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File #102839

October 21, 2025

VIA RESS FILING / EMAIL

Ritchie Murray
Acting Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Mr. Murray:

Re: Elexicon 2026 IMR-(EB-2025-0046) - PWU Submission

We are counsel for the Power Workers' Union. Enclosed are the Union's Submissions regarding the above-noted matter.

Yours very truly,
Paliare Roland Rosenberg Rothstein LLP



Daniel Rosenbluth
DR:pb

Encl.

IN THE MATTER OF an Application by Elexicon Energy Inc. to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity for Elexicon Energy Inc. as of January 1, 2026.

Submissions of the Power Workers' Union (PWU)

INTRODUCTION

1. Elexicon Energy Inc. (Elexicon Energy or Elexicon) filed an incentive rate-setting mechanism (IRM) application with the Ontario Energy Board (OEB) on July 16, 2025, under section 78 of the Ontario Energy Board Act, 1998, seeking approval for changes to its electricity distribution rates for the Veridian Rate Zone and the Whitby Rate Zone effective January 1, 2026.
2. In the Application, Elexicon Energy has also requested funding for an Incremental Capital Module (ICM) to rebuild the Sandy Beach Substation and for the installation of a new Belleville Dual Element Spot Network.
3. The PWU's submissions are limited to Elexicon Energy's request for approval of ICM funding for the above-cited two projects. The PWU supports the request for approval.

INCREMENTAL CAPITAL MODULES ("ICM")

4. Elexicon Energy is requesting ICM approval to fund two investments: to rebuild the Sandy Beach Substation at its current location ("Sandy Beach Station"); and to fund the capital contribution to Hydro One Networks Inc. ("HONI") for the installation of a new Dual Element Spot Network ("DESN") at Belleville Transformer Station ("TS") ("Belleville DESN 2"). The total estimated capital expenditures for the Sandy Beach Station and Belleville

DESN 2 are \$9.7M and \$18.4M, respectively. The total incremental annual revenue requirement associated with the ICM requests is \$1,455,448 and is based on the application of the half-year rule. Elexicon Energy's request is for approval of the ICM funding through distribution rate riders effective January 1, 2026 through to Elexicon's next re-basing (planned for January 1, 2027).

Table 1: 2026 Proposed ICM Capital Expenditures¹

2026 ICM	Total
Sandy Beach Station	\$9,700,047
Belleville DESN 2	\$18,378,106
Total Incremental Capital	\$28,078,153

5. Elexicon indicates² that it is requesting funding for the two distinct investments which are crucial for continued reliable service and to ensure sufficient capacity for current and future load growth. Through these investments, Elexicon points out, it is urgently addressing poor condition and high-risk assets in Pickering, and an immediate capacity constraint in Belleville.

6. The PWU submits that the requested incremental capital amounts should be approved, subject to any updates filed by the Applicant in this proceeding and any adjustments thereof that the Board deems appropriate, for the following reasons.

1. The Projects are Urgent and Mandatory

7. Elexicon's evidence demonstrates that both Sandy Beach Station and Belleville DESN 2 are classified as urgent and mandatory and that the incremental capital requested for the two projects are above the basis on which rates were set. The two projects are discrete and material and cannot be deferred due to safety, reliability, or capacity risks.

¹ Appendix A – Incremental Capital Module, page 4

² Ibid., Page 5

8. The Sandy Beach project is needed to address immediate and significant issues related to the reliability, safety, and continued operations of the station. *The station was identified in 2023 as a high priority project due to the overall condition of the station, the safety and environmental issues at the site, the operational inefficiencies posed by the current configuration and legacy equipment, and the fact this station is operating with an undersized temporary spare transformer.*³

9. The Belleville DESN 2 investment is needed to address immediate capacity constraints in Belleville. As this is a transformer station project, the work is undertaken by Hydro One for which Elexicon is required to pay a capital contribution. Elexicon explains that that this project will also help mitigate the voltage drop at the Belleville TS Low Voltage bus while resolving the immediate station capacity need based on the current load forecast.⁴

10. The PWU respectfully submits that these considerations should be given significant weight in the Board's consideration of this application.

2. The requested ICM Meets the Eligibility Criteria of Materiality, Need and Prudence

11. As described in the foregoing discussion and documented in the business cases⁵ filed by Elexicon, the two ICM projects are needed to address several critical factors affecting the operation, operational efficiency, safety, and reliability of the existing stations and are necessary investments to meet Elexicon's service obligations to customers in the Belleville and Pickering communities.

12. With respect to the Sandy Beach station project, Elexicon's evidence states:

The condition of the assets indicates that many are at or near end-of-life. This station also has a temporary, undersized transformer (T2) sitting on an improper wooden structure, which is not sustainable for longer-term operations. The other transformer, T1, shows signs of degradation such as oil weeping. The station also has an obsolete battery and backup

³ Appendix A, Page 6

⁴ Ibid.

⁵ Appendices B & C

battery supply, with improper wood-based foundation, poor condition switches and very poor condition cables. These conditions indicate the station needs to be rebuilt to operate safely and reliably.⁶

13. The evidence also indicates that Elexicon considered alternative options and determined that a full rebuild of the station as soon as possible was the most prudent option to ensure the continued delivery of safe and reliable electricity for its customers.

14. With respect to Belleville DESN 2, Elexicon's evidence states:

The projected peak load in 2025 for this part of Elexicon's service territory is expected to exceed the current capacity available (approximately 110 MW for Elexicon only) for the region. Currently, the capacity available for the region is being provided by Belleville TS DESN 1. There is an immediate need for additional transformation capacity at Belleville TS to ensure Elexicon can service the commercial load in this region.⁷

15. The evidence in Appendix C also details why alternatives to Belleville DESN 2, including the possibility of a non-wires solution, were ruled out at the regional planning level based on cost-effectiveness and immediacy of the need.

16. Elexicon has calculated the capital expenditure **materiality threshold** of \$27,142,025, which, given the 2026 total capital forecast of \$77,199,088, results in \$50,057,063 in maximum eligible incremental capital.⁸ This means, of the total capital forecast for 2026, Elexicon's combined ICM in-service additions total \$28.1M, which accounts for approximately 40% of Elexicon's 2026 capital in-service additions and therefore has a significant influence on Elexicon's operations. Elexicon also calculated project-specific materiality threshold for the two ICM projects that show the Sandy Beach Station Project and the Belleville DESN 2 project account for 14% and 26%, respectively, of Elexicon's total 2026 capital expenditure forecast.⁹ The two ICM projects are therefore material both on a project-specific and combined basis.

17. Elexicon's application also meets the **Means Test** set in the ACM Report and therefore qualifies for funding through an ICM. Specifically, if a distributor's regulated

⁶ Appendix A, page 42

⁷ Appendix A, page 45

⁸ Appendix A – Incremental Capital Module, pages 15-16

⁹ Appendix A, page 16

return, as calculated in its most recent calculation exceeds 300 basis points above the deemed return on equity ("ROE") embedded in the distributor's rates, the funding for any incremental capital project will not be allowed. Elexicon's 2024 ROE was calculated to be 5.39%, i.e., 404 basis points below its deemed ROE of 9.43%.¹⁰ Elexicon also forecasts its ROE for 2025 to be under the allowed ROE of 9.43% by more than 300 basis points.¹¹

18. Elexicon's inability to fund the two projects through base rates is further evident from the In-Service Additions Variance Analysis for 2025 and 2026¹² which shows that Elexicon has been forced to either abandon or defer investments in System Renewal in the amount of \$15 M (2025) and \$8 M (2026) in order to pay for increased investments in System Access and General Plant in-service additions that are needed to accommodate increased growth and connections-related activities, and hence, comply with the requirements under the Distribution System Code.

19. The PWU, therefore, agrees with Elexicon that the requested ICMs are legitimately required in order to maintain Elexicon's ability to meet its obligations as a distributor and preserve Elexicon's financial viability.

3. Timing of the ICM Application

20. As can be seen from several interrogatories served on Elexicon Energy, one major intervenor concern appears to be Elexicon's decision to request funding for the two ICM projects now (for the 2026 rate year) and not bring the ICM application earlier, since Elexicon has been aware of the need and the issues with the two stations for the past several years.

21. It is true that the recommendation to build a new 230 kV DESN transformer station at Belleville TS and to monitor load growth was made as far back as in November of 2021.¹³

¹⁰ Appendix A, page 17

¹¹ Interrogatory response to SEC-6(b)

¹² Appendix A, Page 19-20, Table 29

¹³ IESO: Peterborough to Kingston Integrated Regional Resource Plan, November 4, 2021

22. However, it is clear that the two projects were identified as priority projects only after Elexicon filed its DSP in 2021. The PWU notes that the expected in-service date of 2025 for the recommended Belleville DESN transformer was updated to December 2026 in subsequent regional infrastructure plans and need assessment reports issued in 2022 and afterwards.¹⁴

23. Similarly, Elexicon's evidence indicates that the Sandy Beach T2 Transformer failed as far back as in May 2022, shortly after its Asset Condition Assessment identified the T2 transformer as being in poor condition; and the station was identified in 2023 as a high priority project.¹⁵

24. The PWU submits that Elexicon has provided sufficient justification for filing the ICM funding request for 2026 rates even though the needs for the projects were identified in 2021/2022. Elexicon's response on this point is as follows:

The timing of Elexicon's ICM application for funding for the Sandy Beach station for 2026 rates represents the earliest timing possible that is in alignment with OEB requirements that projects must be put into service the year the funding is received. OEB policy on ICMs states that "Funding shall not commence for any projects that are not forecasted to be in service during the subject IR year "...Delay in receipt of materials or equipment delays the construction of a given project. The timing of the application was to ensure that the project could be constructed and placed into service the year the funding is to be received."¹⁶

All of which is respectfully submitted

¹⁴ For example, see Hydro One: Peterborough to Kingston –Regional Infrastructure Plan, May 27, 2022.

¹⁵ Elexicon responses to INTERROGATORY CCC-12 and INTERROGATORY CCC-17

¹⁶ Elexicon response to INTERROGATORY CCC-11