

October 23, 2025
Ritchie Murray
Registrar
Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Toronto, Ontario
M4P 1E4

Dear Mr. Murray:

EB-2025-0046– Elexicon Energy Inc. – 2026 Distribution Rates/ICM Request – Submissions of the Consumers Council of Canada

Please find, attached, the Submissions of the Consumers Council of Canada pursuant to the above-referenced proceeding. I apologize for the delay.

Please feel free to contact me if you have questions.

Yours truly,

Julie E. Girvan

Julie E. Girvan

CC: All parties

Final Submissions of the Consumers Council of Canada

Re: Elexicon Energy Inc.- 2026 Distribution Rates/ICM Requests

EB-2025-0046

INTRODUCTION:

On July 15, 2025 Elexicon Energy Inc. (Elexicon) filed its 2026 Distribution Rate Application with the Ontario Energy Board (OEB). The application includes proposals for Elexicon's annual rate adjustment and a request to dispose of some Group 1 and Group 2 Deferral and Variance Account balances over a one-year period. In addition, Elexicon is seeking Incremental Capital Module (ICM) approval to fund two investments. The first is to rebuild the Sandy beach Substation (Sandy Beach Station) and the second is to fund a capital contribution to Hydro One Networks Inc. (HON) for the installation of a new Dual Element Spot Network at the Belleville Transformer Station (Belleville DESN).

The rate impacts of this Application are significant. For residential customers in the Veridian Rate Zone (RZ) the distribution rate impacts are 12%, and even more with the clearance of the Group 2 rate riders. For other customer groups the rate impacts are significantly more¹.

These are the submissions of the Consumers Council of Canada (CCC). CCC is making submissions on the ICM requests, the period over which the Group 2 accounts are to be disposed of and the proposal regarding the Getting Ontario Connected Act (GOCA) variance account.

Through its Application Elexicon has indicated that it is intending to file an early rebasing application for rates effective 2027². This is important context for this case given it is likely that the rebasing application will result in further, significant increases for customers over and above what is being sought through this application.

SUBMISSIONS:

ICM Relief:

¹ Application, p. 8

² Exhibit CCC-13

The total estimated capital expenditures for the Sandy Beach Station and the Belleville DESN are \$9.7 million \$18.4 respectively for a total request of \$28,078,153. The total annual revenue requirement associated with the request is \$1,455,449.³

Elexicon's total capital expenditure forecast for 2026 is \$77,199,088. The Sandy Beach Station project represents approximately 14% of Elexicon's capital expenditure forecast while the Belleville DESN contribution is approximately 26% of the total.⁴ Elexicon undertook and Distribution System Plan in 2021 and neither of the ICM projects were identified in that DSP.

The Sandy Beach Station is being rebuilt at its current location. As set out in the evidence, the goal of the replacement project is to address immediate and significant issues related to reliability, safety and continue operations of the station. This project is to address urgent safety concerns associated with the temporary replacement of assets put in place following two failures in 2022. The solution adopted was never intended to be a permanent installation as the assets are not in good condition, and the present configuration of the unit poses operational and safety concerns.⁵ The station was put back into service on March 8, 2023.⁶

Following the station being put back into service Elexicon determined that the station would require a full rebuild to address persistent issues and concerns regarding the reliability of the station, condition of the assets and configuration of the equipment. Given the long lead time required for the delivery of transformers Elexicon determined that the earliest in-service date for the rebuild was 2026. The current projected in-service date is October 30, 2026.⁷

The Belleville DESN Project arose because of capacity constraints in the Belleville region identified through the Independent Electricity System Operator's (IESO) regional planning process which concluded in November 2021⁸. The projected load in 2025 for this part of Elexicon's service territory was exceeded in August 2025.⁹ Hydro One is doing the work constructing new TS and Elexicon is required to pay a contribution. The estimated project cost for Elexicon's portion of the station proposed, as determined by Hydro One is \$32,065,600 with Elexicon's required to fund a capital contribution of \$18,749,256. In addition, Elexicon will receive a capital contribution from one of its customers for \$371,150.¹⁰ The current projected in-service date is December 17, 2026.¹¹

³ Appendix A, p. 4

⁴ Appendix A, p. 16

⁵ Appendix B, p. 3

⁶ Appendix B, p. 4

⁷ IR VECC 11-c

⁸ IR CCC-7

⁹ IR-CCC-20

¹⁰ Appendix C, p. 4

¹¹ IR VECC-25e

The final need and impact was developed through the third cycle of the regional planning process. The need has been summarized as follows: “The station was projected to exceed capacity as early as 2025. This includes committed large industrial load along with general customer growth and electrification initiatives. To ensure Elexicon can accommodate current and increasing commercial demand within its service territory, additional transformation capacity at Belleville TS was identified as being urgently needed¹².”

Elexicon has indicated that the immediate need for this station is driven primarily by committed industrial load growth. In terms of cost allocation, however, the costs are allocated to each rate class based on the percentage of total distribution revenue for each rate class.¹³

The OEB’s eligibility criteria for ICM funding are need, materiality and prudence. With respect to need CCC does not dispute the need for the Belleville DESN or the Sandy beach Station. Elexicon’s evidence is comprehensive in terms supporting the projects and Elexicon’s regulated return on equity has not exceeded 300 basis points above the deemed ROE embedded in rates. However, CCC does not support approval of these two ICM projects at this time for the following reasons:

- Elexicon has informed the OEB that it intends to rebase in 2027, two years earlier than expected. Through that process Elexicon’s customers will likely experience significant rate increases (on top of the rate increases proposed through this application). Elexicon’s letter to the OEB regarding its proposal to rebase refers to “significant challenges unknown at the time of consolidation that have adversely affected Elexicon’s ability to adequately manage its obligations for the remainder of the rate years.”¹⁴ Meeting those challenges will inevitably lead to increases in its proposed budgets relative to those currently embedded in rates;
- As part of that application Elexicon will be filing a new DSP which will set out its proposed capital planning for its forward rate term period (2027-2031). These projects (that are the subject of this application) are more appropriately assessed in the context of that DSP. Elexicon will be required to demonstrate how it has reprioritized projects or plans to pace future projects given the emergence of the Sandy Beach Station and the Belleville DESN. It will also be required to demonstrate how rate impacts factored into its overall proposals. That evidence was not provided here.
- The in-service dates are in Q4 2026. Any project delays could push those dates into 2027. With the Belleville DESN a very small delay of two weeks would push the in-

¹² Appendix C, p. 4

¹³ IR CCC-20

¹⁴ IR CCC-13a)

service date into 2027. If that happens, it would be unfair to start recovery in 2026 for a project that was not in-service in 2026.

- The Belleville DESN is being driven primarily by “committed industrial growth”¹⁵. The costs, however are being largely funded by other customers. The OEB should consider these cost allocation issues in the more comprehensive rebasing proceeding. Those customers driving the need for the project should be required to fund it. Under the current proposal this is not the case;
- With respect to the Sandy Beach Station, in Veridian’s last cost of service application there were amounts included specifically for substation transformer replacements¹⁶. It is not clear to CCC why, given the inclusion of these amounts, this project cannot be funded through existing rates.
- When asked to what extent Elexicon considered rate impacts in developing its application it stated, “Elexicon considered rate impacts over a broader period in developing its rate application. Approval of the requests, as filed, will have the impact of mitigating overall rate increases for Elexicon’s customers over multiple years.”¹⁷ This sounds like Elexicon’s position is that it is better to increase rates in 2026 so the impact on customers of the rebasing application will be mitigated. CCC does not support this approach

CCC submits that the OEB should not approve Elexicon’s ICM requests. These two projects should be considered in the context of Elexicon’s new DSP which will be filed as part of its 2027 rebasing application.

DVA Disposition:

Elexicon is proposing to recover all DVA balances over a one-year period. For the Veridian RZ the amount is a debit balance of \$14,045,778. For the Whitby RZ the balance is a debit of \$1,184,960. CCC submits that given the large balance to be recovered from Veridian customers a four-year recovery period is more reasonable and will mitigate the impacts on customers.

GOCA

Elexicon requested OEB approval to recover a \$0.82M balance in the Getting Ontario Connected Act (GOCA) variance account.¹⁸

¹⁵ IR CCC-20

¹⁶ IR OEB Staff-22h

¹⁷ IR CCC-2

¹⁸ Application and Evidence, p. 39. The balance is comprised of a \$766k principal balance (\$446k for the April – December 2023 period and a \$320k balance for 2024) and \$50k of interest to December 31, 2025.

The OEB established the GOCA variance account on a generic basis for all electricity and natural gas distributors in EB-2023-0143 (Generic GOCA variance account Decision).¹⁹ The purpose of account is to track the incremental locate costs arising from the implementation of Bill 93 (the Getting Ontario Connected Act, 2022) incurred on or after April 1, 2023. More specifically, in the Generic GOCA variance account Decision, the OEB stated:

The disposition of any balance in this account will be subject to a prudence review and a requirement to establish that any cost incurred over and above what is provided for in initial and IRM adjusted base rates is an incremental cost resulting from Bill 93. The OEB expects utilities to seek approval for disposition of balances in the account at rebasing unless unmanageable balances have accrued that may require disposition in an IRM year.

The OEB 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 93.²⁰

CCC notes that Elexicon undertook an assessment of the changes in Locate Service Provider (LSP) rates between 2022 and 2023 to determine what portion of costs could be reasonably attributed to Bill 93. Elexicon stated that it has incurred incremental locates costs due to additional costs for third-party locates providers. Elexicon noted that it has also added incremental internal staffing to ensure compliance with the Bill 93 requirements. The requirements created by GOCA, as well as the risk of penalties for non-conformity, required implementing additional oversight, tracking and reporting, as well as supervision.²¹

CCC submits that three changes are necessary with respect to the balance in the GOCA variance account in order for it to be consistent with the OEB's Generic GOCA variance account Decision and a recent OEB decision that approved a reduced balance in Enbridge Gas Inc.'s (Enbridge Gas) 2023 GOCA variance account.²²

First, in its recent decision in an Enbridge Gas deferral and variance account disposition proceeding, the OEB stated the following:

¹⁹ EB-2023-0143, [Decision and Order](#), October 31, 2023, p. 4.

²⁰ Ibid., p. 7.

²¹ Application and Evidence, pp. 38-39.

²² EB-2024-0125, [Decision and Order](#), September 23, 2025.

“The OEB finds that there is insufficient evidence to demonstrate the incremental VMS program costs were a direct result of Bill 93. The OEB agrees with OEB staff that VMS activities predate Bill 93 and are part of standard safety practices; therefore, the OEB finds that VMS program costs are not a direct result of Bill 93 and should not have been recorded in the GOCAVA.”²³

Enbridge Gas’s vital main standby (VMS) activities, for which the OEB required the related balances to be removed from the GOCA variance account, are essentially supervisory activities.²⁴

Elexicon noted that during the 2020-2023 period it had an employee that was responsible for supervising locates.²⁵ Therefore, Elexicon is in the same position as Enbridge Gas. The Company prior to the implementation of Bill 93 incurred costs associated with the supervision of locates and it continues to do so. Given the OEB’s findings in the Enbridge Gas proceeding that supervisory costs predate Bill 93 (regardless of whether those costs are growing over time) and are not to be recorded in the GOCA variance account²⁶, CCC submits that the OEB should order the removal of the incremental supervisory costs from the account balance.

Second, Elexicon has included administration costs as part of the balance in the GOCA variance account. These administration costs also existed prior to the implementation of Bill 93.²⁷ Therefore, for the same reasons that the OEB denied recovery of VMS (or supervisory) costs in the above referenced Enbridge Gas proceeding, the OEB should deny recovery of administration costs in Elexicon’s GOCA variance account.

Elexicon estimated that the total incremental supervisory and administrative costs reflected in the GOCA variance account balance is approximately \$65k.²⁸ For the reasons set out above, CCC submits that this amount should be excluded from the account balance eligible for recovery.

²³ Ibid., p. 7.

²⁴ EB-2024-0125, [Interrogatory Responses](#), September 5, 2024, Exhibit I.EP-8. VMS “is part of the locating process for Enbridge Gas high risk assets. The program involves having a Locate Service Provider (LSP) resource onsite during 3rd party excavations on these high-risk assets to ensure that excavators adhere to vital main excavation requirements.”

²⁵ Interrogatory Responses, CCC-25(f).

²⁶ EB-2024-0125, [Decision and Order](#), September 23, 2025, p. 7.

²⁷ Ibid.

²⁸ Interrogatory Responses, Staff-13.

The third and final change that CCC believes is required to the GOCA variance account balance is to recognize that the actual costs per locate were rising rapidly between 2021 and 2022. Between 2021 and 2022, the actual costs per locate increased at a rate of approximately 7.8%.²⁹ Bill 93 did not receive Royal Assent until April 14, 2022 and the administrative penalty regime was postponed until April 1, 2024.³⁰ Therefore, it is reasonable to conclude that the entirety of the actual cost per locate increase realized in 2022 did not result directly from the implementation of Bill 93.

Elexicon's approach to setting the baseline used in the determination of the balance in the GOCA variance account is based on escalating the locate-related costs built into rates at the time of Veridian's and Whitby's most recent rebasing proceedings by the price cap adjustment each year to 2024.³¹ This approach ignores the material escalation of costs per locate between 2021 and 2022, which are not directly related to the implementation of Bill 93.

To correct for this issue, CCC submits that the 2023 baseline locate costs should be derived based on the 2022 costs included in rates and escalated by the actual increase in costs per locate experienced between 2021 and 2022 (i.e., approx. 7.8%). The 2024 baseline should be establishing by using this revised 2023 value as the starting point and escalating that value by the price cap index adjustment for 2024. This will ensure that the 2023 and 2024 baselines properly reflect that locate costs were already increasing more rapidly than the OEB's price cap index adjustment prior to the implementation of Bill 93.

Based on the above approach, CCC calculated that the appropriate 2023 baseline should be \$1.17M³² and the 2024 baseline should be \$1.63M.³³

²⁹ Interrogatory Responses, CCC-25(f). 2022 actual costs per locate were \$42.24 and 2021 actual cost per locate were \$39.19.

³⁰ EB-2023-0143, [Decision and Order](#), October 31, 2023, pp. 1.

³¹ Application and Evidence, pp. 39-40.

³² Application and Evidence, p. 40; Interrogatory Responses, CCC-25(f). The 2022 locate cost in rates was \$1.45M. This is then escalated into 2023 using the actual cost per locate growth rate of 7.77%, resulting in a 2023 baseline value of \$1.56M. This is a total year value so the 9/12th adjustment should be applied resulting in a baseline value of \$1.17M.

³³ Application and Evidence, p. 40; Interrogatory Responses, CCC-25(f). The revised 2023 full-year baseline value of \$1.56M is escalated by the price cap index adjustment of 4.5% resulting in a 2024 baseline value of \$1.63M.

The overall result of CCC's submission with respect to the GOCA variance account is a reduction of \$178k (plus interest) relative to the proposed principal balance of \$766k (plus interest).³⁴

³⁴ This is comprised of: (i) a 65k reduction to the actual costs to eliminate the incremental administration and supervisory costs; (ii) a \$47k reduction resulting from the increase to the 2023 baseline cost; and (iii) a \$66k reduction resulting from the increase to the 2024 baseline cost.