicon would recover ICM  
9 funding amounts consistent with the OEB's ICM policies.

10  
11  
12  
13

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-15**

5  
6  
7   Ref: EE\_2026\_IRM Application\_EB-2025-0046\_20250715, Appendix A, Section 5,  
8   pp. 21-22 of 24

9  
10   **Preamble:**

11   Elexicon Energy notes that it has not reflected recent changes to Capital Cost  
12   Allowance (CCA) tax rules in its ICM calculations and intends to track impacts in Account  
13   1592.

14  
15   **Question(s):**

- 16       a. Please confirm whether Elexicon Energy has quantified the impact of the CCA  
17       changes for the ICM projects.  
18       b. If available, please provide the estimated impact on the revenue requirement.  
19       c. Please confirm whether Elexicon Energy has recorded any entries in Account  
20       1592 - PILs and Tax Variances - CCA Changes related to the ICM projects  
21       proposed in this application.

22  
23  
24   **RESPONSE:**

- 25       a) Elexicon has quantified the revenue requirement associated with accelerated CCA.  
26  
27       b) See response to Staff-32 c).  
28  
29       c) Consistent with OEB policy, Elexicon has not recorded entries into 1592 - PILs and  
30       Tax Variances – CCA for the two ICM projects. Those entries are made when the  
31       asset is put in-service. Elexicon will record related entries in 1592 after the two ICM  
32       projects are placed in-service in Q4, 2026. See response to Staff-32 a).

:

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-16**

5  
6  
7   Ref: EE\_2026\_IRM Application\_EB-2025-0046\_20250715, Appendix A, Section 5,  
8   pp. 23-24 of 24, Tables 10 and 11

9  
10   Preamble: Elexicon Energy proposes separate rate riders for Sandy Beach and Belleville  
11   DESN 2.

12  
13   Question(s):

- 14       a. Please confirm whether Elexicon Energy intends to track revenues and costs  
15       separately for each ICM project.  
16       b. Please provide the expected duration of the rate riders and confirm whether they  
17       will be adjusted if rebasing is delayed.

18  
19  
20   **RESPONSE:**

- 21       a) Elexicon Energy confirms that it intends to track revenues and costs separately for  
22       each ICM project.  
23       b) The rate riders are requested to be approved on an interim basis, be effective January  
24       1 2026, and remain in effect until Elexicon's next rebasing. The duration of rate riders  
25       is consistent with Elexicon's prior ICM requests approved by the OEB. Elexicon is  
26       targeting to file its next rebasing application at the end of 2025 for rates effective  
27       January 1, 2027. Provided that Elexicon's early rebasing request is approved, these  
28       rate riders will be final and no further adjustments required. In the event that  
29       Elexicon's request for early rebasing is denied, Elexicon will seek to adjust the  
30       approved ICM rate riders to reflect the full-year rule for depreciation. The draft full-  
31       year rule rate riders are provided in the application as live excel models.

32

:

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-17**

5  
6  
7   Ref: EE\_2026\_IRM Application\_EB-2025-0046\_20250715, Appendix A, Section 5,  
8   pp. 24 of 24

9  
10   **Preamble:**

11   Elexicon Energy requests approval to record amounts in applicable Account 1508 sub-  
12   accounts for each ICM project.

13  
14   **Question(s):**

- 15       a. Please identify the specific sub-accounts Elexicon Energy intends to use for each  
16       ICM project.
- 17       b. Please confirm whether Elexicon Energy will record actual capital expenditures and  
18       revenue collected separately for each project.

19  
20  
21  
22   **RESPONSE:**

- 23       a) Elexicon Energy will follow the *Accounting Procedures Handbook Guidelines*, A.13,  
24       issued March 2015 and use the following specific sub-accounts:
- 25       • Account 1508 Other Regulatory Assets, Sub-account Incremental Capital  
26       Expenditures
  - 27       • Account 1508 Other Regulatory Assets, Sub-account Incremental Capital  
28       Expenditures, Carrying Charges
  - 29       • Account 1508 Other Regulatory Assets, Sub-account Depreciation Expense
  - 30       • Account 1508 Other Regulatory Assets, Sub-account Accumulated Depreciation

- 1       • Account 1508 Other Regulatory Assets, Sub-account Incremental Capital  
2       Expenditures Rate Rider Revenues
- 3       • Account 1508 Other Regulatory Assets, Sub-account Incremental Capital  
4       Expenditures Rate Rider Revenues, Carrying Charges
- 5
- 6       b) Elexicon Energy confirms it will record actual capital expenditures and revenue  
7       collected separately for each project.

1                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                   **INTERROGATORIES**

3  
4           **INTERROGATORY 1-STAFF-18**

5  
6  
7           Ref 1: ACM ICM Models, Tab 5

8           Ref 2: APPL\_Veridian\_Chapter2\_Appendices\_for 2014\_20131031\_xlsm\_20131031,  
9           Appendix 2-BA

10  
11           Preamble:

12           Elexicon Energy's gross fixed assets (opening and closing balances), capital additions,  
13           accumulated depreciation (opening and closing balances), and depreciation expense  
14           used for rebasing in the ICM model do not align with the latest Appendix 2-BA fixed  
15           asset continuity schedule filed on the OEB's website. Additionally, the return on rate  
16           base differs between the 2026 IRM (\$15,702,620) and the 2014 Cost of Service  
17           (\$15,705,861).

18  
19           Question(s):

- 20           a. Please provide the final Appendix 2-BA from Elexicon Energy's 2014 Cost of  
21           Service application that reconciles with the values used in Tab 5 of the ICM model.  
22           b. Please explain the reason for the difference in return on rate base between the  
23           2026 IRM and the 2014 Cost of Service application.

24  
25  
26  
27           **RESPONSE:**

- 28           a) Please refer to EB-2013-0174, Decision and Order, April 10 2014. The Appendix 2-  
29           BA is located in Attachment B (Updated Chapter 2 Appendices) of the decision.  
30  
31           b) The difference in return on rate base between the 2026 ICM application Tab 5 and  
32           2014 Cost of Service Application return on rate base appears to be an error in the

:

1           2014 cost of service application's calculation of long term debt interest value. See  
2           Attachment G (Revenue Requirement Workform) of the decision and order for EB-  
3           2013-0174, noted in response to a) above. The Revenue Requirement Workform  
4           shows a value of \$6,590,208 for long term interest. This value should be \$6,586,967  
5           which is in Tab 5 value AD of the ICM/ACM model.<sup>1</sup>

---

<sup>1</sup> Calculation in ICM Model:  $(4.94\%/100\%) \times \$133,339,404 = \$6,586,967$

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-19**

5  
6  
7   Ref: ACM ICM Models, Tab 9b

8  
9   Preamble:

10   The useful lives used in Tab 9b (cell N103) for Belleville TS DESN 2 and Sandy Beach  
11   Station are 25 and 40 years, respectively. The CCA rates are 5% and 8% in Tab 9b (cell  
12   O103) for Belleville TS DESN 2 and Sandy Beach Station, respectively.

13  
14   Question(s):

- 15       a. Please confirm that the useful lives for Belleville TS DESN 2 and Sandy Beach  
16       Station are 25 and 40 years, respectively.
- 17       b. Please confirm the CCA class for Belleville TS DESN 2 and Sandy Beach Station.
- 18       c. Please explain why these ICM assets have different useful lives and CCA classes.
- 19       d. Please confirm which USoAs these assets will be transferred to upon rebasing.

20  
21  
22  
23   **RESPONSE:**

- 24
- 25       a) Confirmed, the useful lives for Belleville TS DESN 2 and Sandy Beach Station are 25  
26       and 40 years, respectively.
- 27       b) Belleville TS DESN 2 and Sandy Beach Station have CCA class of 14.1 and 47  
28       respectively.
- 29       c) Belleville TS DESN2 and Sandy Beach Station have different useful lives and CCA  
30       because Sandy Beach Station is owned by Elexicon and is a distribution asset with  
31       useful life of approximately 40 years and qualifies as CCA Class 47 with a rate of 8%  
32       (i.e. property acquired after February 22, 2005, that is transmission or distribution

1 equipment). Whereas the Belleville TS DESN 2 investment is classified as a capital  
2 contribution which is an intangible asset and the useful life of 25 years is based on  
3 the contract life of the connection and cost recovery agreement with Hydro One and  
4 is included in Class 14.1 with a rate of 5% as it is eligible capital property.

5 d) The assets for Sandy Beach Station will be transferred to the following OEB accounts,  
6 1820, 1830, 1835, 1845, 1850 while Belleville TS DESN 2 asset will be transferred to  
7 1609.

8  
9  
10  
11  
12

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-20**

5  
6  
7   Incremental Capital Module - Sandy Beach - Transformer Delivery  
8   Ref 1: Manager's Summary, pp. 63 and 67

9  
10   Preamble:

11   Elexicon Energy states that it placed an order for replacement transformers through an  
12   RFP process in early 2024, with an expected delivery in August 2025.

13  
14   Question(s):

- 15       a. Have the power transformers been delivered? If not, please provide the revised  
16       estimated delivery date.
- 17       b. Based on the expected date of delivery, Elexicon Energy states that 2026 is the  
18       earliest in-service date for the rebuild of the station. If the transformer delivery is  
19       delayed beyond August 2025, is there a date in which the transformers must be  
20       delivered to avoid delaying the in-service date of the project beyond 2026?

21  
22  
23   **RESPONSE:**

- 24       a. Yes, the transformers have been manufactured and are currently in storage until  
25       construction starts.
- 26       b. See response to a).

27  
28  
29  
30

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1STAFF-21**

5  
6  
7   Incremental Capital Module - Sandy Beach Station - Project Cost  
8   Ref 1: Manager's Summary, p. 8 of 24

9  
10   Preamble: Elexicon Energy provided the following breakdown of the \$9.7M project cost and  
11   the project timeline:

12

<b>Item</b>	<b>Estimated Total (\$CAD)</b>
Equipment	\$5,821,851
Labour	\$1,459,200
Trucks/Vehicles	\$144,096
Equipment Installations / Removal / Construction	\$2,274,900
<b>Total</b>	<b>\$9,700,047</b>

<b>Task Name</b>	<b>Completion Date</b>
Procurement and Delivery of Transformers	August 2025
Design Completion	January 2026
Contractor RFP Completion	March 2026
Construction Start	June 2026
Construction Completion	October 2026

13  
14   Question(s):

- 15       a. Please provide a breakdown of the equipment cost, including the specific cost of the  
16       transformers.
- 17       b. Please confirm how many bids were received through the RFP process for the  
18       transformer replacement.
- 19       c. Was the RFP for the transformer replacement publicly posted or limited to pre-  
20       qualified vendors?

:

- 1 d. Please explain how the pricing proposed by the selected vendor compares to  
 2 previous transformer procurements. Additionally, please describe the process  
 3 and criteria Elexicon Energy used to determine that the selected pricing represents  
 4 the most cost-effective option amongst the bids received.
- 5 e. Please explain the “Equipment Installations / Removal / Construction” costs and  
 6 how these were estimated.
- 7 f. Please confirm whether the salvaged value of the decommissioned substation has  
 8 been accounted for in the total project cost of the replacement substation. If so,  
 9 please provide details on how it was incorporated. If not, please explain why it was  
 10 excluded
- 11 g. Please confirm the amount allocated to contingency costs.
- 12 h. Please explain how the labour costs were estimated and if they are consistent with  
 13 union agreements and market rates.
- 14 i. Will the labour be completed by internal staff or external contractors? If any internal  
 15 staff will be used, have these employees already been hired?
- 16 j. Based on previous substation upgrade projects, what has been the typical duration  
 17 range (in months) for the construction phase?
- 18 k. Please provide the current progress for the project and confirm whether the project  
 19 is on track to be in-service by October 2026.
- 20  
 21  
 22

23 **RESPONSE:**

- 24 a) Material cost

<b>MATERIALS</b>	<b>QTY</b>	<b>TOTAL (\$)</b>
Power Transformers	2	3,138,054.00
HV Switchgear	2	1,140,000.00
Reclosers	4	468,720.00
Control Building	1	180,000.00
Relay Cabinet includes Support Structure	7	252,000.00
Batteries	1	48,000.00
Station Service Transformer	1	8,400.00
Poles	10	39,636.00
Switch 46KV 3Ph Cluster-mount	2	9,732.00

:

3 Phase riser framing	4	14,664.00
Insulators & other hardware	1	3,962.40
Cross-arm	2	1,656.00
Conductors		517,026.66
Trucks /Vehicles/Cranes	1	285,258.00

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

b) Elexicon received three bids through the RFP process for the purchase of the transformers.

c) The RFP was sent to pre-qualified vendors.

d) Power transformers have experienced substantial prices increases in recent years, with some models like the Sandy Beach transformers (15/20/25 MVA) having doubled in price. Below are examples of the price increases:

- 2017: \$750,000
- 2020: \$772,000
- 2022: \$908,000
- 2023: \$1,534,000
- 2025: \$1,891,000

Elexicon follows a typical Request for Proposal (RFP) process which begins with the issuance of a formal document outlining the scope, specifications, and requirements for a particular procurement need. The vendors are invited to submit bids by a specified closing date. Once the RFP closes, all submissions are reviewed for completeness and evaluated against technical and commercial criteria to ensure compliance with the stated requirements. Proposals that meet the specifications without material deviations are considered technically acceptable. Following the evaluation, a recommendation is made, and the contract is awarded to the most suitable bidder within an anticipated timeframe. This process ensures transparency, competitiveness, and alignment with organizational goals.

e) Equipment Installation/Removal/Construction estimates are based on quotes received from several vendors and/or estimated based on similar projects completed in recent years.

f) The estimate does not include the salvage value of existing assets. Please see response to Staff-35 a) and b).

g) The estimate is a class 3 (-15% to +20%) using a +20% contingency.

:

- 1 h) The labour cost is consistent with union agreements and market rates and has been  
2 estimated using projected labour rates with an estimated number of hours required  
3 for the project.
- 4 i) Station projects at Elexicon are executed using a combination of internal and external  
5 resources. For this project, the electrical scope of work is designed and constructed  
6 by internal resources, while the civil scope of work is designed by external consultants  
7 and constructed by contractor resources. Existing internal staff will support the  
8 project. No additional internal hiring was required to execute this project.
- 9 j) The typical duration of the construction phase of a substation project of this size and  
10 scope is between 4 to 6 months.
- 11 k) The project is currently in the design phase and is on track to be in-service by October  
12 2026.

1                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-22**

5  
6  
7   Incremental Capital Module - Sandy Beach Station Upgrade - Substation Renewal  
8   Planning and Costs

9   Ref 1: Appendix A - Sandy Beach Station - Business Case, pp. 22-23

10   Ref 2: Appendix A - Sandy Beach Station - Business Case, p. 10

11  
12   Question(s):

- 13       a. Please confirm the power rating of the new transformers.
- 14       b. Please provide a comprehensive overview of neighbouring substations in  
15       Elexicon Energy's distribution network including, but not limited to, the following  
16       for each substation:
- 17           I. Current operating capacity
- 18           II. Peak demand history
- 19           III. Any reliability concerns
- 20           IV. Forecasted load
- 21       c. At Reference 2, the application provides a map of Elexicon Energy's service area  
22       with the locations of substations. Please add the location of the feeders to this map  
23       for the neighbouring substations (i.e., Bay Ridges, Town Centre, Squires Beach) to  
24       the Sandy Beach Station. In addition, please confirm the scale of the map.
- 25       d. Did Elexicon Energy evaluate the option of supplying the load from Sandy Beach  
26       Station through neighbouring substations? If so, what were the considerations or  
27       reasons for proceeding or not proceeding with that option?
- 28       e. Please provide the load forecast completed to size the new transformers for this  
29       upgrade.
- 30       f. Please explain in detail the key assumptions that were incorporated into load  
31       forecast(s) completed in relation to this project (e.g., energy transition, electric  
32       vehicle adoption, distributed energy resources).

- 1 g. Beyond the project alternative comparative analysis provided at Reference 1, has  
2 a cost-benefit analysis been completed for the Sandy Beach Station upgrade? If  
3 Elexicon Energy Inc. so, please provide a summary of key assumptions and  
4 findings, including any quantified benefits or avoided costs.
- 5 h. In the last cost of service application for the Veridian Connections Inc., the OEB  
6 approved a total of \$3.15M in capital costs related to substation transformer  
7 replacements. Given that base rates already include funding for transformer  
8 upgrades, please explain why incremental funding is being requested for the full  
9 scope of the current project. Specifically, how does the proposed project differ from  
10 or go beyond the scope of what was contemplated and funded in the previous cost  
11 of service application?
- 12 i. Please list the substation renewal/upgrade projects planned for 2025 and 2026.
- 13 j. Does Elexicon Energy anticipate a reduction in OM&A costs as a result of the  
14 Sandy Beach Station upgrade? If yes, please estimate the reduction.
- 15  
16  
17  
18  
19

1 **RESPONSE:**

2

3

4 a) Power rating of the new transformers in MVA is 15 ONAN 20/25/28 ONAF.

5

6 b) There are four immediate neighbouring stations to Sandy Beach, along with six  
7 interdependent stations interconnected with the neighbouring stations. Together,  
8 these ten stations have a combined operating capacity of 217 MVA. With a loss of  
9 another station, the operating capacity reduces to 187 MVA. The historical peak load  
10 in Ajax-Pickering among all stations including Sandy Beach is 201 MVA, which is  
11 above the operating capacity under N-1 contingency scenario. Therefore, Sandy  
12 Beach Substation cannot be decommissioned as decommissioning the station would  
13 compromise the contingent capacity (N-1) in the area and cause reliability concerns.  
14 The capacity concerns would be exacerbated in the next five years as the load  
15 forecast predicts the peak load will grow to 211 MVA by 2031.

16

17 From a reliability standpoint, it's important to consider the condition of assets at  
18 neighbouring stations, particularly in the event of a contingency. The power  
19 transformers at Applecroft, Fairport, Notion, Town Centre, and Westney Heights are  
20 currently rated between fair and approaching fair condition. Additionally, the breakers  
21 and switches at Applecroft, Fairport, Pickering Beach, Town Centre, Westney  
22 Heights, and Notion range from very poor to fair condition. While the likelihood of  
23 simultaneous failures across multiple stations is low, it remains a plausible risk. Such  
24 an event could pose a serious threat to the integrity and resilience of the distribution  
25 system in the area.

26

27 Table 1 below outlines the Current Operating Capacity, Peak Historical Demand and  
28 a 2031 load forecast for each of the surrounding stations.

29

1

2 Table 1: Operating Capacity, Peak Historical Demand, 2031 Peak Load Forecast

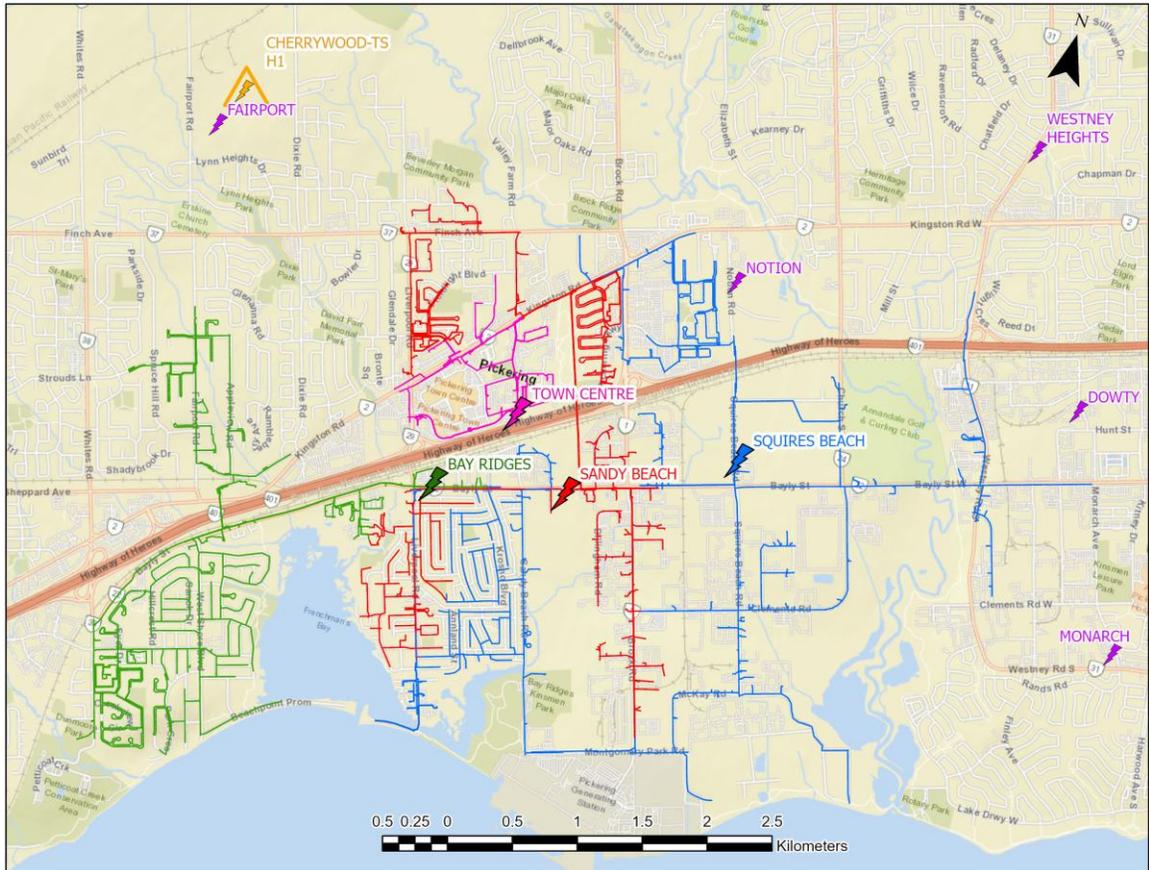
<b>Substation</b>	<b>Power Transformer</b>	<b>Current Operating Capacity (MVA)</b>	<b>Peak Demand History (MVA)</b>	<b>Peak Load Forecast (2031)</b>
Squires Beach	T1	10	8.9	9.4
	T2	10	3.9	4.3
Town Centre	T1	10	7.7	8.2
	T2	12	0.9	1.4
Bayridges	T1	15	12.6	13.6
	T2	NA	NA	NA
Monarch	T1	15	7.9	8.4
	T2	15	10.4	10.9
Pickering Beach	T1	15	10.6	11.1
	T2	15	15.8	16.3
Dowty	T1	15	13.5	14.5
	T2	NA	NA	NA
Applecroft	T1	10	12.2	12.7
	T2	15	10.8	11.3
Westney Heights	T1	10	7.9	8.4
	T2	15	15.7	16.2
Notion	T1	15	18.3	19.3
	T2	NA	NA	NA
Fairport	T1	10	11.2	11.7
	T2	10	13.1	13.6
Sandy Beach	T1	12	8.5	9.0
	T2	15	10.6	11.1

3

4

5

1 c) Figure 1 below shows the 13.8 kV feeders from Sandy Beach and neighbouring  
2 stations.



3  
4 Figure 1: Sandy Beach Substation Location within Elexicon Service Area

5  
6 d) Yes, Elexicon evaluated the option of offloading the Sandy Beach station to  
7 neighbouring stations. See Appendix B section 4.1. Alternative Descriptions and  
8 Comparative Analysis Option 3 for further details.

9  
10 e) The new transformers for Sandy Beach Station are of the same normal operating  
11 capacity (15 MVA ONAN) as the configuration prior to failure. Please refer to  
12 Appendix B page 10. Additionally, the normal operating capacity of these  
13 transformers is expected to be sufficient to meet future peak demand of this station,

1 which will be approximately 20 MVA by 2031, and the neighbouring stations under an  
2 N-1 contingency scenario.

3

4 f) Please refer to Appendix C Figure 1 Elexicon's High-Level Load Forecast  
5 Methodology Process.

6

7 g) The project alternative comparative analysis provided in Appendix B Page 21 is the  
8 only cost-benefit analysis that has been completed for the Sandy Beach Station  
9 Rebuild.

10

11 h) Elexicon does not agree with the premise that "base rates already include funding  
12 for transformer upgrades". Capital funding in base rates is determined at the envelope  
13 level, not the component level. Per the settlement proposal approved in EB-2013-  
14 0174:

15 While Veridian has filed budgets for the Test Year that are illustrative of how it would achieve  
16 these goals, however, **the actual decisions as to how to allocate resources and in what  
17 areas to spend the agreed- upon capital and OM&A are ones that must be made by the  
18 utility during the course of the year.** This is typical of all forward test year cost of service  
19 applications, and such decisions are subject to the Board's normal review in subsequent  
20 proceedings. Furthermore, Veridian submits that the reduced amounts of capital and OM&A  
21 that were agreed on through settlement, **will not allow Veridian to sufficiently complete all  
22 projects/plans as they were originally contemplated in the October 31st, 2013  
23 Application.**<sup>1</sup> [emphasis added]

24

25 The determination of Elexicon's annual capital expenditure is based on Elexicon's  
26 asset planning framework, see Staff-29, as well as CCC-17.

27

28 i) See response to VECC-5 parts d) and e).

29

30

31 j) See Appendix B - Sandy Beach Business Case at paragraph 29 on page 18.

---

<sup>1</sup> Decision and Order (EB-2013-0174), April 10, 2014. Page 5, Appendix A – Settlement Proposal.

**RESPONSES TO ONTARIO ENERGY BOARD STAFF  
 INTERROGATORIES**

**INTERROGATORY 1-STAFF-23**

Incremental Capital Module - 2026 Distribution System Plan CAPEX

Ref 1: Bellville ACM/ICM Model, Tab 9b, Cell M94

Ref 2: Sandy Beach ACM/ICM Model, Tab 9b, Cell M94

Ref 3: ICM Requests: Sandy Beach Station & Belleville DESN 2, pp. 19-20, Table 29

Preamble:

At Reference 3, the application includes the following table that outlines the changes in capital costs previously forecasted.

	(EB-2022-0024) PREVIOUS FORECAST		CURRENT PLAN (without ICMs)		VARIANCE	
	2025	2026	2025	2026	2025	2026
<b>NET</b>						
03 - GENERAL PLANT	\$ 3,747,000	\$ 4,546,000	\$ 6,807,852	\$ 5,086,426	\$ 3,060,852	\$ 540,426
02 - SYSTEM ACCESS	\$ 10,198,334	\$11,138,334	\$30,257,071	\$21,783,457	\$ 20,058,737	\$10,645,123
01 - SYSTEM RENEWAL	\$ 30,194,666	\$19,474,344	\$15,144,626	\$11,236,567	\$(15,050,040)	\$( 8,237,777)
04 - SYSTEM SERVICE	\$ 5,033,000	\$10,723,000	\$ 1,094,119	\$ 5,845,249	\$ (3,938,881)	\$( 4,877,751)
SUBTOTAL	\$ 49,173,000	\$45,881,678	\$53,303,668	\$43,951,699	\$ 4,130,668	\$( 1,929,979)

Question(s):

- a. The ACM/ICM worksheet (Tab 9b, Cell M94) for the Belleville DESN 2 project indicates that the 2026 capex is \$67,499,041 for the materiality threshold calculation. Assuming this amount includes both the 2026 capital expenditures and the proposed cost of the Belleville DESN 2 project, the total 2026 capex excluding the ICM projects is \$49,120,935 (= \$67,499,041 - \$18,378,106). Table 29 of the application (pages 54-55) lists the 2026 capex without the ICM project costs as \$43,951,699. Please reconcile these amounts.

1           b. Please confirm where the values from column “(EB-2022-0024) Previous Forecast”  
2           are referenced in EB-2022-0024 and reconcile with part a) above.  
3  
4

5           **RESPONSE:**

6           a) Elexicon’s total capital expenditure forecast for 2026, inclusive of ICMs, is  
7           77,199,088. The value used in the ICM worksheet at Tab 9b, Cell M94 is the total  
8           capital expenditure, less the expenditure for the Sandy Beach Station (77,199,088 -  
9           9,700,047 = 67,499,041). Elexicon’s capex without the ICM projects for 2026 is  
10          53,588,926, and its ISA forecast is 43,951,699.  
11          b) See EB-2022-0024, Oral Hearing Undertaking Response J1.1 (SEC), April 12, 2023.  
12  
13  
14  
15

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-24**

5  
6  
7   Incremental Capital Module - Belleville DESN 2 - Payments

8   Ref 1: ICM Requests: Sandy Beach Station & Belleville DESN 2, pp. 10-11

9   Ref 2: Attachment C-2, Connection and Cost Recovery Agreement

10  
11   Preamble:

12   Elexicon Energy states that the capital contribution payment schedule is as follows:

13

Payment Milestone	Elexicon Capital Contribution	Date Paid
1. Class 4 CCEA Advance Payment	\$243,500 + HST	March 7, 2023
2. Engineering Design Agreement Advance Payment	\$2,034,500 + HST	May 21, 2024
3. 30 Days Prior to Ready for Service Date	\$16,159,400 + HST	To be paid 30 days prior to service

14  
15   Question(s):

- 16       a. Please provide information on the source of funding for the two advance payments  
17       made in 2023 and 2024 noted in the table above.
- 18       b. The Connection and Cost Recovery Agreement states that Elexicon Energy and  
19       Hydro One Distribution have agreed to share the capacity of Belleville TS DESN 2  
20       and the associated project costs, with Elexicon Energy covering 51% and Hydro  
21       One Distribution covering 49%, based on their respective capacity requirements.  
22       Please explain how this split was calculated.

23  
24   **RESPONSE:**

- 25       a) The payments made to Hydro One per the schedule referenced were funded  
26       through Elexicon's 2023 and 2024 capital budgets.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12

b) The capital contribution split between Elexicon and Hydro One Distribution for Belleville DESN 2 was determined by Hydro One through the capacity needs as set out in the Connection and Cost Recovery Agreement (CCRA) and current infrastructure requirements of each party. Elexicon is responsible for 51% of the total project cost because Hydro One Transmission is constructing four breaker positions at Belleville TS DESN 2 for Elexicon. In contrast, Hydro One Distribution will have two breaker positions built out now, with two breaker positions available to construct in the future. While the infrastructure scope differs, the available capacity allocated to each party will be the same.

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-25**

5  
6  
7   Incremental Capital Module - Belleville DESN 2 - Load Forecast

8   Ref 1: Appendix C, Belleville DESN 2 - Business Case, p. 4

9   Ref 2: Appendix C, Belleville DESN 2 - Business Case, p. 5

10  
11   Question(s):

- 12       a. Are there any large customer load projections included in the forecast supporting  
13           the Belleville DESN 2 investment? If so, please describe the basis for these  
14           projections, including any customer commitments or agreements that have been  
15           made to date and the expected load from each customer included in the forecast.
- 16       b. Elexicon Energy states that it will receive a capital contribution from one of its  
17           customers for \$371,150 as calculated through an economic evaluation by Hydro  
18           One. Please confirm that this customer will also be responsible for its proportionate  
19           share of any true-up payments that may arise based on the actual materialized  
20           load.
- 21       c. At Reference 2, the application includes a table that shows the most recent load  
22           forecast for Belleville that Elexicon Energy submitted to Hydro One as part of its  
23           analysis. Please explain how the load forecast was developed.
- 24       d. Has Elexicon Energy completed an analysis of the financial impact in the event that  
25           the materialized load is significantly lower than what is currently forecasted for the  
26           Belleville DESN 2 project? If so, please explain the results of the analysis.
- 27       e. How does Elexicon Energy plan to protect ratepayers from the financial impact of  
28           any additional capital contributions that may arise if the anticipated load does not  
29           materialize as forecasted?
- 30  
31  
32

:

1    **RESPONSE:**

- 2    a) Please refer to Elexicon's response to VECC-26. Large industrial customers will account  
3       for approximately 12 MW of additional peak load by 2034 compared to 2025. Elexicon  
4       has a signed offer-to-connect (OTC) with a large industrial customer that will increase  
5       their load by approximately 3.2 MW by 2026. Elexicon also has a signed OTC with a  
6       second large industrial customer that will increase their load by approximately 7 MW by  
7       2028.
- 8
- 9    b) The requirements of the Transmission System Code section 6.3.20 and 6.5 require that  
10       Hydro One true-up the capital contribution required by the large contributing customer to  
11       ensure that any variances in the capital contribution (positive or negative) are  
12       appropriately apportioned.
- 13
- 14   c) Please refer to Elexicon's response to VECC-26.
- 15
- 16   d) No, the true-up points are identified in Schedule C of Attachment C-2, with the first true-  
17       up occurring 5 years after the in-service date of Belleville DESN 2. At each true-up point,  
18       Hydro One will perform an economic evaluation as per Section 6.5 of the Transmission  
19       System Code.
- 20
- 21   e) For true-ups related to the Belleville DESN 2 project, Elexicon will work with Hydro One,  
22       and will comply with its obligations 3.6.1 of the Distribution System. The requirements of  
23       the TSC require that Hydro One true-up the capital contribution required by the large  
24       contributing customer to ensure that any variances in the capital contribution (positive or  
25       negative) are appropriately apportioned.

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-26**

5  
6  
7   Incremental Capital Module - Belleville DESN 2 - Project Timeline  
8   Ref 1: Appendix C, Belleville DESN 2 - Business Case, p. 10

9  
10   Preamble: The application includes the following project timeline for the Belleville DESN  
11   project.

<b>Milestone/Activity</b>	<b>Date</b>
Project Kick Off	April 2025
Engineering Completion	Q3 2025
Procurement of all items	Q4 2025
Construction Completion	December 2026
Project In-Service	December 2026

12  
13   Question(s):

- 14       a. Please provide the current progress for the project and confirm whether the project  
15       is on schedule to be in-service by December 2026.

16  
17  
18   **RESPONSE:**

19  
20   The project is scheduled to be in-service by December 2026. Please refer to Elexicon's  
21   response to question VECC-31d for the Project Status Report – 2025 Q3, which is the most  
22   recent update on Belleville DESN 2 from Hydro One.

23

<b>Milestone/Activity</b>	<b>Date</b>
Project Kick Off	Completed in April 2025

Engineering Completion	Q4 2025
Procurement of all items	Q4 2025
Construction Completion	September 2026
Ready for Service	September 2026
Project In-Service	December 2026

1  
2  
3

:

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-27**

5  
6  
7   Sandy Beach Station Rebuild in Veridian Rate Zone: Transformer Failure  
8   Ref 1: Manager's Summary, Appendix B, p. 4

9  
10   Preamble:

11   At Reference 1, Elexicon Energy reported that the need to replace the Sandy Beach  
12   Station identified in 2022 following a series of equipment failures. On May 31, 2022,  
13   Transformer T2 experienced a failure that affected approximately 2,042 customers for a  
14   duration of 2.38 hours. Subsequently, on July 25, 2022, the station encountered another  
15   issue when the F1 Recloser associated with Transformer T1 failed during the re-  
16   energization process.

17  
18   Question(s):

- 19       a. Please provide a report of the failures at the Sandy Beach Station, including the  
20       corresponding customer-hours of service disruption, root causes, and outage  
21       frequency for the period between 2022 and 2024
- 22       b. Please provide a report comparing the failure rate of the Sandy Beach Station to the  
23       system-wide average failure rate across Elexicon Energy's other stations between  
24       2022-2024.
- 25       c. Please confirm if the replacement project is part of Elexicon Energy's broader  
26       system upgrade or isolated to Sandy Beach Station?
- 27       d. Please provide details on the alternatives to a full station replacement that were  
28       considered, along with the rationale for why they were deemed insufficient.

29  
30  
31  
32

:

1     **RESPONSE:**

- 2           a) There were two failures reported for Sandy Beach station:
- 3           - On May 31, 2022, Sandy Beach Station T2, Transformer failure resulted in 2,042
- 4           customer interruptions (CI) and 2,513 customer hours interruptions (CHI).
- 5           - On July 25, 2022, Sandy Beach F1 recloser failed during the restoration efforts
- 6           following the replacement of T2 transformer, which had been affected by an
- 7           earlier outage on May 31, 2022. This incident did not result in any CHI and CI, as
- 8           station was already isolated at the time.
- 9           - There were zero (0) recorded outages between 2022 (post failures noted above)
- 10          and 2024 at Sandy Beach Station.

11

12          The failure of Transformer T2 at Sandy Beach Station was attributed to the H1

13          bushing failure. The failure caused a rapid increase in internal pressure and

14          eventually a fire, which ultimately led to the bushing being forcefully ejected from the

15          top of the transformer.

16          The cause of the Sandy Beach F1 fault is related to water (ingress/condensation). F5

17          was found to be contaminated with water and failed the testing and visual inspection.

18          Moisture settled on the insulating GFRP (Glass Fiber Reinforced Polymer) decks at

19          the top of the interrupter terminals and caused tracking between the energized bottom

20          bushing terminals, the straps and the grounding points on the deck bolts and other

21          metal parts of the cover. This escalated from a low energy tracking/leakage current

22          event to a power fault during the time the transformer was on potential.

23

- 24          b) Over the three-year period (2022 to 2024) Elexicon recorded a total of 16 failures
- 25          across 62 stations system wide excluding the two failures at Sandy Beach.

26

- 27          c) The Sandy Beach Rebuild project is not part of a broader system upgrade. It is a
- 28          renewal project at Sandy Beach Station driven by the condition of the assets and
- 29          following two major failures.

30

- 31          d) Please refer to Appendix B -Sandy Beach Business Case, page 21, Section 4.
- 32          Project Alternatives.

1                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-28**

5  
6  
7   DSP: Asset Condition Assessment Strategy and Load Demand Forecasting  
8   Ref 1: Report of the Board: Renewed Regulatory Framework for Electricity  
9   Distributors, pp. 27-28 and 47  
10   Ref 2: Elexicon Energy Distribution System Plan, p. 14

11  
12   Preamble:

13   In Reference 1, the OEB's Renewed Regulatory Framework for Electricity introduces a  
14   performance-based approach to regulation, emphasizing long-term value for customers,  
15   operational efficiency, and alignment with public policy. The framework shifts focus from  
16   cost recovery to outcome-based planning and performance.

17  
18   In Reference 2, Elexicon Energy's Distribution System Plan (2021-2026) outlines the  
19   utility's capital and operational investment strategies over the forecast period. Elexicon  
20   Energy explains that its planning approach integrates legacy data and methodologies from  
21   its predecessor utilities with insights developed since its merger in 2019.

22  
23   The DSP focuses on three core areas:

- 24  
25   1. Asset Condition and Forecasting: It assesses the current and projected state  
26   of Elexicon Energy's infrastructure, including asset health, performance, and utilization  
27   trends.  
28   2. Asset Management Framework: It details the processes used to transform  
29   diverse data inputs into prioritized investment opportunities across asset categories.  
30   3. Lifecycle and Investment Planning: It explains how asset management outputs inform  
31   lifecycle strategies and guide short- to medium-term capital planning.

:

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31

**Question(s):**

- a. Given that the Sandy Beach Station rebuild and Belleville DESN 2 are now the subject of two separate ICM requests, please clarify why these projects were not identified or scoped in the 2021-2026 Distribution System Plan which covers the same planning horizon.
- b. Was the current condition or performance risk of the Sandy Beach Station and Belleville DESN 2 known or under review at the time the Distribution System Plan was filed? If so, what factors led to its exclusion from the Distribution System Plan's asset condition assessments or investment prioritization?
- c. How does the proposed ICM investment for Sandy Beach Station and Belleville DESN 2 align with the asset management and investment prioritization framework outlined in the Distribution System Plan? Were these projects evaluated through the same criteria?

**RESPONSE:**

- a. See response to CCC-12.  
Also, details are provided within the application, please see:  
For Sandy Beach Rebuild:
  - Appendix B (Sandy Beach Business Case), paragraphs 2 to 3.
  - Appendix B (Sandy Beach Business Case), paragraphs 24 to 28.For Belleville TS:
  - Appendix C (Belleville Business Case), paragraph 2.
- b. See responses to CCC-17 and CCC-12.
- c. Elexicon uses the prioritization framework outlined in Table 5.3-1 of the 2021 DSP (page 88, DSP filed April 2021, EB-2018-0236). for all projects including ICM investments for Sandy Beach Station and Belleville DESN 2.

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-29**

5  
6  
7   Asset Integrity Assessment Framework

8   Ref 1: Manager’s Summary, Appendix B, p. 14

9   Ref 2: Manager’s Summary, Appendix C, p. 3

10  
11   Preamble:

12   In Reference 1, the existing Sandy Beach Station configuration reflects a legacy design  
13   and installation that no longer aligns with the current standards of Elexicon Energy and  
14   Hydro One. Specifically, the station operates above 10 MVA, which necessitates the  
15   implementation of differential protection under current protection standards.

16  
17   In Reference 2, Elexicon Energy notes that it is facing urgent, near-term capacity  
18   challenges in the Belleville region. These challenges were identified through regional  
19   planning exercises conducted by the Independent Electricity System Operator and Hydro  
20   One. Forecasted load growth in the area is expected to exceed the available system  
21   capacity.

22  
23   Question(s):

- 24       a. Please describe how Elexcon Energy’s Asset Integrity Assessment Framework  
25       ensures comprehensive coverage of all critical infrastructure, including substations  
26       like the Sandy Beach Station, and the need for Belleville DESN 2.
- 27       b. What criteria are used to determine asset criticality and inclusion in the framework?
- 28       c. How does Elexicon Energy’s framework identify assets at risk of failure or requiring  
29       major intervention?
- 30       d. What tools, technologies, or methodologies does Elexicon Energy use to monitor  
31       asset health and performance in real time or through periodic assessments?
- 32

- 1 e. How frequently are these assessments conducted, and how are results integrated  
2 into planning decisions?
- 3 f. What mechanisms are in place to ensure that maintenance and upgrades are  
4 planned proactively rather than reactively?
- 5 g. How does the framework balance preventive maintenance with capital rebuilds, and  
6 what thresholds trigger a shift from maintenance to full replacement?
- 7

8 **RESPONSE:**

- 9 a) Elexicon Energy's Asset Management Process ensures comprehensive coverage of  
10 all critical infrastructure—including both distribution and station assets—through a  
11 structured decision-making framework that integrates asset condition assessment  
12 (ACA), reliability planning, and load and capacity forecasting across the service  
13 territory.

14

15 The first component of the process focuses on evaluating the current health of the  
16 asset portfolio. This includes both quantitative assessments (e.g., diagnostic testing)  
17 and qualitative assessments (e.g., visual inspections), which are synthesized into  
18 Health Indices at the asset class level. These indices provide a consistent and  
19 objective measure of asset condition across the system.

20 Reliability data serves as another key input to the decision-making process. Outage  
21 data is analyzed to identify trends and root causes across equipment types, feeders,  
22 and geographic areas. This analysis supports targeted investments in infrastructure  
23 that may be underperforming or at risk of failure.

24 In addition to asset health and reliability, the Asset Management Process  
25 incorporates system capacity and utilization data, along with forward-looking insights  
26 derived from regional planning and stakeholder engagement. This integration  
27 enables Elexicon to identify infrastructure needs—such as the proposed Belleville  
28 DESN 2—and prioritize investments that address emerging capacity constraints and  
29 support long-term system growth.

- 30 b) Asset criticality and risk analysis factors into Elexicon's Asset Management Process  
31 in a variety of methods, including such items as safety (risk of asset failure to Elexicon  
32 staff, contractors or members of the public), environmental (risk of unplanned or

- 1 uncontrolled release of hazardous substances in the natural environment), service  
2 continuity (reliability), asset performance and health, customer preference (customer  
3 engagement results; municipality engagement/alignment).
- 4 c) Please refer the response in (a) above. To identify assets at risk of failure, Elexicon  
5 utilizes the Asset Condition Assessment as the basis to produce the Health Index  
6 (HI), which is a quantified condition score of an asset using asset age, inspection  
7 data, electrical test results, and weighted degradation factors to produce the HI  
8 results. The framework relies on a variety of inputs including asset inspection and  
9 testing data, trouble reports from field events, and interview and workshops with  
10 Elexicon's asset management and relevant operational staff. In addition to the ACA  
11 framework, analysis is conducted across Elexicon's distribution and stations assets  
12 to review the assets past their typical useful life or those assets that will be beyond  
13 their typical useful life in the next five years to aid in the asset management decision  
14 making process for asset replacement.
- 15 d) Please refer to the response in c) above. In addition to the ACA framework and  
16 assets past typical useful life analysis, reliability analytics are continuously performed  
17 to review performance results and trends across Elexicon's service territory and  
18 identify opportunities for capital or maintenance intervention. Other examples of tools  
19 or methodologies to manage asset performance include the Supervisory Control and  
20 Data Acquisition (SCADA) and Advanced Distribution Management System (ADMS).
- 21 e) Please refer to the response in c) above. The Asset Condition Assessment results  
22 are published annually through a combination of inspection and test results, trouble  
23 reports from field events, and support from Elexicon's asset management and  
24 operational staff. Elexicon's asset replacement plan leverages the ACA results to  
25 identify asset replacement needs within future-year investment plans. Reliability  
26 analysis is conducted monthly and the results are factored into capital and  
27 maintenance investment plans.
- 28 f) Please refer to the responses in (a) through (e) above. Elexicon employs a structured  
29 and data-driven Asset Management Process that enables proactive planning and  
30 execution of capital and maintenance asset upgrades.
- 31 g) Please refer to the responses in (a) through (e) above. There are several factors that  
32 trigger a shift from asset maintenance to asset replacement, including such items as

1           deteriorating condition within the health index of an asset that increases the risk and  
2           consequences of failure (assets in very poor or poor condition; assets that reached  
3           end-of-life); safety risks (both to Elexicon staff, contractors and members of the  
4           public); environmental risks; reliability and service continuity risks.

5  
6  
7

1                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                   **INTERROGATORIES**

3  
4           **INTERROGATORY 1-STAFF-30**

5  
6  
7   Discrete Project and Unfunded Through Base Rates

8   Ref 1: Manager's Summary, Appendix A, pp. 17-19

9   Ref 2: Manager's Summary, pp. 20-21

10  
11   Preamble:

12   In Reference 1, Elexicon Energy states that the ICM investments go beyond what  
13   current rates can cover, and the requested funding directly reflects the cost of each specific  
14   project.

15  
16   In Reference 2, Elexicon Energy compares its Current Capital Plan to its Previous Plan<sup>3</sup>  
17   and highlights the following:

- 18       • Increased spending in System Access and General Plant:
- 19           ○ Driven by customer growth, new connections, and IT/fleet investments
- 20           ○ IT investment rose from 1.7M to 3.6M to support strategic initiatives like
- 21           an Integrated Operations Centre
- 22           ○ Fleet costs rose from 1.4M to 2.4M due to inflation and end-of-life
- 23           replacements
- 24       • System Renewal budget reduced by 15M:
- 25           ○ Projects were deferred or scaled back to prioritize System Access and IT
- 26           needs.
- 27       • 2026 Plan shows similar trends:
- 28           ○ System Access increased by 10.6M, mainly due to 10.8M in new feeder
- 29           expansion projects.
- 30           ○ General Plant increased by 540K, again due to fleet and IT needs.

1           o System Renewal reduced by over 7M to accommodate these shifts.

2

3

4 Question(s):

5       a. Please provide a breakdown of how current base rates are allocated across  
6       capital programs, and explain why these allocations cannot accommodate the  
7       Sandy Beach Station and Belleville DESN 2 projects funding.

8       b. Given the 15M reduction in System Renewal spending, what analysis was  
9       conducted to determine that these deferred funds could not be redirected to partially  
10      support the ICM projects?

11      c. How does Elexicon Energy reconcile the emergence of these ICM projects with  
12      its previous capital planning forecasts, and what mechanisms are in place to  
13      improve responsiveness to regional planning updates?

14      d. What criteria were used to prioritize increased spending in System Access and  
15      General Plant over strategic infrastructure projects like the Sandy Beach Station  
16      and Belleville DESN 2?

17      e. What specific constraints prevented Elexicon Energy from reallocating funds  
18      from IT and fleet investments whose budgets increased significantly to partially fund  
19      the ICM projects?

20      f. To what extent did the 10.8M in feeder expansion projects displace funding that  
21      could have supported the ICM projects and was any cost-benefit analysis performed  
22      to evaluate trade-offs?

23      g. How does Elexicon Energy distinguish between strategic and mandatory  
24      investments in its capital planning, and why were the ICM projects not classified as  
25      mandatory despite their urgency?

26      h. Please complete Tables 3 and 4 in your response

27          Table 3: Actual Plan Without Incremental Capital Module Investment Category

28

Investment Category	Actual 2022	Actual 2023	Actual 2024	Forecast 2025	Forecast 2026	Average 2022-2025
03- General Plant						
02- System Access						
01- System Renewal						
04- System Service						
Total increase/decrease before Proposed ICM						
Proposed ICM Investments						
Total Net						

1  
2

Table 4: Funding Through Base Rates and ICM

Description	Actual 2022	Actual 2023	Actual 2024	Forecast 2025	Forecast 2026	Average 2022-2025
Funded through distribution Rates						
Funded Through ICM						
Total						

3  
4  
5

**RESPONSE:**

6  
7 a) Elexicon’s forecast is outlined in the response to Staff-38 c). As detailed in its 2026  
 8 ISA forecast, Elexicon is forecasting to deliver on approximately \$44 M of capital  
 9 investments, excluding the ICM projects. These overall investments are already  
 10 greater than the estimated level of funding in rates shown in part h) of this question.  
 11 The System Access category alone represents \$21.8M of mandatory investment to  
 12 address customer-driven work such as connections and relocations of infrastructure.  
 13 The System Renewal category is primarily related to reactive work to restore power  
 14 when an outage occurs. As shown in part h) below, overall System Renewal spending  
 15 has already been reduced to the lowest levels in the last five years and any further  
 16 deferrals would generate additional risk on asset health and system reliability. The  
 17 System Service investments are primarily tied to substation growth to construct  
 18 additional distribution feeders to enable near-term connections and alleviate system  
 19 capacity constraints. Combined, those areas of investment equal the level of capital  
 20 funding in rates (\$38,96M) per the materiality threshold tests (see response to part h  
 21 below). This is before considering the General Plant investments necessary to ensure  
 22 Elexicon’s staff have the tools necessary to execute on the work program, reduce

- 1 cyber security risk and enable safe operations of Elexicon's distribution system. All  
2 ICM-related spending is therefore incremental.
- 3
- 4 b) As noted on page 20, at paragraph 59 and 60 of Appendix A, the \$15 M reduction in  
5 System Renewal spending was reallocated to accommodate System Access and  
6 General Plant needs. These include feeder expansions to support new customer  
7 connections, fleet replacements for end-of-life vehicles, and strategic IT investments  
8 such as an integrated operations centre.
- 9
- 10 c) See response to CCC-12 and CCC-17.
- 11
- 12 d) System Access spending is related to mandatory, customer-driven and capacity-  
13 expansion investments. General Plant spending is related to providing the tools and  
14 equipment (e.g. bucket trucks, integrated operations centre) which are necessary to  
15 safely deliver on the day-to-day operations of Elexicon. Please refer to Appendix A  
16 paragraphs 58 to 64 on pages 20 to 21.
- 17
- 18 e) Please refer to response in part (d) above. Elexicon notes that its total ISA forecast  
19 is \$72M and that the estimated level of funding through rates is \$38.9 M. Elexicon's  
20 forecast ISA for 2026 across its Access, Service and Renewal categories is \$38.9 M.  
21 The full cost of the ICM projects would still be eligible to be fully funded even if the  
22 entire General Plant category was reduced to \$0.
- 23
- 24 f) As noted at paragraph 62 of page 21 of Appendix A, the feeder expansion projects  
25 are customer-driven, mandatory investments required to address emerging load and  
26 development activity within Elexicon's service territory. These are related to  
27 obligations under the Distribution System Code.
- 28
- 29 g) Both Sandy Beach Station and Belleville DESN 2 are classified as urgent and  
30 mandatory. These are discrete, material projects that exceed base rate funding and  
31 are not deferrable due to safety, reliability, or capacity risks. Please refer to  
32 paragraphs 52 to 54 on page 18 of Appendix A.

1  
 2  
 3  
 4  
 5

h) Please see Table 3 and 4 updated as requested below with contextual narrative:

Table 3: Actual and Forecast ISA Without Incremental Capital Module Investment Category (\$1,000)

Investment Category	2022	2023	2024	2025	2026	Average 2022-2025
<b>03 - GENERAL PLANT Total</b>	12,986	6,840	4,949	6,807	5,086	7,896
<b>02 - SYSTEM ACCESS Total</b>	11,417	14,952	8,682	30,257	21,783	16,327
<b>01 - SYSTEM RENEWAL Total</b>	20,102	15,884	19,924	15,144	11,236	17,763
<b>04 - SYSTEM SERVICE Total</b>	2,123	5,259	4,208	1,094	5,845	3,171
<b>Investment Sub-Total</b>	46,628	42,936	37,764	53,303	43,951	45,158
<b>Total increase/decrease before Proposed ICM</b>		-3,692	-5,172	15,539	-9,351	
<b>Proposed ICM Investments</b>					28,078	
<b>Total Net</b>	46,628	42,936	37,764	53,303	72,029	45,158

6  
 7  
 8  
 9  
 10

In Table 3, in the row labelled "Total increase/decrease before Proposed ICM", Elexicon provided the year-over-year variance of the investment subtotal line.

Table 4: Funding Through Base Rates and ICM (\$1,000)

Description	2022	2023	2024	2025	2026	Average 2022-2025
Estimate of Funded Capital Through Distribution Rates	\$35,726	\$36,486	\$37,277	\$38,102	\$38,961	\$36,898
Funded Through ICM	\$44,141			\$8,800	\$28,078	

11  
 12  
 13  
 14  
 15  
 16

In Table 4, Elexicon notes that the 'estimate of funded capital through distribution rates' amounts are an estimate of amounts funded. For the estimate of capital funded in base rates, Elexicon used the "Threshold Capex" from OEB ICM/ACM Model Tab 8 Threshold Test ("ICM TAB"). For the capital funded through Veridian's distribution rates, Elexicon leveraged the models already on the record. Elexicon completed a similar model for Whitby

:

1 which has been filed in live Excel format (see file "EE\_WRZ\_2026\_ACM\_ICM\_20251001").  
2 The sum of ICM TAB in the Veridian and Whitby models is provided in Table 4 above.  
3  
4 In Table 4, in the row labelled "Funded Through ICM" Elexicon provided the approved OEB  
5 ICM amounts (2022 approved amount per EB-2021-0015 and 2025 approved amounts are  
6 per EB-2022-0024).

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-31**

5  
6  
7   Implementation Feasibility Study

8   Ref 1: Manager's Summary, Appendix A, p. 5

9  
10   Preamble:

11   In Reference 1, Elexicon Energy is seeking funding for two critical infrastructure  
12   projects: a capital contribution to Hydro One for the construction of Belleville DESN 2, and  
13   the rebuilding of the Sandy Beach Station. These investments are identified as Elexicon  
14   Energy Inc.  
15   being essential to maintaining reliable service and meeting current and future load growth.  
16   They are also noted as addressing urgent issues, including deteriorating and high-risk  
17   assets in Pickering and immediate capacity constraints in Belleville DESN2.

18  
19   Question(s):

- 20       a. What load forecast and capacity studies support the conclusion that a new DESN  
21       station is required in Belleville?
- 22       b. Were other capacity expansion options such as upgrading existing infrastructure,  
23       adding feeders, partial refurbishment, asset life extension, or using mobile  
24       substations considered and ruled out? If so, please explain why. '
- 25       c. What alternatives were evaluated in terms of cost, implementation timeline, and  
26       long-term scalability?
- 27       d. Was a study carried out to assess regional coordination options with Hydro One or  
28       other utilities to share infrastructure or defer investment?
- 29       e. How does the proposed DESN 2 align with regional planning outcomes, and what  
30       evidence supports its necessity over other options?
- 31       f. Did Elexicon Energy carry out a study to consider non-infrastructure solutions  
32       such as demand-side management or distributed energy resources to reduce the

:

1 need for a full rebuild? If so, please explain why these alternatives were not  
2 pursued.

3

4 **RESPONSE:**

5

6 a) The Peterborough to Kingston Regional Planning Process reviewed Belleville TS  
7 station capacity, load forecasts and load connection requests that Elexicon has  
8 received leading to the conclusion that there is an immediate need for additional  
9 transformation at Belleville TS today.

10 Please refer to:

- 11 • Section entitled "Assessment Findings" on page 6 in the Attachment C-1 IESO  
12 System Impact Assessment Report,
- 13 • Section 7.3.1. in Attachment C-3 Peterborough to Kingston Regional  
14 Infrastructure Plan, beginning at page 32,
- 15 • Section 5.10 of Attachment C-4 Peterborough to Kingston Integrated Regional  
16 Resource plan, beginning at page 28.

17 b) Please see discussion of alternatives considered at Appendix C Belleville Business  
18 Case, Section 4. Given that the identified need relates to increasing the station  
19 capacity to support long-term load growth, alternatives that do not increase capacity  
20 or only provide temporary capacity relief are ruled out, e.g., upgrading the existing  
21 infrastructure, adding feeders, refurbishment, asset life extension, and mobile  
22 substations.

23 c) Please refer to Appendix C Belleville Business Case, Section 4 for alternatives  
24 considered.

25 d) Belleville TS DESN 1 is the station supply for two LDCs; Elexicon and Hydro One  
26 Distribution. As part of the Peterborough to Kingston Regional Planning Process, both  
27 LDCs provide their load forecast to Hydro One Transmission and the IESO, who  
28 aggregate the load at the station level. As a result, Belleville TS DESN 1 was identified  
29 as having immediate transformation capacity limitations and both LDCs required  
30 additional capacity to serve their customers. Please refer to Attachment C-5: 2024  
31 Hydro One Needs Assessment Report page 24. Based on the capacity needs and  
32 current infrastructure requirements of Elexicon and Hydro One Distribution, there is

- 1 a capital contribution split for Belleville DESN 2, where Elexicon is responsible for  
2 51% of the total project cost.
- 3 e) Please refer to the response in part d). Through the Regional Planning Process,  
4 several alternatives were considered: option 1, a new Belleville DESN 2 station;  
5 option 2, an additional transformer at existing Bellville DESN 1; option 3, load  
6 transfers. The option 3 load transfer alternative was ruled out as there is no ability to  
7 perform load transfers. Option 1 was selected as it provides greater capacity,  
8 increased reliability and resilience, and this was determined to be the preferred option  
9 by the regional planning working group. Please refer to Appendix C Section 4 for  
10 further details on the project alternatives.
- 11 f) For Belleville DESN 2, please refer to Appendix A, Suitability for consideration of a  
12 Non-Wires Solution pages at paragraph 29, pages 11 to 12. For Sandy Beach, please  
13 refer to Appendix A, Suitability for consideration of a Non-Wires Solution, paragraphs  
14 18 to 19, on page 9.
- 15

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-32**

5  
6  
7   CCA Rule Change

8   Ref 1: Manager's Summary, p.27

9   Ref 2: EE\_VRZ\_2026\_Belleville\_ACM\_ICM\_Model\_20250715

10   Ref 3: EE\_VRZ\_2026\_Sandy Beach\_ACM\_ICM\_Model\_20250715

11  
12   Preamble:

13   Elexicon Energy states that Account 1592 - PILs and Tax Variances was established to  
14   capture the financial impact of legislative or regulatory changes to tax rates or rules that  
15   differ from those assumed in the OEB's Tax Model used for rate-setting. In line with the  
16   OEB's July 25, 2019 letter, Elexicon Energy states that it has recorded the impacts of  
17   CCA rule changes, effective November 21, 2018, in the sub-account for CCA Changes,  
18   and stated that it will present these amounts for review and disposition at rebasing.

19   Additionally, Elexicon Energy states that it is not eligible for the small business deduction,  
20   as its taxable capital, including associated corporations, exceeds \$50 million.

21  
22   Question(s):

- 23       a. Please confirm that for the Sandy Beach Station and Belleville DESN 2 projects,  
24       accelerated CCA has not been reflected in the ICM PILs calculations and that  
25       Elexicon Energy Inc. any impacts will be recorded in Account 1592 PILs and Tax  
26       Variances - CCA Changes. If not confirmed, please explain.
- 27       b. Please confirm whether the CCA rates used in the ICM PILs calculations align with  
28       the actual CCA rates expected to be claimed for these projects. If not confirmed,  
29       please explain and provide the expected rates.
- 30       c. Please provide the calculation of the incremental revenue requirement for the  
31       Sandy Beach and Belleville DESN 2 ICM projects if accelerated CCA is reflected.

1 d. Please comment on whether the inclusion of accelerated CCA materially affects  
 2 the revenue requirement and whether it influences the justification for ICM funding.  
 3  
 4

5 **RESPONSE:**

6 a) Confirmed. The ICM PILs calculations are not based on accelerated CCA consistent  
 7 with OEB policy. As per Chapter 3 filing requirements, section 3.3.2.5:

8 “The accelerated CCA should not be reflected in the ICM revenue requirement  
 9 proposal associated with eligible assets/projects that are acquired after November  
 10 20, 2018. The OEB will assess the impact of the accelerated CCA on all capital  
 11 investments at the time of rebasing to minimize the complexity of the review.  
 12 Distributors should include the impact of the CCA rule change associated with any  
 13 ICM project(s) that are approved for ICM treatment in Account 1592 – PILs and Tax  
 14 Variances – CCA Changes. Disposition of amounts tracked in the applicable CCA  
 15 sub-account should be brought forward at the time of a distributor’s next rebasing.”  
 16

17 b) Confirmed.

18  
 19 c) The calculation of the revenue requirement impact of accelerated CCA is reflected in  
 20 the table below. Accelerated CCA reduces the revenue requirement by approximately  
 21 \$305.5K.

	Half Year (Standard CCA)			Half Year (Accelerated CCA for Taxes/PILs only)			Difference (A and B)
	Sandy Beach Station	Belleville	Total (A)	Sandy Beach Station	Belleville	Total (B)	
<b>Return on Rate Base - Total</b>	\$ 315,851	\$ 593,880	\$ 909,731	\$ 315,851	\$593,880	\$ 909,731	\$ 0
<b>Amortization Expense - Total</b>	\$ 121,251	\$ 367,562	\$ 488,813	\$ 121,251	\$367,562	\$ 488,813	-\$ 0
<b>Grossed-Up Taxes/PILs</b>	-\$ 31,525	\$ 88,430	\$ 56,905	-\$ 171,416	-\$ 77,223	-\$ 248,639	\$ 305,544
<b>Incremental Revenue Requirement</b>	\$ 405,577	\$ 1,049,871	\$ 1,455,448	\$ 265,685	\$884,218	\$ 1,149,903	\$ 305,545

22  
 23  
 24 d) The inclusion of accelerated CCA does not materially affect the revenue requirement,  
 25 nor alter the justification for ICM funding.

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-33**

5  
6  
7   Application of Half Year Rule

8   Ref 1: Manager's Summary, Appendix A, pp. 21-22

9   Ref 2: EE\_VRZ\_2026\_Belleville\_ACM\_ICM\_Model\_20250715

10   Ref 3: EE\_VRZ\_2026\_Sandy Beach\_ACM\_ICM\_Model\_20250715

11  
12   Preamble:

13   Elexicon Energy notified the OEB of its intent to file a rebasing application for rates  
14   effective January 1, 2027, and is requesting that ICM rate riders be implemented using the  
15   Half-Year Rule on an interim basis, becoming final if early rebasing is approved. If  
16   rebasing is not approved, Elexicon Energy seeks to revise the riders using the Full-Year  
17   Rule, recover any foregone 2026 revenue, and include undepreciated asset amounts in  
18   its 2027 rate base, while also committing to record impacts from recent CCA rule changes  
19   in Account 1592 - PILs and Tax Variances.

20  
21   Question(s):

- 22       a. Please confirm that the Half-Year Rule has been applied to all ICM rate rider  
23       calculations for the Sandy Beach Station and Belleville DESN 2 projects. If not  
24       confirmed, please explain.
- 25       b. What is the rationale for applying the Half-Year Rule in this application, and how  
26       does it align with OEB policy and past practice.
- 27       c. What is the estimated impact of applying the Half-Year Rule on the annual revenue  
28       requirement for each ICM project? Please provide a comparison with the full-year  
29       rule.
- 30       d. How does the Half-Year Rule affect the calculation of depreciation expense in the  
31       ICM revenue requirement? Please provide supporting details.
- 32

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20

**RESPONSE:**

- a) Elexicon confirms that the Half-Year rule has been applied to all ICM rate rider calculations for the Sandy Beach Station and Belleville DESN 2 projects.
- b) Elexicon intends to file an early rebasing application, effective January 1, 2027. As outlined in section 3.3.2.4 of Chapter 3 of the Filing Requirements, the OEB applies the Half-Year rule in cases where an ICM request coincides with the final year of a distributor's IRM plan term. See response to CCC-14.
- c) See Elexicon's response to Staff-32.
- d) Under Half-Year rule, the models include only half of the annual depreciation for the ICM projects. As a result, the depreciation expense in the ICM revenue requirement is reduced for that year.

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-34**

5  
6  
7   Sandy Beach Station Current Vs Proposed Location

8   Ref 1: Manager's Summary, p. 6

9   Ref 2: Manager's Summary, p. 9

10  
11   Preamble:

12   In Reference 1, Elexicon Energy notes that it will rebuild the Sandy Beach Station at its  
13   current location, but with a redesigned configuration to address existing reliability and asset  
14   condition issues. Although relocating the station slightly eastward was considered,  
15   the need to acquire land and the resulting delays were deemed impractical, especially  
16   given the urgency to replace a station at risk of failure.

17  
18   In Reference 2, the existing Sandy Beach Station is identified as being located directly  
19   beneath Hydro One's transmission lines, which limits accessibility for maintenance and  
20   upgrades. This location presents logistical challenges and increases the complexity of  
21   any work performed on the station, contributing to operational inefficiencies and long-term  
22   reliability concerns.

23  
24   Question(s):

- 25       a. Given the known limitations of the current site, how did Elexicon Energy assess  
26       the long-term viability of rebuilding the Sandy Beach Station at the same location?  
27       b. What specific criteria were used to evaluate alternative site options, and why  
28       was the nearby eastern location ultimately ruled out despite offering improved  
29       accessibility?  
30       c. Was a cost-benefit analysis conducted comparing the current site rebuild versus  
31       relocation, including land acquisition, construction delays, and long-term operational

:

- 1 efficiency? If so, please provide details of such analysis and the reasoning for  
2 rebuilding on the same site.
- 3 d. What design or operational changes are being implemented in the rebuild to  
4 mitigate the accessibility challenges posed by the transmission lines?
- 5 e. Has Elexicon Energy engaged with Hydro One to explore options for improving  
6 access or modifying transmission infrastructure to support safer and more efficient  
7 maintenance?
- 8  
9

10 **RESPONSE:**

11

- 12 a) Elexicon's decision to rebuild the Sandy Beach Station at its current location despite  
13 known site constraints was based on a comprehensive evaluation of alternatives,  
14 urgency, and long-term operational needs. As noted in Reference 1, while relocating  
15 the station slightly eastward was considered, the extended timeline required for land  
16 acquisition made it impractical given the station's deteriorating condition and risk of  
17 failure. Reference 2 highlights that the existing station's location directly beneath  
18 Hydro One's transmission lines poses significant challenges for maintenance and  
19 upgrades, contributing to inefficiencies and reliability concerns. However, the  
20 preferred alternative (a full rebuild and reconfiguration at the current site) was  
21 selected because it offers the most immediate and cost-effective path to modernize  
22 infrastructure, enhance safety, and ensure long-term service reliability. This approach  
23 avoids the delays and higher costs associated with relocation or offloading, while  
24 addressing critical operational issues through a complete overhaul of outdated  
25 assets.
- 26
- 27 b) The evaluation of alternative site options for the Sandy Beach Station considered  
28 several key criteria, including cost, timing, land acquisition complexity, and overall  
29 system reconfiguration requirements. Although relocating the station slightly  
30 eastward was initially explored to potentially improve accessibility, this option was  
31 ultimately ruled out. The nearby eastern location did not offer a significant  
32 improvement in accessibility due to similar spatial and logistical constraints.

1           Moreover, relocating would have required extensive reconfiguration of poles and  
2           wires outside the station, adding to the overall capital cost. The process of securing  
3           land rights particularly from Ontario Power Generation was expected to introduce  
4           delays of up to two years, which conflicted with the urgent need to replace aging  
5           infrastructure at risk of failure. Given these factors, the rebuild at the existing site,  
6           despite its challenges (such as being located beneath Hydro One's transmission  
7           lines), was deemed the most practical and timely solution to ensure system reliability  
8           and minimize service disruption.

9  
10          c) Please see Appendix B Sandy Beach Business Case at page 21 Alternative  
11          Descriptions and Comparative Analysis, option 1 vs. option 4.

12  
13          d) To address the accessibility challenges posed by the Sandy Beach Station's location  
14          beneath Hydro One's transmission lines, Elexicon is implementing several design  
15          and operational improvements as part of the rebuild, many of which leverage the  
16          advantages of underground feeders. The redesigned configuration includes a more  
17          compact and modular layout, allowing for better maneuverability and safer access  
18          within the constrained site. By transitioning key components such as feeders and  
19          interconnections to underground cabling, the station reduces its reliance on overhead  
20          infrastructure, which not only improves aesthetics but also enhances safety,  
21          reliability, and long-term maintainability.

22  
23          Additionally, underground cabling mitigates risks associated with weather events,  
24          falling debris, and electromagnetic interference, while also eliminating the need for  
25          vegetation management and reducing exposure to vandalism or accidental contact.  
26          These changes are particularly beneficial in a site with limited vertical clearance and  
27          operational complexity due to the overhead transmission corridor. Additionally, the  
28          rebuild incorporates advanced SCADA systems and remote-operable equipment,  
29          minimizing the need for frequent on-site interventions. Together, these measures  
30          ensure that the station can operate efficiently and safely despite the spatial  
31          constraints, while also aligning with modern utility standards and community  
32          expectations.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11

e) Elexicon Energy did engage with Hydro One early in the planning process to explore potential options for improving access to the Sandy Beach Station and addressing the challenges posed by the overhead transmission infrastructure. However, modifying the transmission infrastructure was never considered, since such modifications would require a tremendous capital investment and involve significant technical and regulatory complexities, making it cost-prohibitive and impractical within the scope and urgency of the Sandy Beach rebuild project. As a result, Elexicon focused on redesigning the station layout and incorporating underground cabling and remote-operable systems to improve safety and operational efficiency within the existing site constraints.

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-35**

5  
6  
7   Summary of Asset Condition and Risks at Sandy Beach Station

8   Ref 1: Manager’s Summary, pp. 11-13

9  
10   Preamble:

11   In Reference 1, Elexicon Energy states that many assets at the Sandy Beach Station  
12   are either at or approaching end-of-life, resulting in elevated risk of failure and reduced site  
13   reliability. Notably, Transformer T2 is currently installed on a temporary wood structure,  
14   which was never intended as a permanent solution.

15  
16   Question(s):

- 17       a. Please identify any assets or components from the Sandy Beach Station that are  
18       salvageable, reusable, or saleable to offset the cost of building the new station.
- 19       b. Have you conducted a salvage value assessment or marketability study for these  
20       assets? If so, please provide copies of this assessment / study. If not, please  
21       explain why such assessment / study was not conducted.
- 22       c. What maintenance activities have been performed on these assets in the last four  
23       years?
- 24       d. Please reproduce Table 5 below with data for the years of 2021 to 2024

25  
26                   Table 5: Elexicon Energy 2025 Asset Condition Summary

27

S/N	Asset Class	Asset ID	HI (%) 2021	HI (%) 2022	HI (%) 2023	HI (%) 2024
1	Cable	STN_CABLE-Sandy Beach_F1				

2	Cable	STN_CABLE-Sandy Beach_F2				
3	Cable	STN_CABLE-Sandy Beach_Secondary				
4	Cable	STN_CABLE-Sandy Beach_T1 Primary				
5	Cable	STN_CABLE-Sandy Beach_T2 Primary				
6	Battery	Battery Battery -Sandy Beach				
7	Recloser	CB-Sandy BeachSANDF1				
8	Recloser	CB-Sandy BeachSANDF2				
9	Recloser	CB-Sandy BeachSANDF5				
10	Recloser	CB-Sandy BeachSANDF6				
11	Power Transformer	SANDY BEACH-T1				
12	Power Transformer	SANDY BEACH-T2				
13	Switch	STN_SW-Sandy Beach_7B1-B2				
14	Switch	STN_SW-Sandy Beach_7T1-B1				
15	Switch	STN_SW-Sandy Beach_7T1-L				
16	Switch	STN_SW-Sandy Beach_7T2-B2				
17	Switch	STN_SW-Sandy Beach_7T2-L				

1  
 2  
 3  
 4  
 5  
 6  
 7  
 8

:

1     **RESPONSE:**

2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32

- a) The assets or components from Sandy Beach Station will be formally identified as salvageable, reusable, or saleable once the equipment is removed from service and evaluated to determine its condition and potential for reuse. If any equipment is deemed reusable, it will be sent for refurbishment and added to Elexicon’s spare inventory. Equipment that is considered unusable will be scrapped, and the salvage value of the scrap metal will be recorded under a miscellaneous account and reflected in Elexicon’s Profit & Loss (P&L) statement. Notably, the two power transformers may be candidates for refurbishment and reuse as spares, and the value of all metal structures would be accounted for in the P&L.
- b) No salvage value assessment or marketability study has been conducted for the existing assets at Sandy Beach Station, as the station rebuild is scheduled for summer 2026. Consequently, the market value of these assets may fluctuate over time and could differ significantly by the time the evaluation is performed.
- c) In the last four years, the following maintenance activities were undertaken:
  - Testing Transformers (T1 and T2), secondary equipment and protection equipment.
  - Transformer testing for insulation resistance, turns ratio, capacitance, and winding resistance.
  - Component replacements including potential transformers, fuses, insulators, conductors,
  - Modification to the transformer control cabinet.
  - Refurbishment of reclosers (F2, F5, F6).
  - Ground grid testing and insulation resistance measurements.
  - SCADA updates for alarms and control systems.
  - Inspection and servicing of cooling systems, switches, and arc interrupters.
  - Inspection and cleaning of main substation tower switch and associated components.

1 d) Table 5 Revised: Elexicon Energy 2021-2024 Asset Condition Summary

2

S/N	Asset Class	Asset ID	HI (%) 2019	HI (%) 2022	HI (%) 2023	HI (%) 2024	HI (%) 2025
1	Cable	STN_CABLE-Sandy Beach_F1	NA	NA	20%	20%	20%
2	Cable	STN_CABLE-Sandy Beach_F2	NA	NA	20%	20%	20%
3	Cable	STN_CABLE-Sandy Beach_Secondary	NA	NA	NA	NA	0%
4	Cable	STN_CABLE-Sandy Beach_T1 Primary	NA	NA	NA	NA	0%
5	Cable	STN_CABLE-Sandy Beach_T2 Primary	NA	NA	NA	NA	0%
6	Battery	Battery Battery -Sandy Beach	NA	100%	79%	67%	50%
7	Recloser	CB-Sandy BeachSANDF1	80%	79%	70%	71%	64%
8	Recloser	CB-Sandy BeachSANDF2	65%	68%	79%	50%	64%
9	Recloser	CB-Sandy BeachSANDF5	70%	75%	79%	71%	64%
10	Recloser	CB-Sandy BeachSANDF6	70%	75%	79%	57%	64%
11	Power Transformer	SANDY BEACH-T1	70%	69%	70%	77%	70%
12	Power Transformer	SANDY BEACH-T2	56%	46%	75%	68%	51%
13	Switch	STN_SW-Sandy Beach_7B1-B2	NA	NA	88%	69%	30%
14	Switch	STN_SW-Sandy Beach_7T1-B1	NA	NA	88%	69%	30%
15	Switch	STN_SW-Sandy Beach_7T1-L	NA	NA	88%	46%	30%
16	Switch	STN_SW-Sandy Beach_7T2-B2	NA	NA	88%	69%	30%
17	Switch	STN_SW-Sandy Beach_7T2-L	NA	NA	88%	46%	30%

3

:

1                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-36**

5  
6  
7   Underground Vs Overhead Cables

8   Ref 1: Manager's Summary, Appendix B, p. 19

9   Ref 2: Ontario Regulation 22/04

10  
11   Preamble:

12   Elexicon Energy states that the new substation will use underground cables to enhance  
13   reliability, safety, and visual appeal. These cables offer improved insulation, reducing  
14   failure risk and ensuring compatibility with current standards for easier replacement.

15  
16   In Reference 2, Ontario Regulation 22/04 does not prescribe a preference for  
17   underground or overhead cables. However, it requires that all distribution lines  
18   regardless of type be properly maintained and equipped with barriers to prevent  
19   unauthorized contact with energized components.

20  
21   Question(s):

- 22       a. What specific site conditions or operational requirements influenced the decision to  
23       use underground cables at the Sandy Beach Station?
- 24       b. How does Elexicon Energy justify the higher capital investment in underground  
25       infrastructure given the known cost differential?
- 26       c. What long-term maintenance or reliability advantages are expected from  
27       underground cables in this location?
- 28       d. Was stakeholder or municipal input considered in selecting underground over  
29       overhead transmission? If so, please explain how it informed Elexicon Energy's  
30       decision-making process.

1 e. Was a cost-benefit analysis conducted comparing underground and overhead cable  
2 installations? If so, what were the key findings?  
3  
4

5 **RESPONSE:**

6 a) Within the Sandy Beach Station project, Elexicon investigated different technical  
7 aspects when designing the substation. The criteria considered in order of priority  
8 are:

9 **a. Safety**

- 10 i. Reducing risk of public and worker accidental contact and  
11 electrocution.  
12 ii. Preventing fire from downed overhead lines.  
13 iii. Less exposure to vandalism and theft.

14 **b. Reduced Electromagnetic Interference**

- 15 i. Underground cables can be shielded more effectively, reducing EMI  
16 in sensitive areas like under a transmission line in the case of Sandy  
17 Beach Station.

18 **c. System hardening**

- 19 i. Underground cables are protected from windstorms, ice accumulation,  
20 lightning, falling trees and animal contact, this results in fewer outages  
21 and better reliability.

22 **d. Lower Maintenance Costs**

- 23 i. Underground systems typically require less frequent maintenance. No  
24 need for vegetation management (e.g., tree trimming).

25 **e. Space Optimization**

- 26 i. With the limited space we have at the current location and being under  
27 a transmission line, space optimization is a very important to make  
28 sure limits of approach are respected, especially with larger  
29 transformer footprint and height.  
30

31 b) See response to (a) & (e),

- 1 c) See response to question (a) and paragraph 35 on page 20 of the Appendix B Sandy  
2 Beach Business Case.
- 3 d) Elexicon had discussions with Hydro One to address the limits of approach to the  
4 overhead transmission lines (see Figure 4 on page 17 of Appendix B). These  
5 discussions concluded that an underground option was the safest and more reliable  
6 option. The option of an underground design was driven mainly by engineering and  
7 safety requirements as mentioned in responses to (a) and (e).
- 8
- 9 e) Elexicon did not pursue an overhead build option, as it did not align with the criteria  
10 outlined in Part (a), which include reduced electromagnetic interference, system  
11 hardening, lower maintenance costs, and improved safety.

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-37**

5  
6  
7   Sandy Beach Station: Project Alternative Comparative Analysis  
8   Ref 1: Manager’s Summary, Appendix B, pp. 21-22

9  
10   Preamble:

11   In Reference 1, Elexicon Energy states that rebuilding the Sandy Beach Station is the  
12   preferred option as it comprehensively addresses existing infrastructure challenges,  
13   mitigates environmental risks, and incorporates modern technologies to enhance  
14   performance. Elexicon Energy also notes that this approach aligns with customer  
15   expectations for reliable service and reflects a long-term commitment to infrastructure  
16   investment.

17  
18   Question(s):

- 19       a. What specific technical, financial, or operational factors influenced Elexicon  
20       Energy’s decision to select the full rebuild of the Sandy Beach Station as the  
21       preferred option?  
22       b. What long-term cost savings are expected from rebuilding versus maintaining the  
23       existing infrastructure?  
24       c. Was a lifecycle cost analysis conducted for each scenario?  
25       d. What specific reliability or safety improvements will the rebuild deliver compared to  
26       the current setup?

27  
28  
29  
30  
31  
32  
:

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16

**RESPONSE:**

- a. See response to Staff-36 (a) and (e) for the specific Technical & Operational factors that influenced any partial or complete rebuild of the station. See also, Appendix B, Sandy Beach Station Business Case, Section 4.2 on page 23 for further information on the preferred alternative to fully rebuild and reconfigure the station.
- b. See response to Staff-22 (j).
- c. No. Appendix B, Sandy Beach Station Business Case, pages 21 to 22 outline the project alternatives including costs, project benefits and other constraining factors.
- d. See response to Staff-36 (a) and paragraphs 7-11 of Appendix B.

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-38**

5  
6  
7   Elexicon Energy's Total Budget

8   Ref 1: Manager's Summary, Attachment C-2.

9  
10   Preamble:

11   Elexicon Energy states that the Sandy Beach Station and the Belleville DESN 2  
12   contribution meet Elexicon Energy's materiality threshold when compared to its net capital  
13   in-service additions. Elexicon Energy also states that the Sandy Beach Station  
14   accounts for approximately 14% and Belleville DESN 2 for 26% of Elexicon Energy's  
15   total 2026 capital expenditure forecast, representing a combined 40% of the 2026 in-  
16   service additions. When excluding ICM-related capital expenditures, the Sandy Beach  
17   Station comprises roughly 22% and the Belleville DESN 2 approximately 42%, while  
18   together, represent about 64% of the non-ICM in-service additions for 2026.

19  
20   Question(s):

- 21       a. What is the total capital budget for 2026 that Elexicon Energy is using as the basis  
22       for its materiality assessment?
- 23       b. What is the total forecast for in-service additions in 2026, both including and  
24       excluding ICM-related expenditures?
- 25       c. Please provide a breakdown of the capital expenditure forecast by project or  
26       investment category.
- 27       d. What specific criteria does Elexicon Energy use to determine materiality for ICM  
28       applications?
- 29       e. How does Elexicon Energy define and calculate "net capital in-service additions" for  
30       the purpose of ICM eligibility?

31  
32  
:

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21

**RESPONSE:**

- a) Please refer to Table 8 on page 15 of Appendix A. The 2026 capital forecast is \$77,198,088.
- b) Please refer to Table 9 on p. 20 in Appendix A. The 2026 in-service addition forecast excluding ICM-related expenditures is \$43,951,699. The 2026 in-service addition forecast including ICM-related expenditures is \$72,029,852.
- c) See Tables 1, below which shows ISA Gross and Net Costs, Contributions for 2026.

Table 1: 2026 ISA by DSP Program – Excluding ICM Projects

Category	Cost	Contribution	Net
R1 Substation Renewal	2,671,586	0	2,671,586
R3 Overhead System Renewal	1,007,832	0	1,007,832
R4 Reactive Capital	7,557,147	0	7,557,147
<b>01 - SYSTEM RENEWAL</b>	<b>11,236,565</b>		<b>11,236,565</b>
A1 Externally-Initiated Plant Relocation	5,981,506	2,048,829	3,932,676
A2 Customer & Generation Connections	12,596,013	7,209,869	5,386,144
A3 System Expansion	22,162,032	11,307,177	10,854,855
A4 Metering & AMI 2.0	1,609,783	0	1,609,783
<b>02 - SYSTEM ACCESS</b>	<b>42,349,333</b>	<b>20,565,875</b>	<b>21,783,458</b>
P1 Facilities Management	500,000	0	500,000
P2 Fleet	1,740,000	0	1,740,000
P3 IT Systems	1,329,400	0	1,329,400
P4 Tools & Equipment	192,026	0	192,026
P5 OT Systems	1,325,000	0	1,325,000
<b>03 - GENERAL PLANT</b>	<b>5,086,426</b>		<b>5,086,426</b>
S1 Substation Growth	4,584,865	0	4,584,865
S2 Grid Enhancements	1,260,384	0	1,260,384
<b>04 - SYSTEM SERVICE</b>	<b>5,845,249</b>		<b>5,845,249</b>
<b>TOTAL</b>	<b>64,517,574</b>	<b>20,565,875</b>	<b>43,951,698</b>

- d) Elexicon determines materiality for ICM applications using the criteria in the OEB’s ICM policy guidelines: *the application must satisfy the materiality threshold; the distributor must demonstrate that the project is not a minor expenditure in comparison to its overall capital budget; and the incremental funding must have a significant influence on the distributor’s operations.* Elexicon performs the above assessment as part of its annual capital budgeting and prioritization business planning processes.
- e. Net capital in-service additions are defined as gross capital expenditures for assets that have been placed into service less the capital contributions received in relation to the assets.

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-39**

5  
6  
7   Connection and Cost Recovery Agreement  
8   Ref 1: Manager's Summary, p. 16

9  
10   Preamble:

11   Elexicon Energy states that it has entered into a Connection Cost Recovery Agreement  
12   with Hydro One to jointly develop a new 230/44kV DESN transformer station, Belleville TS  
13   DESN 2, at the existing Belleville TS site. This initiative is intended to support forecasted  
14   load growth and alleviate system constraints in the Belleville area. Under the  
15   agreement, Elexicon Energy will assume 51% of the project costs, with Hydro One  
16   Distribution covering the remaining 49%. The agreement incorporates Hydro One's  
17   Standard Terms and Conditions and outlines a 25-year term from the in-service date,  
18   subject to early termination provisions. Elexicon Energy is required to execute the  
19   agreement and make initial payments by February 21, 2025, to maintain the project  
20   timeline.

21  
22   Question(s):

- 23       a. How was the 51% cost allocation to Elexicon Energy determined? Is it based on  
24       peak demand, energy consumption, or another metric?
- 25       b. How does Elexicon Energy plan to reconcile actual vs. estimated costs, especially  
26       given the AACE Class 3/4 estimates and the risk of cost overruns?
- 27       c. How will Elexicon Energy treat the advance payments made under the CCEAs and  
28       the Engineering Design Agreement in its rate base?
- 29       d. What are the contingency plans if the scope of work changes materially or if the in-  
30       service date is delayed?

1 e. How will Elexicon Energy manage the risk of Premium Costs due to overtime work  
2 during outages?  
3

4

5 **RESPONSE:**

6

7 a) Please refer to the response to question Staff-24 b).

8

9 b) As noted at paragraph 32, on page 20 of Appendix C, following the completion of the  
10 project, Hydro One will calculate the revised cost of the project and perform any true-  
11 ups with Elexicon in accordance with sections 6.5.3 to 6.5.11 of the *Transmission*  
12 *System Code* and the terms of the CCRA at Attachment C-2 of the Application.

13

14 c) The advance payments made under CCEAs and the Engineering Design Agreement  
15 will not affect the OEB rate base calculation as Elexicon follows the OEB APH  
16 guidance on recording transactions related to ICM. As per OEB guidance, the ICM  
17 expenses and revenues are to be recorded in account 1508 and as a result these  
18 transactions do not affect the rate base until rebasing or approved by OEB for  
19 inclusion.

20

21 d) As noted at paragraph 36, page 21 of Appendix C, Hydro One and Elexicon signed a  
22 CCRA with an in-service date of December 2026. To ensure that the project remains  
23 on track and budget, Elexicon has assigned its own internal project manager. The  
24 project manager will liaise with Hydro One to ensure timelines and budget are on  
25 track, as well as proactively address any emerging issues.

26

27 e) As noted in response to question (d) above, Elexicon has assigned its own internal  
28 project manager to liaise with Hydro One and ensure timelines and budget are on  
29 track, as well as address manage risk for any emerging issues including overtime  
30 requirements.

31

1                                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF**  
2                                   **INTERROGATORIES**

3  
4   **INTERROGATORY 1-STAFF-40**

5  
6  
7   Billing Determinants for Deferral and Variance Accounts (Tab 4)  
8   Ref 1: EE\_WRZ\_2026\_IRM\_Rate\_Generator\_Model\_20250715  
9   Ref 2: EE\_VRZ\_2026\_IRM\_Rate\_Generator\_Model\_20250715

10  
11   **Preamble:**

12   In References 1 and 2, Elexicon Energy populates Tab 4 of the Rate Generator Model  
13   for the Veridian Rate Zone and Whitby Rate Zone using the most recent RRR data, but did  
14   not confirm the accuracy as required.

15  
16   **Question(s):**

- 17       a. Please provide confirmation that the data used in Tab 4 of the Rate Generator  
18       Model for each rate zone is accurate and aligns with Elexicon Energy's latest RRR  
19       submission. If not, please identify and explain any changes.

20  
21  
22   **RESPONSE:**

- 23       a) Elexicon confirms that the data used in Tab 4 of the Rate Generator Model for each  
24       rate zone is accurate and aligns with Elexicon Energy's latest RRR submission.

1                   **RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES**

2

3                   **INTERROGATORY 1-STAFF-41**

4

5

6                   Ref 1: Rate Generator Model, Continuity Schedule (Tab 3)

7

8                   Preamble:

9                   On September 11, 2025, the OEB published the 2025 Quarter 4 prescribed accounting  
10                  interest rates applicable to the carrying charges of deferral, variance and construction  
11                  work in progress (CWIP) accounts of natural gas utilities, electricity distributors and other  
12                  rate-regulated entities.

13

14                  Question(s):

- 15                  a. Please confirm that Tab 3 (Continuity Schedule) of the Rate Generator Model for  
16                  each rate zone reflects the Quarter 4 2025 OEB-prescribed interest rate of 2.91%. If  
17                  not, please update, as necessary.

18

19

20

21                  **RESPONSE:**

- 22                  a) Elexicon confirms that Tab 3 (Continuity Schedule) of the Rate Generator Model for  
23                  each rate zone reflects the Quarter 4 2025 OEB-prescribed interest rate of 2.91%.

24

25

26

27