October 03, 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

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 the School Energy Coalition ("SEC").

All interrogatory responses will be filed through the OEB's web portal ("RESS").

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

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

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

RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY SEC-1

[Application Summary] Distribution only impacts for the GS> 50 kW and Large Use classes are greater than 35% for the Veridian Rate Zone ("VRZ").

a. Please explain why the impact for these classes is significantly greater than for the other classes.
b. Elexicon provided a Customer Engagement Report as part of its EB-2021-0015 application. Did Elexicon do any further customer engagement with respect to this current application? If so, please provide. If not, please agree that Appendix B of the EB-2021-0015 application can be placed on the record of this proceeding.

RESPONSE:

a) The impact on GS>50 kW and Large Use rate classes is greater than the other rate classes due to the Group 2 disposition request. This is largely driven by the relative consumption of these classes in kWh relative to others which drives the allocation of the Distribution-related Group 2 balances. Using the % of the total kWh for 2024, each rate class was allocated an amount to be recovered through a rate rider from the customers in that rate class. The GS>50 and Large Use rate classes represent 49% of the total consumption in kWh and have fewer customers so the impact is greater on a per customer basis.

b) The timing of the ICM projects in 2026 was driven by urgent needs which cannot be deferred namely: (i) anticipated capacity constraints in Belleville and (ii) addressing

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safety and reliability risk of a temporary installation in the Sandy Beach TS. As such, there are no options on which to seek input from customers regarding these projects.

Elexicon did not conduct specific customer engagement related to the Sandy Beach station or the Belleville DESN with its broader customer base as it was already conducting fulsome customer engagement in support of its upcoming early rebasing application. While customers for that survey were not specifically asked questions about the proposed ICM projects in this application, they were provided with an explanation of the drivers of rate changes for 2026 along with illustrative bill impacts. A screen capture from the customer engagement workbook providing the explanation of the drivers of rate changes in 2026 is provided below.

For the Belleville DESN, Elexicon directly engaged with the customers impacted by Hydro One's economic evaluation per TSC 6.3.20. Elexicon does not agree with placing Appendix B (Customer Survey Results, Brickworks Communications, dated February 2021) on the record as it pertains to previously approved ICM projects.

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Learn More

2026 Rate Increase

In 2025, Elexicon will be filing a request to the OEB for additional **capital funding** and collection of **tracked costs**.

The **additional capital funding** requested will be used to **pay for urgent projects** including the construction of an additional transformer station to address capacity constraints and the replacement of another critical sub-station.

The **tracked costs** are associated with operational and compliance requirements, or changes to government and OEB policy that impact Elexicon. As utilities set rates for several years, the OEB gives them permission to track certain unexpected costs and recover these costs in future years. Elexicon has accumulated large balances since 2014 due to a variety of operational changes and will be seeking to collect these costs in 2026. **Recovering these costs in 2026 will prevent a larger rate increase in 2027 when Elexicon rebases.**

As with any of the utility's costs, Elexicon must justify they are reasonable before they collect these amounts from customers.

Elexicon's 2026 application is different from the 2027-31 Rate Application (the current *Draft Plan* to which we're asking you to provide feedback) and will be evaluated by the OEB separately in the summer of 2025.

Later in this survey, **we explain the forecasted growth that will impact the local distribution system** in greater detail.

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RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY SEC-2

[Manager's (Mgr.'s) Summary]
Please provide a copy of all material provided to Elexicon's Board of Directors regarding the proposed Incremental Capital Modules ("ICMs") for the rebuild of the Sandy Beach Substation, and to fund the capital contribution to Hydro One Networks Inc. ("HONI") for the installation of a new Dual Element Spot Network ("DESN2") at the Belleville Transformer Station ("Belleville TS").

RESPONSE:
See response to CCC-1.

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RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY SEC-3

[Appendix A, Table 3 and 6; Appendix C, p.20]

a) Please provide an update on the Sandy Beach Project Implementation Plan. Specifically, have the transformers been delivered and if not, when are they expected?
b) Please provide an update on the Belleville DESN2 Implementation Plan, including the scheduled delivery of the power transformers and circuit breakers in September 2025, the PCT in June 2024, Capacitor Banks in March 2025, and Switches in August 2025.

RESPONSE:

a. Please refer to Elexicon's response to CCC-6.
b. Please refer to Elexicon's response to Staff-26 and VECC-25 (f).

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RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY SEC-4

[Appendix A, p.6] Elexicon refers to the OEB's Letter Re: Incremental Capital Modules During Extended Deferred Rebasing Periods, issued February 10, 2022 ("The letter"). The letter lists four requirements a utility that selects an extended deferred rebasing period (beyond five years) must demonstrate to qualify for an ICM. Please explain how Elexicon has demonstrated:

a) A history of good utility practice in capital planning, capital program management and asset maintenance.
b) How Elexicon has exhausted other available options to manage its costs within the envelope provided by the existing price cap or another applicable formula.

RESPONSE:

a) The letter referred to (issued February 10 2022) is specific to utilities applying for "incremental capital funding for an **<u>annual capital program</u>** during the extended rebasing period" [emphasis added] (see page 2, OEB Letter Re: Incremental Capital Modules During Extended Rebasing Period, February 10, 2022).

   Elexicon is not requesting funding for an annual capital program. The ICM requests in this application are for "significant capital investments for discrete projects that are not part of typical annual capital programs." (see page 1, OEB Letter Re: Incremental Capital Modules During Extended Rebasing Period, February 10, 2022). As noted in that letter, "the capital projects must satisfy a materiality threshold to demonstrate that the incremental capital amounts are beyond the normal level of capital expenditures expected to be funded by existing rates." Elexicon has demonstrated

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this requirement in its application. Elexicon has met the materiality threshold, see Appendix A, paragraphs 41 to 42.

b) See Elexicon’s response to Staff-30, part ‘a’.

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RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY SEC-5

[Appendix A, p.11-12]

a) Elexicon states that the 2021 Peterborough to Kingston IRRP determined that non-wires alternatives should not be assessed for the Belleville TS. Has this decision been revisited in the last four years? b) If not, please explain why not, given the changes in the energy sector.

RESPONSE:

a) No, it has not been revisited.
b) The 2021 IRRP concluded that non-wire solutions were not suitable for addressing the transformation capacity need at Belleville TS due to the immediacy of the need and limitations under contingency. Please refer to Appendix C Belleville DESN 2 Business Case, at p. 19, paragraph 30. As part of the 2024 Hydro One Needs Assessment Report in Attachment C-5, Hydro One confirmed that Belleville DESN 2 is underway to address station capacity needs at Belleville TS.

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RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY SEC-6

[Appendix A, p.17]

a) Please provide the calculations for the 2024 Return on Equity (“ROE”) of 5.39 %.
b) What is Elexicon’s forecast for its 2025 ROE?
c) Please provide the achieved ROE 2014-2024 for the Veridian Rate Zone (“VRZ”).
d) Please provide the achieved ROE 2011-2024 for the Whitby Rate Zone (“WRZ”).

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RESPONSE:

a) Summary calculation of Elexicon's 2024 ROE as filed in its RRR 2.1.5.6 is provided below:

Detail	Amount (in'000)	Reference
Regulated Net Income	5,172.96	A
Non-Rate Regulated Items	(200.98)	B
Non-Recoverable Donations	417.82	C
Net Interest/Carrying charges from DVAs	(338.17)	D
Unrealized (Gain)/Loss on interest rate swaps	1,207.77	E
Interest Adjustment for Deemed Debt	1,637.50	F
ROE Tax Adjustment	2,755.49	G
Net income for ROE purposes	**10,652.38**	H=(A+B+C+D+E+F+G)
Equity	197,528.96	I
Regulated ROE	**5.39%**	H/I
Opening Property Plant and Equipment (PPE)	423,437.13	J
Closing PPE	425,628.12	K
Average PPE	**424,532.62**	L =(J+K)/2
Working Capital Allowance	69,289.78	M
Rate Base	**493,822.41**	N =L+M
Deemed Equity	197,528.96	I=N*40%
Deemed Debt	296,293.44	O=N*60%
Approved Interest Rate	4.88%	P
Deemed Interest Expense	14,459.12	Q=O*P
Commodity Expenses	447,347.28	R
OM&A	55,116.70	S
Approved Working Capital Rate	13.79%	T
Working Capital Allowance	**69,289.78**	M =(R+S)*T

b) The current forecast for 2025 ROE is [**REDACTED**]. It is more than 300 basis points under Elexicon's allowed ROE.

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c & d) The achieved ROE from 2014 to 2018 for the former Veridian Utility and the achieved ROE from 2011 to 2018 for the former Whitby Utility have been provided in Table 1, below. For 2019 to 2024, Elexicon has operated as a consolidated entity and has not reported on a separate utility basis. It therefore is unable to provide the ROE for each rate zone. This is consistent with the Handbook to Electricity Distributor and Transmitter Consolidation (page 13) which states “The OEB remains of the view that having consolidating entities operate as one entity as soon as possible after the transaction is in the best interest of consumers.” The ROE calculation requires input for rate base, operating expenses and cost of power expenses. Elexicon does not have an actual rate base for each of the rate zones. While some of the PP&E is tracked by rate zone, there is a sub-set of items which are not, for example, General Plant assets such as information technology, facilities, fleet and other. Likewise, operating expenses are not tracked by rate zone.

Table 1: Historical Achieved Return on Equity (ROE)

	Achieved ROE													
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Veridian Rate Zone	*n/a*	*n/a*	*n/a*	10.61%	9.31%	9.28%	8.66%	9.21%						
Whitby Rate Zone	12.15%	12.35%	14.54%	13.89%	10.43%	9.94%	10.46%	11.84%						
Elexicon Energy									7.61%	6.80%	6.87%	4.86%	5.15%	5.39%

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RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY SEC-7

[Appendix A, Table 9] Table 9 shows revised in-service additions, not including the ICMs, for 2026 of $43,951,699.

a) Please confirm that including the two ICMs this amount would increase to $43,951,699+$9,700,047+$18,378,106 = $72,029,852.
b) Please reconcile the amount in part a. to the $77,199,088 used in the calculation of the amount in cell M94 on Tab 9b in both ICM models.
c) Please provide a breakdown of the 2025 amount of $53,303,668 and the 2026 amount of $43,951,699 in a similar manner as provided in Tables 1 to 3 of EB-2022-0024 filed on January 24, 2023.
d) Please provide a breakdown of the $43,951,699 in-services additions in 2026, by project, including showing capital contributions separately.
e) Tables 1 to 3 of EB-2022-0024 show no capital contributions for either rate zone in 2025 and 2026. Please explain why there are no capital contributions for these years when historically there has been.

RESPONSE:

a) Confirmed that the total ISA amount for 2026 will increase to $72,029,852.
b) Please see response to Staff-23 part a).
c) Elexicon no longer breaks down its capital in-service additions for each legacy rate zone (i.e. Veridian and Whitby). Elexicon has provided a breakdown of its forecasted 2025 and 2026 in-service additions in its response to Staff-30 part h).
d) Please see response to Staff-38 part c).

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e) Elexicon acknowledges an error in its filing of Tables 1 to 3 of EB-2022-0024 Oral Hearing Undertaking J1.1. The capital contributions were not included for years 2023 to 2026.

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RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY SEC-8

[Appendix A, p.22 and Mgr.'s Summary Tables 9.1 and 9.2] Elexicon has requested that the OEB approve moving its rebasing from 2029 to 2027.

a) Please provide an update on Elexicon's request for early rebasing.
b) Please explain how Elexicon's LRAMVA requests for 2027 and 2028 would be affected should the OEB approve the early rebasing.

RESPONSE:

a) Please see Elexicon's response to CCC-13.
b) In OEB Decision EB-2022-0024 the OEB approved the LRAM-eligible amounts for the years 2023 to 2028, arising from persisting savings from completed CDM programs. The LRAM-eligible amounts previously approved on a prospective basis for the years of 2027 and 2028 will not be recovered in the event of rebasing, as any persisting impacts of CDM will be taken into consideration in setting the load forecast for new base rates.

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RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY SEC-9

[Appendix A, p.22] “Elexicon notes that it has not reflected the recent changes to Capital Cost Allowance [“CCA”] tax rules, resulting from Bill C-97, in its ICM calculations.”

Please provide the calculations and impact on the ICMs revenue requirement if changes to CCA were included.

RESPONSE:

Please see Staff 30, part c).

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RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY SEC-10

[EE_2026_VRZ_Belleville_ACM_ICM_Model_20250715 and EE_2026_VRZ_Sandy Beach_ACM_ICM_20250715]

a) Please provide details of the calculation of the amortization expense of $242,501 for the Sandy Beach ICM.
b) Please explain the use of 40 years (EE_2026_VRZ_Sandy Beach_ACM_ICM_20250715, Tab 9b, Cell N103) for the useful life of the project in part a.
c) Please provide details of the calculation of $735,124 for the Belleville TS ICM.
d) Please explain the use of 25 years (EE_2026_VRZ_Belleville_ACM_ICM_Model_20250715, Tab 9b, Cell N103) for the useful life of the project in part c.
e) Please detail Elexicon's policy on the calculation of depreciation in the year of going into service with respect to large projects, e.g. a transformer station or office building.
f) Please confirm that the cost of the capital projects used in the two models are in-service additions, not capex.

RESPONSE:

a) The amortization expense of $242,501 has been calculated using straight-line depreciation over a 40-year useful life of the proposed ICM amount (=9,700,047 ÷ 40).
b) Please refer to Staff-19 c).
c) The amortization expense of $735,124 has been calculated using straight-line depreciation over a 25-year useful life of the proposed ICM amount (=18,378,106 ÷ 25).

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d) Please refer to Staff-19 c).

e) Elexicon uses the half year rule for depreciation in the year the asset goes into service.

f) The amounts in the model are the total capital expenditures for the projects which are equal to the in-service additions.

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RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY SEC-11

[Appendix B and Appendix C]

a) Please provide a copy of any internal business cases for the proposed ICM projects, if different from the business cases filed with the Application.
b) Please provide any information used by the Applicant in benchmarking the costs for the Sandy Beach Substation project. If no benchmarking was done, please advise why not.
c) Elexicon's cost for the Belleville DESN2 is $32,065,600 to provide 32.5 additional MW. Has Elexicon or Hydro One done any benchmarking regarding the cost of approximately $1M/MW?
If so, please provide. If not, please explain why.

RESPONSE:

a) Appendix B and Appendix C in the 2026 IRM Distribution Rate Application are the business cases for the proposed ICM projects.
b) The estimate for the Sandy Beach Rebuild is based on the following:
   - Material and Equipment: quotes from potential vendors
   - Labour cost and hours: using estimates from similar station size and configuration
   - Construction: quotes from potential contractors
c) Elexicon has not conducted any benchmarking related to the cost of the project in terms of $1M/MW, which was provided by Hydro One. As noted within the business case for Belleville DESN 2, the capacity provided by DESN 2 will initially be constrained due to the transmission system reliability issues. It is expected that once the transmission system constraints are alleviated, the station will provide Elexicon with an additional 47.5 MW of capacity. Please refer to Appendix C Section 3.2.

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RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY SEC-12

[Appendix B, p.13]

a) Elexicon filed a Distribution System Plan ("DSP") for 2022-2026 as part of its 2022 Rate Application EB-2021-0015. Has Elexicon updated this DSP? If no, please agree that Appendix N of the EB-2021-0015 (the DSP) will form part of the record for this proceeding. If yes, please provide the updated DSP.

b) For the assets listed in Table 3, please provide the replacement cost for each asset and its typical useful life.

c) Was any of the work proposed as part of the Sandy Beach ICM included in a Capital Program(s) in the DSP, e.g. R1-Renewal Programs-Station Assets, R2-Renewal Programs-Rebuilds, R5- Renewal Programs- Switches and Switchgears? If not, please explain why not.

RESPONSE:

a) Elexicon has not filed an updated DSP with the OEB since EB-2018-0236 ("2021 DSP"). The 2021 DSP was filed as part of the Seaton application in EB-2021-0015. In EB-2022-0024, which included ICM requests, Elexicon provided updates to capital expenditures forecasts. These updates included actual and forecast capital expenditures for the period covered by the 2021 DSP. Elexicon submits that parts of 2021 DSP can form part of the record in this proceeding and interrogatory responses, and that the application and evidence in this proceeding are considered updates to the 2021 DSP.

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b) See response to VECC-10 (a) for replacement cost of each asset.

Table : Typical useful life (TUL) for each asset

S/N	Asset Class	Asset ID	TUL (Yrs)
1	Cable	STN_CABLE-Sandy Beach_F1	40
2	Cable	STN_CABLE-Sandy Beach_F2	40
3	Cable	STN_CABLE-Sandy Beach_Secondary	40
4	Cable	STN_CABLE-Sandy Beach_T1 Primary	40
5	Cable	STN_CABLE-Sandy Beach_T2 Primary	40
6	Battery	Battery Battery -Sandy Beach	25
7	Recloser	CB-Sandy BeachSANDF1	40
8	Recloser	CB-Sandy BeachSANDF2	40
9	Recloser	CB-Sandy BeachSANDF5	40
10	Recloser	CB-Sandy BeachSANDF6	40
11	Power Transformer	SANDY BEACH-T1	40
12	Power Transformer	SANDY BEACH-T2	40
13	Switch	STN_SW-Sandy Beach_7B1-B2	40
14	Switch	STN_SW-Sandy Beach_7T1-B1	40
15	Switch	STN_SW-Sandy Beach_7T1-L	40
16	Switch	STN_SW-Sandy Beach_7T2-B2	40
17	Switch	STN_SW-Sandy Beach_7T2-L	40

c) No, the work proposed as part of the Sandy Beach ICM was not included in a Capital Program(s) in the 2021 DSP. Please see response to CCC-12.

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RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY SEC-13

[Appendix C, Table 1]
Based on actuals to date in 2025 and any new information received after information was submitted to Hydro One, please update Table 1 as required.

RESPONSE:

Table 1 in Appendix C is up to date.

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RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY SEC-14

[Appendix C, p. 7, Attachment C-2 CCRA]

a) Please provide a detailed breakdown of the total cost of the project of $32M.
b) Please provide details on the basis of the 51%/49% split of costs.

RESPONSE:

a. Please refer to Elexicon's response to question VECC-31 d), where a breakdown of the total cost for Belleville DESN 2 is provided. The total estimated cost for Belleville DESN 2 is $63,499,388 and Elexicon's portion is 51%.
b. Please refer to Elexicon's response to question Staff-24 b).

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RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY SEC-15

[Appendix D, p.15] Elexicon states "if the full balance of Account 1592 - CCA is disposed as a refund to ratepayers on its 2026 rates, and the resulting tax loss carry-forward is subsequently used to reduce PILs in the next rebasing, it would create a scenario in which customers will have inadvertently benefitted twice - first through a 1592 rate rider returning accumulated benefits in 2026, and again through lessened PILs in Elexicon's next COS application."

a) Please explain why Elexicon would propose to use the balance of Account 1592 - CCA for both a refund and tax loss carry-forward?
b) Given the uncertainty of whether Elexicon will rebase in 2027 or 2029, please explain why Elexicon would not apply the credits in Account 1592 - CCA to reduce the bill impacts in 2026?

RESPONSE:

a) Elexicon is not proposing to use the balance of account 1592 for both a refund and a tax loss carry-forward to the benefit of customers, as this would result in customers receiving the benefits of Accelerated CCA twice, and put Elexicon in an inappropriate loss position. The majority of the balance tracked in 1592 does not reflect actual tax savings realized by Elexicon (which could subsequently be credited to customers), but instead reflects the value of loss carry-forward tax credits associated with accelerated CCA. Stated differently, Elexicon has not received tax savings corresponding with the amounts recorded in 1592. Rather, Elexicon has loss-carry forward tax credits recorded in its tax returns, which will allow for the realization of future tax savings.

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If Elexicon were to dispose of the Account 1592 balance in 2026, the accumulated tax loss carryforward balance associated with Accelerated CCA would need to be excluded from the calculation of PILs in rates at Elexicon's rebasing, to avoid the customer receiving the benefits of Accelerated CCA twice. Elexicon's rebasing PILs calculation is not evidenced or within the scope of this proceeding, and as such this approach cannot be reviewed and approved in this proceeding, and the panel seized on this matter cannot fetter the decision-making powers of a future OEB panel.

Elexicon is confident that between disposition of Account 1592 and establishment of Elexicon's PILs in rates at rebasing, Accelerated CCA benefits can be credited to ratepayers in a transparent and appropriate manner. However, under these circumstances the evidence of Elexicon's Account 1592 balance, the status of its tax loss carryforward balance, and the proposed PILs in rates must be within scope to ensure this outcome. For this reason, Elexicon proposes to defer disposition of Account 1592 to its rebasing application.

b) The issues associated with the linkage between Account 1592 and Elexicon's tax loss carryforward balances (and PILs in rates at rebasing) persist regardless of whether Elexicon rebases in 2027 or 2029. Under either scenario, the OEB will require evidence of Elexicon's Account 1592 balance, the status of its tax loss carryforward balance, and the proposed PILs in rates to render a decision which ensures fair and appropriate crediting of historical Accelerated CCA benefits. Elexicon will be providing said evidence when it files its early rebasing application later this year.

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RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY SEC-16

[Appendix D, p.27]

For the Veridian Lost Revenue from Collection of Account charge variance account, please provide detailed calculations showing the actual lost revenue, i.e. fee x number of accounts that would have had the collection of account charge applied, for each year.

RESPONSE:

Due to a code amendment in March 2019, the OEB eliminated the Collection of Account charges. The establishment of Elexicon's Collection of Account variance account was approved by the OEB in EB-2019-0252 to recover the difference between approved Collection of Account revenues from Veridian's 2014 cost of service proceeding and actual Collection of Account revenues. Elexicon Energy stated it planned on recording $1,031,854 in 2019, and $1,143,711 annually from 2020 to 2029, with lost revenues being capped at the approved revenue offset for Collection of Account charges established in the 2014 cost of service proceeding relating to the Veridian RZ.

During the interrogatory stage for EB-2019-0252, Elexicon clarified its proposal regarding the use of this account. In response to Staff 11 c) iv Elexicon said: “Elexicon-Veridian did not propose to record revenues based on the number of collection notices issued (or reconnections performed). Instead, Elexicon-Veridian proposed that the "Approved Collection of Account Revenue less Actual Collection of Account Revenue" should be recorded in the proposed account. To simply record the revenue associated with the number of collection (specifically disconnection) notices issued (or reconnections performed) would not necessarily result in a proper calculation of lost revenue given the OEB's decision to

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introduce a winter disconnection moratorium coupled with the removal of the Collection of Account charge. As a result, the amount of $1,143,711 should be permitted to be recorded as lost revenue. This approach is similar to that identified in the Energy+ 2020 rate decision (EB-2019-0031), where the OEB considered the benefits of the regulatory efficiency of recording a known amount and the acknowledgement that the number of Notification Charges may have been affected by the requirement to change customer service collection practices mandated by the OEB. In Elexicon-Veridian's case, this would also include the need to replace collection (disconnection) notices with other collection notices and activities."

Elexicon's approach is consistent with the OEB decision in Energy+ EB-2019-0031 (noted above) and Brantford Power EB-2019-0022.

The Findings in EB-2019-0022 *Brantford Power Inc's Partial Decision and Interim Rate Order* dated January 2, 2020 was :

> The OEB approves the establishment of a new variance account to record revenue lost by the elimination of Brantford Power's Collection of Account Charge. The OEB accepts that the amount is material to Brantford Power and that the elimination of the charge was not within Brantford Power's control. The OEB issued a rate order that eliminated the Collection of Account charge for all distributors. The variance account will be effective July 1, 2019.
>
> The amount to be recorded in the account each year shall be $440,889, the revenue offset amount approved in Brantford Power's last cost of service application. For 2019, the amount to be recorded will be net of any revenue collected in 2019 for the charge before it was eliminated. The OEB recognizes that this amount was a forecast and the actual revenue may have been different. However, the OEB has considered the regulatory efficiency of recording a known amount, and the OEB acknowledges that the number of times the charge was applied may have been affected by the requirement to change customer service collection practices mandated by the OEB. For Brantford Power, this effect is evident from the significant decline in revenue from the charge in 2017 and 2018.

In EB-2021-0009 the OEB subsequently approved Brantford's *Lost Collection of Account Revenue* request.

Elexicon's approach is the same as that approved for Brantford Power. The OEB recognizes that this amount was a forecast, and the actual revenue may have been different and considered the regulatory efficiency of recording a known amount.

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As the OEB acknowledges, the application of this charge has been affected by changes mandated by the OEB. Within the allotted time for IRs, it would be impossible for Elexicon to determine the number of accounts that would have had the collection of account charge applied.

Elexicon confirms that the actual collection of account revenues is $0 since July 1, 2019. There is therefore a material revenue offset in the last cost of service that no longer exists due to a change in OEB policy during the deferred rebasing period.

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RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

INTERROGATORY SEC-17

[Appendix D, p.38 and 40] With respect to the Getting Ontario Connected Act ("GOCA") variance account:

a) How was the split between VRZ and WRZ for GOCA account determined?
b) Please provide details of how the "Locate costs related to Bill 93" were determined.
c) For each year since 2018, please provide the total number of locates.
d) [Decision and Order (EB-2023-0143), October 31, 2023] As part of its approval of the GOCA Variance Account, the OEB stated that in the context of a request for disposition that it
"agrees with OEB staff on the necessity for utilities to demonstrate that recorded amounts in their accounts are both incremental to the base rates and are a direct result of Bill 93."[emphasis added] Please explain and provide evidence to substantiate how the entire variance in locate costs is a direct result of Bill 93.
e) Please explain why Elexicon is proposing to dispose of the GOCA variance account now and not the Cloud Computing Implementation Costs Deferral Account, when it would make sense to assess the prudence of all of the costs incurred at the same time.

RESPONSE:

a) The Locates account has been split based on the 2024 locates activity in each rate zone, as determined by job costing data (resulting in an allocation of 27% to WRZ, and 73% to VRZ).

b) See response to Staff-13.

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c) The total number of locates performed since 2020 is below. The 2020-2024 period provides all complete years of historical data for Elexicon Energy as a consolidated entity.

	2020	2021	2022	2023	2024
Total Number of Locates	25,177	28,249	29,468	22,018	20,879

d) Pursuant to the Accounting Order in EB-2023-0143, Elexicon established a separate sub-account - Getting Ontario Connected Act (GOCA) variance account to track variances between actual locate costs (including the impact related to Bill 93 and ongoing costs not related to Bill 93), and locate costs approved in its last COS applications, increased each year from 2010/2014 to 2024 by the IRM inflation rate less the stretch factor. The impact related to Bill 93 was determined as described in Staff-13. The difference between the total locates costs and the costs included in rates has been put in the variance account. Table 4.15 located on page 40 of Appendix D is reproduced below. Note that the 'Locates cost related to Bill 93' is greater than the amount in the variance account. Elexicon has absorbed a portion of the Bill 93 costs, up to the amount determined to be in rates.

Table 4.15 1508 Sub Account – Getting Ontario Connected Act (GOCA) – Elexicon (All customers)

Year	Locate costs related to Bill 93	Locate costs not related to Bill 93	Costs included in rates from last COS	Principal (Variance)	Interest	Total Claim
April - December, 2023	532,872	1,038,003	(1,124,755)	446,120	-	
2024	641,347	1,245,615	(1,567,158)	319,804	25,639	
Balance as of December 31, 2024				765,924	25,639	
Add:						
Forecast Interest 2025					24,165	
Total				765,924	49,804	**815,729**

e) As noted on page 13 of Appendix D, Elexicon is proposing to dispose of all active Group 2 Accounts with the exception of 1511 – Cloud Computing Implementation Costs and 1592

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– PILs & Tax Variance – Accelerated CCA. Appendix D provides specific rationale on the reasons why these two accounts are excluded from disposition at this time.

Elexicon is proposing to dispose of the GOCA variance account now because each year's balance (i.e. 2023 and 2024) can be evaluated as incremental costs have materialized, are persistent, and can be attributed to the GOCA, warranting their recording in the account and permitting a fully prudence review of Elexicon's determination of incremental expenses in this application.

However, the costs recorded in the cloud computing implementation account are costs incurred in 2024 that are related to the implementation of a large-scale, multi-year cloud computing project. The current balance represents only portion of the project costs. Elexicon submits that the prudence of all costs related to that implementation project should be assessed at the same time, not incrementally. Elexicon will provide evidence regarding those costs in its upcoming early rebasing application, to be filed later this year, so that they can be assessed in their entirety. Elexicon's current balances in this account do not pose intergenerational equity concerns if not cleared at this time.

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