

BY E-MAIL

April 10, 2026

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

Dear Ritchie Murray:

**Re: Elexicon Energy Inc. (Elexicon Energy)
2027-2031 Custom Rate Application for Electricity Rates and Charges
Ontario Energy Board (OEB) File Number: EB-2025-0312**

In accordance with Procedural Order No. 1, please find attached OEB staff interrogatories in the above noted proceeding. Elexicon Energy and all intervenors have been copied on this filing.

On April 9, 2025 Elexicon Energy filed working papers on a confidential basis with the OEB to support the report in its application prepared by Clearspring Energy Advisors (Clearspring) entitled "Econometric Benchmarking and Incentive Regulation Parameter Study for Elexicon Energy's 2027 Custom IR Application".

OEB staff has included interrogatories and an accompanying model - the Alternative Ratemaking Treatments of Capital Projects from Elexicon's Distribution System Plan model (Alternative Model) - that draw on information from the Clearspring's working papers. In particular, Tab 1, Table 2c, Calculating Output Growth, in the Excel worksheet for the Alternative Model uses data from the confidential working papers.

OEB staff is therefore requesting confidential treatment of the information shown in Table 2c of the Alternative Model.

Elexicon Energy's responses to interrogatories are due by May 8, 2026.

Any questions relating to this letter should be directed to Birgit Armstrong at Birgit.Armstrong@oeb.ca or at 416-544-5162. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Birgit Armstrong
Sr. Advisor – Electricity Distribution

cc. All parties to EB-2025-0312

OEB Staff Interrogatories

2027-2031 Custom Rate Application for Electricity Rates and Charges Application Elexicon Energy Inc. (Elexicon Energy)

EB-2025-0312

April 10, 2026

Please note, Elexicon Energy is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff interrogatories and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Exhibit 1 – Administration

1-Staff-1

Updated Revenue Requirement Work Form (RRWF) and Models

Upon completing all interrogatories from OEB staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. Entries for changes and adjustments should be included in the middle column on sheet 3 Data_Input_Sheet. Sheets 10 (Load Forecast), 11 (Cost Allocation), and 13 (Rate Design) should be updated, as necessary. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 14 Tracking Sheet and may also be included on other sheets in the RRWF to assist understanding of changes.

In addition, please file an updated set of models that reflect the interrogatory responses and the 2025 actual amounts. Please ensure the models used are the latest available models on the OEB's 2027 Electricity Distributor Rate Applications webpage.

1-Staff-2

Letters of Comment

Following publication of the Notice of Application, the OEB received more than 12 letters of comment. Section 2.1.6 of the [Filing Requirements](#) states that distributors will be expected to file with the OEB their response to the matters raised within any letters of comment sent to the OEB related to the distributor's application. If the applicant has not received a copy of the letters or comments, they may be accessed from the public record for this proceeding.

Please file a response to the matters raised in the letters of comment referenced above. Going forward, please ensure that responses to any matters raised in subsequent letters of comment are filed in this proceeding. All responses must be filed before the argument (submission) phase of this proceeding.

1-Staff-3

Service Territory Population Growth Projection

Ref 1: Exhibit 1 / Tab 2 / Schedule 1 / pp. 6 - 9 (PDF p. 14 - 17)

Please provide a source(s) of data referred to in Ref 1 and indicate when the projection data was prepared.

1-Staff-4

Clearspring's Research and Report

Ref 1: Exhibit 1 / Tab 5 / Schedule 1 / Appendix A

Ref 2: Clearspring Energy Advisors (Clearspring) working papers

Preamble:

Clearspring undertook an econometric benchmarking study of Elexicon Energy's total distributor costs. This study compared the total cost of Elexicon Energy's distributor services to the benchmark costs after adjusting for differences in the output levels, input prices, and miscellaneous other business conditions of sampled utilities.

Question(s):

- a) Are there any corrections, adjustments, clarifications, or other changes to the research or the report that Clearspring wishes to make since the evidence was filed?
- b) If so, please provide an updated report and/or working papers and briefly describe the updates.

1-Staff-5

Elexicon Business Conditions

Ref 1: Exhibit 1 / Tab 5 / Schedule 1 / Appendix A

Question(s):

- a) Please discuss any special external business conditions that tend to materially increase or reduce the cost of Elexicon's services.
- b) How pervasive is bulk metering of multi-family residential establishments in Elexicon's service territory?

- c) Does the non-contiguous service territory of Elexicon pose challenges (e.g., higher costs)?

1-Staff-6

Clearspring's Data

Ref 1: Exhibit 1 / Tab 5 / Schedule 1 / Appendix A

Ref 2: Clearspring working papers

Ref 3: PacifiCorp Fact Sheet as downloaded from:

https://www.pacificorp.com/content/dam/pcorp/documents/en/pacificorp/about/PacifiCorp_Fact_Sheet.pdf

Preamble:

Pacific Economics Group (PEG) has questions related to some data series used by Clearspring in its calculations.

Question(s):

- a) PEG obtained a slightly different value for Elexicon real total cost in 2031 (ctotwtot=101450) when running the SST code provided by Clearspring than was in the output2025 file provided. Please comment and provide the correct value that should be used in subsequent analysis.
- b) Clearspring uses area as a scale variable and gives it full translog treatment in its total cost model. Please confirm that Clearspring's area value for PacifiCorp is erroneous.
 - i. Please confirm that correcting this error results in an annual average 151 basis point worsening of Clearspring's estimated benchmark scores for Elexicon during the 2027-2031 period. If not confirmed, please provide the change in Elexicon's performance due to this change during the CIR plan term.

1-Staff-7

Scope of Clearspring's Benchmarking Work

Ref 1: Exhibit 1 / Tab 5 / Schedule 1 / Appendix A

Ref 2: Clearspring working papers

Preamble:

Clearspring only provides total cost benchmarking.

Question(s):

- a) Would the incremental cost of OM&A and capital cost benchmarking be fairly modest once total cost benchmarking is underway?

- b) Did Clearspring develop OM&A and capital cost benchmarking models for Elexicon Energy? If so, please provide the most credible models developed and the benchmarking results for Elexicon Energy.

1-Staff-8

Clearspring's Total Cost Model

Ref 1: Ref 1: Exhibit 1 / Tab 5 / Schedule 1 / Appendix A / pp. 15-16 (PDF pp. 158-159)

Ref 2: Clearspring Working Papers

Ref 3: EB-2021-0110, Joint Report of Clearspring and PEG in Hydro One Networks Inc. (HONI) CIR Proceeding, DATE June 13, 2022.

<https://www.rds.oeb.ca/CMWebDrawer/Record/749177/File/document>

Preamble:

The variables in the total cost model that Clearspring features are very similar to those in Clearspring's model for the Joint Report in the Hydro One proceeding.

Question(s):

- a) Why was a rolling average of peak demand used in this model rather than ratcheted peak demand?
- b) Does Clearspring believe a rolling average is conceptually superior to a ratcheted value in the context of Elexicon's customer and peak demand growth forecasts?
- c) Please confirm that a rolling average of peak demand is likely to understate the maximum peak demand that distribution systems are built to serve.
- d) Did Clearspring assess whether ratcheted peak demand received stronger statistical support in its work for Elexicon? If not, please do a run that uses ratcheted peak demand instead of a rolling average and comment on its relative statistical support.

1-Staff-9

Clearspring's Total Cost Model

Ref 1: Exhibit 1 / Tab 5 / Schedule 1 / Appendix A / p. 18 (PDF p. 161)

Ref 2: Clearspring working papers

Ref 3: EB-2025-0252, JT-1.1.3 (1-Staff-277)

Preamble:

The translogging of scale variables can produce numerous quadratic and interaction terms. While this improves the flexibility of cost models to capture complex cost/scale relationships, statistical theory reveals that the precision of parameter estimates falls as the number of variables in a cost model increases. Cost models with translogged scale variables yield utility-specific estimates of the elasticities of cost with respect to these

variables. These can provide checks on whether the output elasticity estimates are reasonable.

In JT-1.1.3 in the Alectra Utilities proceeding, Clearspring said:

In the U.S. data sample used, there are 5,709 custom output elasticities possible (1,903 observations multiplied by 3 outputs). Out of the 5,709 possibilities there are 654 negatives for area, 276 negatives for customers, and 271 negatives for peak demand.

Question(s):

- a) What are the estimated elasticities of total cost with respect to the three scale variables for Elexicon in Clearspring's model?
- b) How common was it for these elasticities to be negative for other companies in Clearspring's sample? Please provide the number of negative output elasticities for each output.
- c) Can the translogging of three output variables reduce the precision of model parameter estimates?

1-Staff-10

Clearspring's Total Cost Model

Ref 1: Exhibit 1 / Tab 5 / Schedule 1 / p. 18

Ref 2: Clearspring working papers

Preamble:

Clearspring's cost model includes several variables requiring careful interpretation.

Question(s):

- a) Modified congested urban variable:
 - i. Please confirm that, in Clearspring's sample, the parameter estimate for CU is highly sensitive to the inclusion of just one company (Consolidated Edison of New York). Does that create a disadvantage?
 - ii. Does the inclusion of the CU variable in the model improve or worsen the benchmarking score of Elexicon?
- b) Time trend variable:
 - i. Please provide Clearspring's interpretation of the time trend parameter in the model, and comment on any implications this should have.

1-Staff-11

Clearspring's Inflation Forecasts

Ref 1: Clearspring Working papers

Preamble:

The Clearspring working papers indicate that the forecasts used to escalate Elexicon Energy's salaries and wages and the gross domestic product implicit price index (GDPIPI) are from July 21, 2025.

Question(s):

- a) Please confirm that the notes on this matter in the file "elexicon.prg" (reference 1) with regard to the referenced price forecasts are accurate.
- b) Are more recent forecasts available? If so, how do these compare to what was assumed in the study?

1-Staff-12

Clearspring's OM&A Input Prices

Ref 1: Exhibit 1 / Tab 5 / Schedule 1 / Appendix A / p. 35 (pdf p. 178)

Ref 2: Clearspring Working papers

Preamble:

Clearspring states, "To ascertain Elexicon's wage level, we gathered job occupation wage estimates from the 2011 Canadian Census, using wage data reported for Ontario, translated job occupations to match their U.S. counterparts, and then weighted the job occupation wages by the BLS estimates."

Question(s):

- a) Are the methodology and data used to support the Elexicon Energy wage level the same as that used in Clearspring's Alectra work? If not, please provide working papers.
- b) Clearspring levelized its OM&A input prices in 2010 and its construction cost index in 2015. Why did Clearspring not use more recent years?
- c) Clearspring used the gross domestic product price index to measure the trend in the material and service prices of U.S. utilities. Please confirm that, due to the brisk multifactor productivity growth of the U.S. economy, this index tends to materially understate the growth in U.S. input prices.

1-Staff-13

Clearspring's Total Cost Model

Ref 1: Exhibit 1 / Tab 5 / Schedule 1 / Appendix A / pp. 16-17 (pdf pp. 159-160)

Ref 2: Clearspring working papers

Ref 3: EB-2025-0252, 1-Staff-19, part c

Preamble:

The sample period for Clearspring's econometric work was the 24 years from 2000 to 2023. Data for 82 companies operating in 2023 were included in Clearspring's sample.

Question(s):

- a) Why did Clearspring use such a long sample period in its featured research for Elexicon Energy? If the desire is to maintain consistency with prior Clearspring studies, why is it more important to have the same sample period start date than it is to have the same sample period length?
- b) Were shorter sample periods considered? If so, how did the benchmarking results differ?
- c) The sample that PEG is currently using in power distributor cost research contains 89 US utilities. Please explain why each of the following 14 utilities that are included in PEG's power distributor cost research sample are excluded from Clearspring's sample.
 1. Dayton Power and Light Company
 2. Evergy Kansas Central
 3. Evergy Metro
 4. Fitchburg Gas and Electric Light Company
 5. Georgia Power Company
 6. Green Mountain Power Corporation
 7. Kingsport Power Company
 8. MidAmerican Energy Company
 9. Narragansett Electric Company
 10. NSTAR Electric Company
 11. Ohio Power Company
 12. Rochester Gas and Electric Corp
 13. Southwestern Electric Power Company
 14. Upper Peninsula Power Company
- d) It initially appears that many, if not most, U.S. utilities that underwent mergers within the sample period have been excluded from Clearspring's sample. Does the exclusion of merged companies from the econometric model improve or benefit the model's performance in the context of benchmarking Elexicon? Please explain.

1-Staff-14

Clearspring's Asset Price Index

Ref 1: Exhibit 1 / Tab 5 / Schedule 1 / Appendix A / pp. 8, 38-39 (PDF pp. 151, 181-182)

Ref 2: Clearspring working papers

Preamble:

Clearspring uses a 50/50 average of the growth in a) the Handy-Whitman summary power distribution construction cost index for the North Atlantic region (HWI) and b) a

Canadian implicit capital stock deflator in its total cost research, while stating that it “remain[s] partial to using the Handy-Whitman electric distribution indexes.”

Question(s):

Please provide a new total cost model and the resultant benchmarking results using only the HWI.

1-Staff-15

Clearspring’s Proposed Productivity Factor

Exhibit 1 / Tab 5 / Schedule 1 / p. 15

Preamble:

Elexicon claims that the TFP trend of Ontario distributors in PEG’s 2013 study was -0.30% and then states that “the [the Company’s proposed] productivity factor of 0.0% represents an implicit additional stretch factor that Elexicon will need to overcome.”

Question(s):

- a) How can there be an implicit additional stretch factor if Elexicon Energy is fully compensated via the RGF for its forecasted total cost growth less only the 0.15% stretch factor?
- b) Is the productivity growth inherent in Elexicon Energy’s cost forecast likely to be negative for capital cost?

1-Staff-16

Proposed IPD and G factor

Ref 1: Exhibit 1 / Tab 5 / Schedule 1

Ref 2: Ontario Energy Board, *Handbook for Utility Rate Applications*, October 13, 2016, pp. 25-26.

Preamble:

Elexicon Energy asks the OEB to consider and approve IPD and G factor terms for its index formula that are based on empirical research provided by Clearspring.

On pages 25 and 26 of the *Rate Handbook* the OEB provides some of its expectations for CIR applications. These include: “Custom IR is not a multi-year cost of service” and

If a five-year forecast is provided, it is to be used to inform the derivation of the custom index, not solely to set rates on the basis of multi-year cost of service.... It is insufficient to simply adopt the stretch factor that the OEB has established for electricity distribution IRM applications. Given a utility’s ability to customize the

approach to rate-setting to meet its specific circumstances, the OEB would generally expect the custom index to be higher, and certainly no lower, than the OEB-approved X factor for Price Cap IR (productivity and stretch factors) that is used for electricity distributors.

Question(s):

- a) Please confirm that neither the IPD nor the G factor would affect Elexicon Energy's revenue escalation because the RGF term effectively results in OM&A and capital revenue alike being based on forecasted cost growth less the X factor (e.g., in every year of the CIR plan, except the 2027 test year, the value of Elexicon's proposed CRCI from Table 7 is equal to the Increase in Service Revenue Requirement relative to Prior Year Service Revenue Requirement (%) from line 15 of Table 6 less the X factor of 0.15%).
 - i. If confirmed, please explain how this approach to CIR fits the requirements outlined by the OEB in the *Rate Handbook* discussed above.
 - ii. If not confirmed, please provide an explanation as to why this is not the case.

1-Staff-17

Clearspring's G Factor Research

Ref 1: Exhibit 1 / Tab 5 / Schedule 1 / Appendix A / pp. 23-24 (PDF pp. 166-167)

Ref 2: Clearspring working papers

Preamble:

Clearspring's report contains formulas to escalate revenue using information from its econometric total cost model.

Question(s):

- a) If the G factor effectively applied only to OM&A revenue, why would designing it using cost-elasticity estimates from an econometric *total* cost model make more sense than using estimates based on an econometric *OM&A* cost model?
- b) The peak load of Elexicon is forecasted to grow much more rapidly than the number of customers that it serves. Isn't the elasticity of *OM&A* cost with respect to peak load likely to be materially lower than in a *total* cost model and the elasticity with respect to customers likely to be much higher? If not, why not?
- c) Please explain the rationale for only using two of the three scale variables in Clearspring's model to calculate the G factor.

- d) If time-variant data were available for the area variable, wouldn't its growth likely be as slow or slower than customer growth?

1-Staff-18

Clearspring Input Price Differential

Ref 1: Exhibit 1 / Tab 5 / Schedule 1 / Appendix A / pp. 21-24 (PDF pp. 164-167)

Preamble:

Elexicon proposes to include a fixed input price differential (IPD) in its proposed revenue cap index formula that makes the inflation adjustment more appropriate for OM&A revenue escalation. The IPD is based on forecasts even though inflation factors in Ontario IR plans are based on historical inflation trends.

Question(s):

- a) Why does a focus on making the CRCI more suitable for OM&A revenue escalation make sense when the revenue growth factor effectively results in revenue escalation being based on Elexicon's OM&A cost forecast as well as its capital cost forecast? Is this a "fallback strategy" in the event that OM&A revenue growth is not ultimately based on forecasted OM&A cost growth?
- b) Please confirm that in US IR proceedings, IPDs are usually calculated using recent historical inflation trends rather than forecasts. Please explain the pros and cons of these approaches and why forecasting is preferable on balance.
- c) Please provide updated results for the input price differential calculations based on updated inflation forecasts. Does Elexicon Energy propose to update its input price differential proposal later in this proceeding to reflect updated inflation forecasts? Please provide the rationale for your response.
- d) Please explain Elexicon Energy's reasoning for pairing a proposed IPD intended to improve the simulation of OM&A price inflation with a productivity factor based on the industry *total* factor productivity trend and a G factor that is based on *total* cost research?
- e) Please confirm that if the proposed index did apply only to OM&A revenue the effective Productivity Factor in the CRCI formula would be a cost-weighted average of the (alleged) 0% industry total factor productivity trend and the negative productivity trend that is implicit in the Company's capital cost proposal. Shouldn't it be a cost-weighted average of the industry partial factor productivity of OM&A inputs and the negative capital productivity trend that is implicit in the Company's capital cost proposal? If not, why not?

1-Staff-19

Input Price Differential

Ref. 1: Exhibit 1 / Tab 5 / Schedule 1 / p. 19

Ref. 2: Exhibit 4 / Tab 1 / Schedule 1 / p. 16

Preamble:

Table 7 in Reference 1 provides Elexicon's proposed Custom Revenue Cap Index values for the 2028-31 period. These include inflation of 2% per year, X of 0.15% per year, and G of 2.48% per year.

Table 4 in Reference 2 provides Elexicon's OM&A forecast for the CIR period. It shows a CAGR for OM&A of **4.1%** for the CIR term.

Question(s):

- a) Please confirm that I – X + G as outlined above sum to **4.33%** for each year of the CIR term.
- b) Why is an IPD for OM&A expenses appropriate given that the I-X+G terms of the Custom Revenue Cap Index are providing more funding for OM&A than Elexicon forecasts that it needs in the four out years of the proposed plan?

1-Staff-20

Input Price Differential

Ref 1: Exhibit 1 / Tab 5 / Schedule 1 / Appendix A / pp. 31-32 (pdf pp. 174-175)

Ref 2: Clearspring Working Papers

Preamble:

Elexicon proposes to include a fixed input price differential (IPD) in its OM&A revenue requirement escalator that is based on Clearspring input price research.

The focus is on improving the cost shares in the price index. The cost share of labor SC_L is computed as

$$SC_L = \frac{\text{Salaries, Wages, Pension and Benefit OM\&A}}{\text{Total OM\&A} - \text{Outside Service Provider Expenses}}$$

Outside service provider expenses are removed on the grounds that the labor content of these expenses is unknown.

Question(s):

- a) Why doesn't the $GDPIPI^{FDD}$ adequately escalate materials + outside service expenses for inflation? Doesn't the $GDPIPI^{FDD}$ reflect substantial labor expenses in today's increasingly service-driven economy?

1-Staff-21

Inflation Assumptions

Ref. 1: Exhibit 1 / Tab 5 / Schedule 2

Preamble:

Reference 1 addresses the ability of the OEB's approved I factor to track power distributor input price inflation. The Company discloses that its forecasts of brisk capital *cost* growth are based in part on forecasts of brisk capital *price* growth. The Company provides extensive evidence showing that prices of many assets related to power distribution grew rapidly in the five years from 2021 to 2025. The Company forecasts capex price inflation to exceed **4.5%** annually on average during the out years of its proposed CIR plan. A high evidentiary standard should be expected for inflation evidence. The documentation for Elexicon's inflation evidence is uneven.

Question(s):

- a) Please confirm the following statements, explaining any disinclination to confirm them.
 - i. Custom IR can expose distributors to inflation risk to the extent that it eschews inflation indexing and instead bases revenue escalation on cost forecasts made before the plan begins.
 - ii. The risk can be reduced by building a custom forecast of utility input price inflation into the cost forecast. However, this increases controversy in the proceeding to approve the plan and raises concerns about information asymmetries that favor the utility. Good documentation of inflation evidence is essential.
 - iii. Cost forecasts can be contingent on inflation assumptions that are later trued up to actuals.
 - iv. The OEB's current I factor could be upgraded to better capture distributor input price inflation.
 - v. Elexicon's evidence is chiefly concerned with recent *asset price* (e.g., wood pole) inflation and this is different from the price inflation implicit in annual capital cost (depreciation, taxes, and return on rate base).
- b) Why not make forecasts of gross plant additions conditional on capital price inflation and then true up costs to the actual inflation?
- c) Please confirm that the Electricity Distribution Producer Price Index discussed on pp. 6 and 7 of this section includes the cost of power procurement.
- d) What consultant(s) assisted Elexicon with its inflation analysis?
- e) Please provide detailed sourcing information for each table and figure in Reference 1. For example, please clarify what is meant by "Canadian Inflation Expectations" in Figure 10.

- f) Elexicon claims to have forecasted the cost of capital expenditures at the program level and reports a “weighted average inflation rate applied to capital expenditures in Table 18.
- i. Please provide detailed support for Table 18, including Excel worksheets with formulas intact or other analysis that can be examined and replicated.
 - ii. Are these inflation rates informed by the unit costs presented on Tables 5 - 9?
 - iii. Elexicon Energy states on p. 1 that “Elexicon’s inflationary assumptions for its capital programs were primarily informed by trends experienced in the historical period.” This was a period of unusually rapid inflation. Please provide any evidence or analysis that suggests the inflation over the plan term will be as rapid as that experienced in the post-Covid period that was caused in part from supply chain dislocations.
 - iv. For the years of the proposed plan, forecasts of regional Handy Whitman Indexes of power distribution construction cost inflation can be obtained from S&P Global. Did Elexicon or its consultants purchase these forecasts? If yes, please provide.

1-Staff-22

Ratemaking Treatment of Capital

Ref 1: Exhibit 1 / Tab 5 / Schedule 1

Ref 2: Exhibit 2A / Tab 1 / Schedule 1 / Appendix 2-AA Capital Expenditure Table

Ref 3: Exhibit 2B / Tab 4 / Schedule 3 Appendices A-P

Ref 4: Alberta Utilities Commission, Decision 27388-D01-2023 (October 4, 2023) Appendix 7 (K-bar calculation) pp. 126-128.

Ref 5: Lowry, Mark Newton, David Hovde, Rebecca Kavan and Matthew Makos, “Impact of Multiyear Rate Plans on Power Distributor Productivity: Evidence from Alberta,” *The Electricity Journal*, Volume 36, Issue 5, June 2023.

Ref 6: EB-2023-0195 Exhibit M1

Preamble:

An alternative approach to CIR for Elexicon Energy, is a own-cost trending (e.g., K-bar) approach. In this approach, capital revenue escalation in a multiyear rate plan depends in whole or in part on the utility’s recent historical gross plant additions (escalated in some plans for input price inflation and growth in operating scale) instead of its forecasted additions. This approach, pioneered in California, is now also used by regulators in Alberta and Massachusetts. Research by Pacific Economics Group Research (“PEG”) found that the establishment of the K-bar approach to capital revenue escalation coincided with a material acceleration in the capital productivity growth of Alberta power distributors.

PEG has developed a hypothetical own-cost trending approach that differs in important respects from that in Alberta in order to better dovetail with Elexicon's stated capex needs and proposed CIR framework in this proceeding. The approach would not apply to some capex categories, and it should be possible to preserve the $I - X + C + G + IPD_{OMA} + RGF$ formula that Elexicon Energy proposes. The formula would not contain an explicit K-Bar term.

It is impractical for PEG to do the required financial calculations. In THESL's 2023 CIR proceeding, PEG identified capital expenditures that could sensibly be subject to K-bar treatment. Several additional steps would have been required to calculate capital or total revenue requirements. In the present proceeding, for example, PEG has relied on *capital expenditures* (capex) data net of contributions to identify capital projects that would be eligible for own-cost trending or forecasting treatment. Elexicon Energy would need to convert the historical capex into plant additions for the capital projects eligible for own-cost trending. These plant additions would have to be escalated to reflect business conditions during the proposed plan and converted into budgets for each year of the plan. These budgets would then have to be added to Elexicon Energy's (gradually depreciating) rate base of older assets along with plant additions for the asset categories to be determined with forecasts. The appropriate return on rate base, depreciation expenses, and taxes would then be calculated. PEG is not well-positioned to undertake these critical later steps in the revenue requirement calculations.

Question(s):

- a) Please provide revenue requirement and rate growth projections for each year of the proposed plan (2027-2031) period that are comparable to Elexicon Energy's proposal and are consistent with the following assumptions.
 - i. Revenue requirement for 2027 as Elexicon Energy proposed.
 - ii. Revenue requirement for OM&A expenses net of other operating revenue in years 2028-2031 as proposed.
 - iii. Capital-Related Revenue Requirement from 2028 to 2031 as proposed except for an alternative basis for some gross plant additions. Capital project categories that are eligible for forecasting and own-cost trending are identified in the attached Table 1. Table 1 features comparisons based on capital expenditures net of customer contributions, rather than gross plant additions.
 - iv. Gross plant additions designated for own-cost trending would be based on averages of Elexicon Energy's 2020-2024 actual additions escalated for annual inflation and output growth to the applicable "out" years of the

proposed plan (2028-31). Here are the steps in this calculation, which have been implemented by PEG *for capex* using escalators developed in Tables 2a, 2b, and 2c.

- 1) For each of the years from 2020 to 2024, gross plant additions in the capital categories designated for own-cost trending should be escalated to 2024 for two external business conditions: inflation and output growth. The Handy Whitman Index of Public Utility Construction Costs for Total Power Distribution Plant in the North Atlantic states is used in these calculations for the years for which required data are available with a two-year lag to be similar to the OEB I factor. Where inflation forecasts are required, we use a weighted average of the forecasts of GDPIPI inflation from Toronto Dominion Economics and of AWE Ontario inflation that PEG purchased from Signal49 Research with the weights from the OEB's I factor for power distributors. These can be replaced with HWI inflation as these data become available with a similar two-year lag (e.g., the I Factor in 2028 could be based on the growth in the HWI in 2026).¹
 - 2) Calculate the average of the designated gross plant additions that have been escalated to 2024 business conditions for each capital category.
 - 3) Escalate each of these 2024 averages to the four out years of the proposed plan (2028-2031) using inflation plus output growth.
- v. Insert these gross plant additions into the rate base calculations that also include Elexicon Energy's forecasts of plant additions for other asset categories. The rate base calculations should include depreciation of older plant and plant retirements as in the numbers reported on line 3 of Table 6 in Exhibit 1/Tab 5/Schedule 1 of Elexicon's CIR submission.
- vi. Calculate the resultant levels of Elexicon Energy's capital-related and total revenue requirements for each of the out years of the plan. The results for the level of Elexicon Energy's total revenue requirement should be comparable to the result in line 13 of Table 6, while the results for the level of Elexicon Energy's Capital-Related Revenue Requirement should be comparable to the result in line 8 of Table 6. Calculate the Revenue Growth Factor in the same manner as in lines 14-19 of Table 6.

¹ Forecasts of the Handy Whitman Index are available for purchase from S&P Global for a considerable fee.

Please apply a reasonable approach regarding the value of disposals or other implementation complications and provide the assumptions you relied upon in your response.

vii. The resultant growth in the Capital-Related Revenue Requirement would be subject to a 0.15% X factor markdown, as Elexicon Energy has proposed.

viii. The portions of the capital revenue requirement that are accorded own-cost trending treatment would not be subject to Elexicon Energy's proposed underspend clawback.

PEG is available to help Elexicon with questions that arise as it undertakes its response.

- b) Please comment on Elexicon Energy's own-cost trending approach to ratemaking and on alternative applications of the basic approach (e.g., different asset categories subject to K-bar treatment, different inflation escalator).
- c) Which capital program includes the capital contributions Elexicon Energy expects to make to Hydro One Networks over the CIR plan term?

1-Staff-23

Ratemaking Treatment of Capital

Ref 1: Exhibit 1 / Tab 5 / Schedule 1

Ref 2: Handbook for Utility Rate Applications, October 13, 2016, pp. 25-28

Ref 3: EB-2023-0195, Partial Decision and Order, November 12, 2024, p. 10 (pdf p. 12)

Ref 4: EB-2021-0110, Decision on Settlement Proposal and Order on Rates,

Preamble:

CIR treatments of capital are sometimes accompanied by a supplemental capital stretch factor.

Question(s):

- a) Please comment on whether the proposed ratemaking treatment of capital offers weaker cost containment incentives than the proposed ratemaking treatment of OM&A expenses.
- b) Why did Elexicon not propose a supplemental capital stretch factor like those approved for other CIR plans?

1-Staff-24

Deferral and Variance Accounts

Ref 1: Exhibit 1 / Tab 5 / Schedule 1 / pp. 20-23

Ref 2: Exhibit 9 / Tab 4 / Schedule 2 / pp. 24-27

Preamble:

Elexicon Energy is proposing several deferral and variance accounts as part of its CIR plan. These include the Capital In-Service Addition Variance Account (“CISAVA”), Demand Related Work Variance Account (“DRVA”), Connection and Cost Recovery Agreement Variance Account (“CCRAVA”), New Stations Deferral Account (“NSDA”), Non-Wires Solutions Deferral Account (“NWSDA”), and Large Load Revenue Variance Account (“LLRVA”)

Question(s):

- a) The Company indicates that the CISAVA applies to “the majority of Elexicon’s capital program, with the exception of amounts otherwise addressed below via the DRVA, CCRAVA, and SDA.” To the extent that any other parts of Elexicon’s capital program are addressed with deferral and variance accounts, would CISAVA apply to those amounts?
- b) Elexicon Energy proposes to include “mandatory, customer-driven Customer and Generation Connections” in its Demand Related Work Variance Account.
 - i. Please explain why these capital expenditures merit variance account treatment given that these increase Elexicon Energy’s revenues (e.g., through the G factor that Elexicon is proposing) and are often funded at least in part by customer contributions.
 - ii. Approximately what share of a typical customer connection is not funded by increased revenues or customer contributions?
 - iii. Approximately what share of a typical generation connection is not funded by increased revenues or customer contributions?
- c) Does Elexicon’s NWSDA include margins on payments for successful distributed energy resource deployments by 3rd parties? If your answer is no, please explain your reasoning.

1-Staff-25

Audited Financial Statements

Ref 1: Exhibit 1 / Tab 8 / Schedule 1 / Attachment 3 Audited Financial Statement 2024, Notes 5, pp. 22-25

Ref 2: EE_Exhibit 2A-1-1(1)_OEB App.2-AA-AB-BA-BB-C_20251219 / Tab App2-BA_Fixed Asset Continuity Schedule

Preamble:

OEB staff has compiled the following tables showing the difference of PP&E and accumulated depreciation between Ref 1 and Ref 2:

Assets	December 31, 2023	Additions/ depreciation	Disposals/ retirements	December 31, 2024
Reference 1 : PP&E	\$ 813,340	\$ 81,352	\$ (2,691)	\$ 892,001
Reference 1: Intangible Asset and Goodwill	\$ 29,729	\$ 13,288		\$ 43,017
Total of Reference 1 (A)	\$ 843,069	\$ 94,640	\$ (2,691)	\$ 935,018
Reference 2: Total PP&E (B)	\$ 632,061	\$ 63,752	\$ (2,559)	\$ 693,254
Variance (A-B)	\$ 211,008	\$ 30,888	\$ (132)	\$ 241,764

Accumulated depreciation	December 31, 2023	Additions/ depreciation	Disposals/ retirements	December 31, 2024
Reference 1 : PP&E	\$ 166,783	\$ 23,691	\$ (1,292)	\$ 189,182
Reference 1: Intangible Asset and Goodwill	\$ 21,359	\$ 2,784	\$ -	\$ 24,143
Total of Reference 1 (A)	\$ 188,142	\$ 26,475	\$ (1,292)	\$ 213,325
Reference 2: Total PP&E (B)	\$ 172,537	\$ 21,894	\$ (1,277)	\$ 193,154
Variance (A-B)	\$ 15,605	\$ 4,581	\$ (15)	\$ 20,171

Question(s):

- a) Please prepare a reconciliation and provide an explanation for all variances noted in the tables above.
- b) Please update all applicable supporting evidence to reflect changes.

1-Staff-26

Audited Financial Statements

Ref 1: Exhibit 1 / Tab 8 / Schedule 1 / Attachment 3 Audited Financial Statement 2024 / Note 7 / pp.26-27

Ref 2: Elexicon Energy 2026 IRM Application / Group 2 Continuity Schedule

Ref 3: Elexicon Energy 2026 IRM Application / WRZ and VRZ RGM model / Tab 3. Continuity Schedule

Preamble:

OEB staff has compiled the following tables showing the 2024 Regulatory Balances from Refs 1 and Refs 2 & 3:

Reference 1					
000)	December 31, 2023	Balances Rising in the year	Recovery/reversal	Other Movements	December 31, 2024
Reference 1: Debit balance	56,310	27,429	(29,982)	-	53,757
Reference 1: Credit balance	11,382	3,297	-	-	14,679
Total of Reference 1 (A)	44,928	24,132	(29,982)	-	39,078

References 2 & 3					
000)	December 31, 2023	Balances Rising in the year	OEB-Approved Disposition during 2024	Principal Adjustment	December 31, 2024
Reference 2: Group 2	5,070	3,543		(1,473)	7,141
Reference 3 WRZ Group 1	3,925	(3,061)	40	422	1,246
Reference 3 VRZ Group 1	11,696	(7,280)	(3)	(112)	4,307
Total Regulatory Balances (B)	20,691	(6,797)	37	(1,163)	12,694

Question(s):

- a) Please reconcile and explain the variance in the tables above by USoA for 2024.

1-Staff-27

Audited Financial Statements

Ref 1: Exhibit 1 / Tab 8 / Schedule 1 / Attachment 4 Audited Financial Statement 2023 / Note 15 / p.44

Ref 2: Exhibit 4 / Tab 2 / Schedule 1 / Attachment 1 Actuarial Report / pp.3 and 5

Preamble:

Below are the OPEB tables from Refs 1 and 2:

Ref 1: Note 15 Employee future benefits

	2023	2022
Accrued benefit liability recognized, beginning of year	\$ 5,816	\$ 9,786
Current service costs	120	196
Interest costs	286	289
Benefit payments	(432)	(324)
Remeasurements recognized in other comprehensive income	565	(4,131)
Accrued benefit liability recognized, end of year	\$ 6,355	\$ 5,816

Ref 2: Section A.1 and A.3

Section A.1—Valuation Results

Results from the actuarial valuation as at December 31, 2022 compared to previous year's figures projected from the most recent full valuation, disclosed in the consolidated Financial Statement as at December 31, 2021:

	December 31, 2021	December 31, 2022
Present Value of Defined Benefit Obligation (PV DBO)	9,933,200	5,815,600

	CY 2021	CY 2022
Current Service Cost	224,800	199,900
Past Service Cost/(Gain)	-	(155,900)
Interest Cost	272,900	293,100
Defined Benefit Cost Recognized in Income Statement	497,700	337,100
Actuarial (Gain)/Loss	-	(4,130,600)
Defined Benefit Cost Recognized In OCI	-	(4,130,600)
Defined Benefit Cost	497,700	(3,793,500)

Section A.3—Development of Changes in the Present Value of Defined Benefit Obligation

PV DBO at December 31, 2021	9,933,200
2022 Current Service Cost	199,900
2022 Benefit Payments	(324,000)
2022 Interest Cost	293,100
Expected PV DBO at December 31, 2022	10,102,100
Past Service Cost/(Gain)	(155,900)
Expected PV DBO after Past Service Cost/(Gain)	9,946,200
Actuarial (Gain)/Loss at December 31, 2022	(4,130,600)
PV DBO at December 31, 2022	5,815,600

Question(s):

- a) Please reconcile and explain the difference between above three tables line by line for 2022 reporting year.
- b) Please explain how the past service cost gain of \$155,900 in 2022 was treated in the audited financial statements. Please explain how this gain arose and explain the implication on rates, if any.
- c) Please confirm that the actuarial gains/losses on OPEB is not included in the rates in this rate application.

1-Staff-28

Synergy Savings

Ref 1: Exhibit 1 / Tab 4 / Schedule 2 / p. 3 (PDF p. 110)

Ref 2: Exhibit 1 / Tab 4 / Schedule 2 / p. 3, Table 3 (PDF p. 110)

Preamble:

Elexicon Energy notes that the combined savings of \$5.2M represent a sustained 3.7% reduction in the revenue requirement of the consolidated entity and are expected to persist into the rate period.

Labour synergies are projected to be \$3.25M in 2026 and are expected to be sustained throughout the forecast period. Non-labour synergies are expected to be \$1.92M in 2026.

Question(s):

- a) Provide a show the calculation in how Elexicon Energy arrived at \$3.25M in labour-related and \$1.92M in non-labour related synergy savings. Please discuss all underlying assumptions.
- b) Provide a table showing all reduced FTEs that account for labour-related synergy savings in 2026.
- c) Please explain how synergy savings due to these reductions persist into the rate period given the growth in FTEs since 2020 and projected growth during the Custom IR term.
- d) Please provide a similar table showing non-labour synergy savings in detail.

1-Staff-29

Ref 1: Exhibit 1 / Tab 4 / Schedule 2 / p. 3 (PDF p. 110)

Ref 2: Exhibit 1 / Tab 4 / Schedule 2 / p. 3 / Table 3 (PDF p. 110)

Ref 3: Exhibit 1 / Tab 4 / Schedule 1 / p. 3 / Table 1, (PDF p. 78)

Ref 4: Exhibit 1 / Tab 4 / Schedule 1 / p. 5 (PDF p. 80)

Preamble:

In Ref 4, Elexicon Energy states that the consolidated utility has realized \$31M in synergies during the 2020 to 2025 portion of its deferred rebasing rate period.

Table 1 shown in Ref 3 shows Elexicon Energy's achieved ROE consistently below its deemed ROE of 9.43%.

Question(s):

Please explain Elexicon Energy's synergy savings in the context of Elexicon Energy's declining ROE over the 2019 – 2024 period.

1-Staff-30

Ref 1: Exhibit 1/Tab 5/Schedule, p. 8, Table 6 (PDF p. 115)

Question(s):

- a) Please provide the OEB-approved FTEs for Elexicon Energy's legacy distributors at the time of the merger.
- b) Please compare this to the normalized FTEs of 246 shown in Table 6.

1-Staff-31

Climate Projection

Ref 1: Exhibit 1 / Tab 2 / Schedule 1 / p. 19 and Table 3 (PDF p. 27)

Preamble:

Elexicon Energy notes that while it has implemented numerous measures following the weather events shown in Table 3, additional investments are urgently needed to further increase the resilience of its infrastructure. These include hardening of assets by using materials and configurations that are more likely to withstand inclement weather, improving vegetation management practices, building additional feeders/stations to improve redundancy, as well as grid modernization investments to enable reconfiguration of segments of the local grid to improve safety and reduce the frequency and duration of outages.

Question(s):

- a) Please provide any source(s) of climate projections that underly this statement.
- b) Please explain how system hardening investments will be able to withstand weather events such as the derecho storm in 2022 or the ice storm in 2025.

- c) Has Elexicon Energy considered the system hardening investments in the context of the OEB's Vulnerability Assessment and System Hardening report? If not, why not?

1-Staff-32

Activity and Program-based Benchmarking – Billing O&M

Ref 1: Exhibit 1 / Tab 5 / Schedule 3 / pp. 16-17 (PDF pp. 231-232)

Ref 2: Exhibit 4-1-1_OEB App.2-J OM&A Programs_20251219. xlsx / Tab App2.-JC OM&A Programs

Ref 3: Exhibit 3-1-2_OEB App.2-IB_Actual and Forecast Load_20251219.xlsx

Preamble:

At reference 1, the application states that the higher average relative to the peer group was primarily due to limitations with the current legacy systems. The application further states that by implementing a modern cloud-based CIS/ERP, Elexicon Energy will see reductions in billing costs per customer and the APB metric is expected to improve over the 2027 to 2031 period.

Question(s):

- a) The table below summarizes the forecast billing O&M and number of customers for 2027 to 2031, as provided in reference 2 and 3. Based on the unit cost calculation, billing O&M per customer is forecast to increase by 5.62% in 2027, followed by decreases ranging from 0.45% to 2.10% per year from 2028 to 2031. By 2031, the forecast unit cost per customer is only marginally lower compared to 2026 (\$20.11) and slightly higher compared to 2025. Please explain how this forecast trend aligns with the statement in Reference 1 that the new CIS/ERP implementation will reduce billing costs per customer over the 2027-2031 period.

	2026 Bridge Year	2027 Test Year	2028	2029	2030	2031
Billing O&M (A)	\$3,712,626	\$3,996,631	\$4,052,281	\$4,069,929	\$4,060,581	\$4,050,346
Number of customers (B)	\$184,644	\$188,190	\$191,668	\$195,231	\$198,915	\$202,661
Unit Cost (\$/Customer) (A/B)	20.11	21.24	21.14	20.85	20.41	19.99

YoY Variance%	5.62%	-0.45%	-1.40%	-2.08%	-2.10%
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1-Staff-33

Activity and Program-based Benchmarking – Poles, Towers, and Fixtures CAPEX

Ref 1: Exhibit 1 / Tab 5 / Schedule 3 / p. 22 (PDF p. 237)

Ref 2: Exhibit 2B / Tab 4 / Schedule 3 / Appendix G p. 43 / Table 9

Ref 3: Exhibit 2A-1-1(1) _OEB App.2-AA-AB-BA-BB-C_20251219. xlsx / Tab App2-BA Fixed Asset Continuity Schedule

Preamble:

At reference 1, Table 14 indicates that the unit cost (\$/pole addition) increased by 102% from 2020 to 2024. The application attributes the increase to the ongoing replacement of aging poles, reactive pole replacements, and inflationary pressures. The application further notes that the increased system renewal investment for overhead assets should help to reduce the number of reactive replacements and provide downwards pressure on unit costs.

Question(s):

- a) For each year 2027-2031, please provide the annual forecast quantity of newly installed poles (i.e., poles that are not one-for-one replacements), in addition to the replacement quantities provided in reference 2.
- b) Please reconcile the annual pole quantities in question (a) with Account 1830- Poles, Towers & Fixtures capital additions (\$) for 2027-2031(as provided in reference 3), such that the total number of poles installed (new + replacements) aligns with the capital additions included in the Fixed Asset Continuity Schedule in reference 3.
- c) Using the pole quantities provided in question (a) and (b), and Account 1830 capital additions (\$) in reference 3, please calculate the annual unit cost (\$/pole addition) for 2027-2031 and explain the trend.

1-Staff-34

Activity and Program-based Benchmarking - Forecasted Unit Costs

Preamble:

At reference 1, Table 14 indicates that the unit cost (\$/pole addition) increased by 102% from 2020 to 2024. The application attributes the increase to the ongoing replacement of aging poles, reactive pole replacements, and inflationary pressures. The application further notes that the increased system renewal investment for overhead assets should

help to reduce the number of reactive replacements and provide downwards pressure on unit costs.

Question(s):

Please provide a detailed breakdown

- a) of Elexicon's forecast O&M amounts for each of the six APB programs (Billing, Metering, Vegetation Management, Lines, Stations and Poles, Towers and Fixtures) for each forecast year from 2027 to 2031.
- b) For each O&M APB program and forecast year identified in question (a), please provide the corresponding number of units associated (e.g. total poles in system, circuit km of primary line)
- c) Using the forecast amounts and number of units provided in question (a) and (b), please calculate the forecasted unit cost for each APB program from 2027 to 2031 and explain the trends.

1-Staff-35

Total Cost Benchmarking Model Discrepancy and Stretch Factor

Ref 1: Exhibit 1, Tab 5, Schedule 1, Appendix A (Clearspring TCB Report)

Preamble:

The OEB's standard benchmarking model (filed as Exhibit 1-5-4(1) in Excel) shows Elexicon's cost performance deteriorating from 3.3 - 5.4% below the benchmark in 2024/2026 to 2.2 to 3.6% above the benchmark by 2028/2031, placing Elexicon in Cohort III with a stretch factor of 0.30%. In contrast, Clearspring's independent analysis reports that Elexicon's costs average 13.9% below the predicted benchmark over 2027 to 2031 and argue for a stretch factor of 0.15%. The approximately 16 percentage point gap between these models has a direct and material impact on the productivity factor applied to the revenue cap formula.

Question(s):

- a) Why does the Clearspring model primarily use US utilities for comparison when the executive summary (Tab 1 Schedule 1) makes comparisons to Ontario utilities only. How would Elexicon perform with Clearspring's model against Ontario utilities only.
- b) Considering Elexicon's model, there is a deterioration of efficiency over the forecast period. Does Elexicon plan to mitigate this and if so what are the specific mitigation steps.

Exhibit 2 – Rate Base and Distribution System Plan

2-Staff-36

Depreciation - Typical Useful Life

Reference 1: Chapter 2 Appendix / Tab 2-BB

Reference 2: Exhibit 2A / Tab 2 / Schedule 1 / pp. 1 – 2 (PFD p. 22-23)

Preamble:

The application states that certain assets have effective useful life (EUL) outside of the ranges established by the Asset Depreciation Study prepared by Kinectrics,² and provides Elexicon Energy's explanation of variances where Elexicon Energy's EULs are below that of Kinectrics ranges. Elexicon Energy stated that it applies useful lives that exceed the Kinectrics maximum for certain assets, stating that these assets remain safe, reliable, and effective to operate for longer periods based on Elexicon Energy's specific circumstances.

Question(s):

- a) Please confirm that EUL is synonymous with typical useful life (TUL). If not, please describe the difference.
- b) Please explain what due diligence was performed to validate the EULs from Whitby Hydro and Veridian Connections.
- c) Please explain what evidence supports safe operation for assets beyond maximum Kinectrics EUL.

2-Staff-37

Coordination with the Independent Electricity System Operator

Ref 1: Exhibit 2B / Tab 2 / Schedule 1 / p. 5 (PDF p. 59)

Preamble:

Elexicon Energy indicated that outside of the Renewable Energy Generation investment process, regional planning process, and long-term energy supply process, it does not regularly engage with the Independent Electricity System Operator (IESO).

Question(s):

Has Elexicon Energy engaged with, or have plans to engage with, the IESO as it relates to its Electricity Demand Side Management (eDSM) Framework? If so, please describe Elexicon Energy's historic and/or future involvement.

2-Staff-38

System Peak Load Forecast

² EB-2010-0178

Ref 1: Exhibit 2B / Tab 3 / Schedule 1 / pp. 17, 18, 20, 23, 25 (Exhibit 2B Part 1, PDF pp. 516, 517, 519, 522, 524)

Ref 2: Exhibit 2B / Tab 3 / Schedule 2 / pp. 55-63 (Exhibit 2B Part 1, PDF pp. 604 - 612)

Preamble:

Elexicon Energy selected the P90 (Extreme Weather) scenario, High Growth scenario and High building Electrification and Medium EV for capacity planning purposes. The probability of the Extreme Weather scenario occurring is 10%. An average 3.2% year over year growth in load is projected for the 2025-2031 period.

Question(s):

- a) What impact does the repeal of the Federal Zero-Emission Vehicle (ZEV) mandate have on the applicability of the Medium EV scenario?
- b) What is the probability of the High Growth scenario occurring?
- c) What is the probability of the High Building Electrification Scenario occurring?
- d) What are the impacts to capacity in-service dates for substation growth under an overall Medium Growth scenario?
- e) Please provide the 2024 actual peaks and the 2025 forecast peaks for the bar graphs shown in Figures 24 through 32.
- f) What was the actual summer and winter peak demands in 2025?
- g) What were the regression model predictions for system peak demand for 2022 and 2023?
- h) What were the 2025 Residential and Commercial and Industrial actual electrification numbers and how do they compare to the 2025 targets in the municipal energy plans?

2-Staff-39

Non-Wires Solutions Pre-Screening Methodology

Ref 1: Exhibit 2B / Tab 3 / Schedule 5 / pp. 1-4 (PDF pp. 858-861)

Ref 2: Exhibit 2B / Tab 3 / Schedule 5 / Appendix A (PDF p. 863)

Preamble:

Elexicon Energy provided the non-wires solution pre-screening framework that was then applied to all capital investments within its 2027-2031 Distribution System Plan that fall within the scope of the OEB's Non-Wires Solutions Guidelines.

Question(s):

- a) Please explain in detail how Elexicon Energy's non-wires solution pre-screening framework incorporates all non-wires solutions requirements of the

OEB's [Non-Wires Solutions Guidelines for Electricity Distributors](#) and [Benefit-Cost Analysis Framework for Addressing Electricity System Needs](#).

- b) Does Elexicon Energy intend to leverage its non-wires solutions pre-screening framework to screen all potential non-wires solutions opportunities (i.e., those where the traditional poles and wires option has a capital cost of both greater than and less than the \$2M threshold)?

2-Staff-40

Reliability – Defective Equipment

Ref 1: Exhibit 2B / Tab 2 / Schedule 2 / pp. 47-48 (Exhibit 2B part 2 PDF pp. 489-490)

Ref 2: Exhibit 2B / Tab 2 / Schedule 2 / p. 31 / Table 22 (Exhibit 2B part 2 PDF p. 473)

Preamble:

In reference 1, the application states for the 2020-2024 period that the main contributors to defective equipment outages are underground primary cables, underground secondary cables, and overhead connections and sleeves, which represent the most number of customer interruptions and customer hours of interruption.

Question(s):

- a) Please confirm whether Customer Interruptions and Customer Hours of Interruption in reference 1 exclude Loss of Supply and Major Event Days.
- b) In Table 22 referenced in the preamble, OEB staff observe that the number of outages attributed to defective equipment declined from 344 in 2020 to 140 in 2023 but then increased to 228 in 2024. Please explain the factors contributing to this trend.
- c) Please provide the SAIDI, SAIFI and CAIDI for defective equipment outages (excluding Loss of Supply and Major Event Days) for the top five assets for each year from 2020–2024, using the table below. Please recreate this table for each year:

Year: 2020

No.	Asset	Total Outages	SAIDI	SAIFI	CAIDI
1					
2					

3					
4					
5					

2-Staff-41

Capital Planning

Ref 1: Exhibit 2B / Tab 3 / Schedule 1 / pp. 32-34 (Exhibit 2B Part 1, PDF pp. 531-533)

Preamble:

Elexicon Energy states that it develops discrete project scopes to address capital investment needs. Elexicon Energy states that it prioritizes projects to ensure that investments are directed toward areas of highest need.

Question(s):

- a) Please provide the Project Scope documents for all material projects proposed for the 2027-2031 forecast period.
- b) Please provide the individual Project Prioritization scoring for all material projects proposed for the 2027-2031 forecast period.

2-Staff-42

2025 Asset Condition Assessment

Ref 1: Exhibit 2B / Tab 3 / Schedule 2 / Appendix B (Exhibit 2B Part 1, PDF pp. 648- 844)

Ref 2: EE Exhibit 2A-1-1(1) OEB App.2-AA-AB-BA-BB-C

Preamble:

Appendix B provides the 2025 Asset Condition Assessment report. Elexicon Energy states that for assets missing age data, service age was estimated using the average age of its adjacent assets. Section 4.1 provides information on Distribution Assets by category (i.e. 4.1.1 Wood Poles). Each category lists a TUL for the asset under the Demographics section.

Question(s):

- a) The TUL for Wood Poles in the ACA summary is stated to be 45 years (p. 26). Table A-1 seems to indicate a TUL of 55 years. Reference 2 indicates a 40-year useful life. Which is correct?

- b) The TUL for Concrete Poles in the ACA summary is stated to be 60 years, as does reference 2. Table A-6 seems to indicate a TUL of 55 years. Which is correct?
- c) For underground primary cable, age and number of splices is used to determine the Health Index (HI). Are the splices used in development of the HI the result of initial installation practices or the result of failed cable replacement?
- d) How much of the 1143 km of underground primary cable assessed to be in poor or very poor condition is based on assumed age (i.e., age data missing)?
- e) The TUL for Overhead Conductor in the ACA summary is stated to be 60 years. Table A-16 seems to indicate a TUL of 80 years. Which is correct?
- f) How many of the 793 pole mounted transformers assessed to be in poor or very poor condition are based on assumed age (i.e. age data missing)?
- g) How many of the 1077 pad-mounted transformers assessed to be in poor or very poor condition are based on assumed age (i.e. age data missing)?
- h) How many of the 329 vault transformers assessed to be in poor or very poor condition are based on assumed age (i.e. age data missing)?
- i) The TUL for Vault Transformers in the ACA summary is stated to be 35 years. Table A-22 seems to indicate a TUL of 40 years, and reference 2 states 30 years. Which is correct?
- j) The TUL for Submersible Transformers in the ACA summary is stated to be 35 years. Table A-24 seems to indicate a TUL of 40 years, and reference 2 states 30 years. Which is correct?
- k) The TUL for Padmount Switchgear in the ACA summary is stated to be 30 years. Table A-30 (seems to indicate a TUL of 40 years, and reference 2 states 25 years. Which is correct?
- l) How many of the 76 overhead switches assessed to be in poor or very poor condition are based on assumed age (i.e. age data missing)?
- m) The TUL for Overhead Switches in the ACA summary is stated to be 45 years. Table A-32 seems to indicate a TUL of 40 years, and reference two states 20 years and 40 years. Which is correct?
- n) Please provide the individual condition parameter HI algorithm scoring for each of the four power transformers assessed to be in poor and very poor condition.
- o) The TUL for Power Transformers in the ACA summary is stated to be 45 years, as does reference 2. Table A-39 seems to indicate a TUL of 50 years. Which is correct?
- p) Please provide the individual condition parameter HI algorithm scoring for each of the five circuit breakers assessed to be in poor and very poor condition.
- q) The TUL for Circuit Breakers in the ACA summary is stated to be 45 years, and reference 2 states 40. Table A-51 seems to indicate a TUL of 60 years. Which is correct?

- r) Please provide the individual condition parameter HI algorithm scoring for each of the 15 station switches assessed to be in poor and very poor condition.
- s) The TUL for Station Switches in the ACA summary is stated to be 50 years. Table A-58 seems to indicate a TUL of 39 years, and reference 2 states 40 years. Which is correct?
- t) The TUL for Station Batteries in the ACA summary is stated to be 15 years. Table A-59 seems to indicate a TUL of 20 years, and reference 2 states 25 years. Which is correct?
- u) The TUL for Station Relays in the ACA summary is stated to be 30 years, and reference 2 states 25 years. Table A-63 seems to indicate a TUL of 40 years. Which is correct?
- v) Please provide the individual condition parameter HI algorithm scoring for each of the 108 station cable segments assessed to be in poor and very poor condition.
- w) The TUL for Station Cables in the ACA summary is stated to be 25 years. Table A-66 seems to indicate a TUL of 33 years. Reference 2 states underground primary cables have a TUL of 40 years. Which is correct?
- x) How is the loading criteria for station cables (Table A-67) calculated/evaluated?
- y) Please provide the individual condition parameter HI algorithm scoring for the station building assessed to be in poor condition.
- z) Please provide the individual condition parameter HI algorithm scoring for each of the 14 stations switchgear assessed to be in poor and very poor condition.
- aa) The TUL for Station Switchgear in the ACA summary is stated to be 40 years, as does reference 2. Table A-73 seems to indicate a TUL of 53 years. Which is correct?
- bb) The 2025 ACA Report by BBA provided a number of recommendations for improving collecting data for new condition parameters to improve the accuracy and add incremental value from a more granular approach. Recommendations target additional condition parameters or the means of collecting and storing the data already being utilized. Please advise which of the BBA recommendations Elexicon Energy will implement and when. For recommendation(s) not to be implemented, please advise reason(s).
- cc) A HI is indicated for Greenwood (fence only) as part of the ACA summary for Municipal stations. Please clarify the nature of Greenwood (location, equipment, purpose).

2-Staff-43

System Renewal Historical Amounts

Ref 1: Exhibit 2B / Tab 4 / Schedule 1 / p. 15 (Exhibit 2B Part 2, PDF p. 16)

Preamble:

Table 8 provides a summary of System Renewal Historical Net In-Service Additions. In 2021 Overhead Renewal was 101.7% overspent compared to budget.

Question(s):

- a) Please provide a more detailed explanation why the Overhead System Renewal amounts were above planned in the year 2021.
- b) Please provide a breakdown on the replaced or added assets.
- c) Please provide a breakdown between cost due to customer growth and cost due to aging infrastructure.

2-Staff-44

Capital Contributions – Externally-Initiated Plant Relocation

Ref 1: EE Exhibit 2A-1-1(1) OEB App.2-AA-AB-BA-BB-C

Ref 2: Exhibit 2B / Tab 4 / Schedule 3 / Appendix A (PDF p. 44)

Preamble:

For the 2020-2026 period, capital contributions averaged 60% of the gross capital expenditures for the Externally-Initiated Plant Relocation program. However, for the 2027-2031 period, Elexicon Energy forecasts that capital contributions will only make up 33% of the gross expenditures in the program.

OEB staff has created the following table based on *Table 3: Summary of Expenditures* contained in reference 2.

Projects (\$M)	2020	2021	2022	2023	2024	2025	2026
A1 Externally-Initiated Plant Relocation (Gross Capex)	6.5	11.8	15.1	35.4	15.3	9.4	6.6
Capital Contributions	4.6	6.1	6.8	23.8	13.1	6.6	2.1
Net Capex	1.9	5.8	8.3	11.5	2.2	2.8	4.6
Capital Contributions as % of Gross Capital	70%	51%	45%	67%	85%	70%	31%
Average Capital Contributions as % of Gross Capex 2020 - 2026	60%						

Projects (\$M)	2027	2028	2029	2030	2031
A1 Externally-Initiated Plant Relocation (Gross Capex)	7.6	8.7	8.8	9.0	8.9
Capital Contributions	2.5	2.9	2.9	3.0	3.0

Net Capex	5.1	5.8	5.9	6.0	6.0
Capital Contributions as % of Gross Capex	33%	33%	33%	33%	33%
Average Capital Contributions as % of Gross Capex 2027 - 2031	33%				

Question(s):

- a) Please update *Table 3: Summary of Expenditures* contained in reference 2 with 2025 actual expenditures.
- b) Please explain the reasons for the significant decrease in the expected capital contribution ratio in the 2027–2031 period.
- c) For each of the 2027-2031 years, for anticipated relocation requests, please provide:
 - i. Listing of each project forecast in a particular year
 - ii. Customer (ie. Metrolinx, Region of Durham, etc.) associated with each project forecast in a particular year
 - iii. Gross expenditure amount for each project forecast in a particular year
 - iv. Anticipated contribution amount for each project forecast in a particular year
 - v. Cost sharing arrangement (for example, Public Service Works Highway Act or other).
- d) Please provide the specific assumptions used to forecast capital contributions for this program for 2027–2031.
- e) The application states that “when these projects present opportunities to maximize construction efficiencies and increase system capacity rather than performing like-for-like replacements, a reasonable cost-sharing arrangement is implemented.”
 - i. How does Elexicon Energy determine whether the replacements that are beyond like-for-like replacements are cost effective relative to alternatives and prioritize with the overall capital budget? Please provide an example.
 - ii. Please explain the cost-sharing arrangement if betterments are pursued rather than like-for-like replacements. Please explain how these arrangements are consistent with the Public Service Works on Highways Act.

2-Staff-45

**Variance Explanations – A1 Externally Initiated Plant Relocation
 Ref 1: Exhibit 2B / Tab 4 / Schedule 1 / pp. 12-14 (PDF p. 13-15)**

Preamble:

Table 6 in the above noted reference shows that Externally Initiated Plant Relocation net in-service additions have significant variances between actual and planned amounts, ranging from -56% in 2021 to 228% in 2023.

The application states that, “These investments were primarily driven by road relocation projects and third-party requests requiring distribution asset relocations. Gross and net in-service totals operated below plan between 2020–2022 due to deferrals of major projects but accelerated in 2023–2024 as delayed projects were executed along with new projects. Similarly, on a net basis, investments were below plan by a total of \$6.64M in 2021–2022 due to deferrals of major projects such as Durham-Scarborough Bus Rapid Transit (BRT) Highway 2 (Liverpool × Dixie) and Peter Matthews (Brock × Toronto Landfill). These projects were completed in 2023, resulting in in-service amounts above plan by \$6.4M.”

Question(s):

- a) For each year 2020–2024, please provide a list of all Externally Initiated Plant Relocation projects that were part of the planned capital program, identifying:
 - i. Projects planned for the year
 - ii. Projects actually executed in the year
 - iii. Projects delayed, deferred, or cancelled
 - iv. Whether the delay/deferral/cancellation was initiated by the third party (municipality, MTO, developer), by the utility, or jointly
- b) Please explain how the utility accounts for externally initiated plant relocation work in its capital budgeting process when project timing or commitments are uncertain at the time budgets are developed.

2-Staff-46

Capital Contributions – System Expansion

Ref 1: EE Exhibit 2A-1-1(1) OEB App.2-AA-AB-BA-BB-C

Ref 2: Exhibit 2B / Tab 4 / Schedule 3 / Appendix C (DSP Part 2 of 2, PDF p. 31)

Ref 3: [Notice of Amendments to the Distribution System Code, Amendment to facilitate the Connection of Housing Developments and Residential Customers](#)

Preamble:

For the 2020-2025 period, capital contributions ranged from 17% to 97% of the gross capital expenditures for the System Expansion program.

Projects (\$M)	2020	2021	2022	2023	2024	2025
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A3 System Expansion (Gross Capex)	3.1	3.0	10.2	5.1	16.3	14.0
Capital Contributions	3.1	2.9	8.7	1.7	2.5	2.4
Net Capex	0.1	0.1	1.5	3.4	13.8	11.6
Capital Contributions as % of Gross Capex	97%	97%	85%	34%	15%	17%

Question(s):

- a) Please explain the significant decline in capital contributions as a percentage of gross System Expansion capital costs in 2023, 2024, and 2025, relative to the higher contribution ratios stated for 2020 to 2022. Please identify any key drivers.
- b) Appendix B to the DSC sets out the methodology and assumptions for economic evaluations, and includes provisions related to custom connection horizons and customer revenue horizons. The amendments are intended to facilitate the connection of housing developments by extending the connection horizon to a maximum of 15 years for qualifying housing developments and the revenue horizon to 40 years for connections of the residential customers and properties described in the amendments.
 - i. Please state if Elexicon Energy accounted for the extended connection horizons in its forecasted capital contributions for 2027 – 2031.
 - ii. If so, please describe the impact.
 - iii. If no, please explain why not.

2-Staff-47

Customer & Generation Connections

Ref 1: Exhibit 2A-1-1(1) OEB App.2-AA-AB-BA-BB-C

Ref 2: Exhibit 2B / Tab 4 / Schedule 3 / Appendix B / p. 6 (PDF p. 76)

Preamble:

The application states:

“A range of customer types, including households, schools and large commercial businesses submitted more than 150 applications over the 2020–2024 period for DER connections and Elexicon expects interest will continue at a higher pace over the 2027–2031 period based on recent activity, on-going incentives, and improving technology. Elexicon expects an additional 236 DER connections and 25 MW capacity over the 2027 to 2031 period. Most connections are expected to be rooftop solar photovoltaic technology, with continued interest in PV, BESS, and CHP as described in more detail in Section 3.2.”

Question(s):

- a) Please provide a detailed breakdown of all DER applications received between 2020–2024 by:
 - i. Customer type (household, school, commercial, industrial, etc.)
 - ii. DER technology type (PV, BESS, CHP, etc.)
 - iii. Capacity (kW/MW)
 - iv. Connection stage (Preliminary Consultation, Conducting Connection Impact Assessments, Reviewing installation plans, technical specifications, and CCAs, Witnessing of commissioning, coordination of ESA inspections, executing connection agreements, and ongoing coordination of telemetry, dispatch and billing).
- b) What is the average connection timeline by DER type over the period 2020–2024?
- c) Please provide the methodology used to forecast 236 new DER connections and 25 MW capacity over 2027–2031, including all assumptions.
- d) Please provide the expected distribution of DER types (PV, BESS, CHP, hybrid systems) within the 236 forecast connections.

2-Staff-48

DER and REG Forecast connections

Ref 1: Exhibit 2B / Tab 1 / Schedule 1 / pp. 14, 25 (Exhibit 2B Part 1, PDF pp. 15, 26)

Ref 2: Exhibit 2B / Tab 2 / Schedule 1 / p. 26 (Exhibit 2B Part 1, PDF p. 80)

Ref 3: Exhibit 2B / Tab 3 / Schedule 4 / pp. 1, 2 (Exhibit 2B Part 1, PDF pp. 855 - 856)

Question(s):

- a) Please add a column to *Table 13: Generation Connections and Installed Capacity (kW)* in reference 1 for 2025, and revise the Total Capacity Column.
- b) In reference 3, Table 1 indicates 3340 kW of current REG connections for 2026 whereas Table 2 forecasts 2892.3 kW of REG connections for 2026. Please explain the difference.
- c) Table 2 provides number of forecast applications and capacity for the 2027-2031 period. For 2028, the average capacity per application is 58.43 kW presumably composed of connections <10kW and connections >10kW. Please provide a breakdown of forecast applications, specific service area and related capacity for each year in the 2027 – 2031 period that is shown in Table 2.

2-Staff-49

Customer and Generation Connections

Ref 1: Exhibit 2B / Tab 4 / Schedule 3 / Appendix B (Exhibit 2B Part 2, PDF pp. 71 - 97)

Ref 2: Exhibit 3 / Tab 1 / Schedule 1 / p. 3 (PDF p. 3)

Preamble:

Elexicon Energy forecasts the total net investment within the Customer and Generations Connections program to be \$41.21M over the 2027 to 2031 period. The historical 2020-2024 program cost was \$30.24M. Elexicon Energy forecasts to connect approximately 18,000 new customers and 236 new generation connections (25MW capacity) over the 2027 to 2031 rate period. Residential customer growth is expected to average 1.9% annually, and commercial and industrial customer growth is projected at 0.8% annually. Historical growth was 1.4% annually. Table 3 of Ref 1 provides a customer forecast for the 2025 – 2031 period. Table 11 provides a forecast for DER connections for the 2025-2031 period. Elexicon Energy references Exhibit 3 - Tab 1 - Schedule 1 as the source of customer forecast counts. Forecast customer counts in Exhibit 3 - Tab 1 - Schedule 1 are shown in Table 4.

Question(s):

- a) In reference 1;
 - i. Please update Table 3 with actual 2025 customer counts.
 - ii. Please update Table 10 with actual 2025 generation connections and total capacity.
 - iii. Please update Table 13 with 2025 Actual expenditures.
- b) Tables 3 in reference 1 and 4 in reference 2 have differing values for forecast customer counts. For example, Table 3 shows a 2027 forecast of GS<50 customers of 12,306. Table 4 shows a 2027 forecast of GS<50 of 12,257. Please clarify the differences between the two sources of information for this customer class and all others.
- c) Please provide a breakdown of customer connect costs and generation connection costs for 2020 to 2031.

2-Staff-50

Municipal Station Capacity

Ref 1: Exhibit 2B / Tab 1 / Schedule 1 / p. 42 (Exhibit 2B Part 1, PDF p. 43)

Ref 2: Exhibit 2B / Tab 3 / Schedule 2 / pp. 4, 8, 11, 14, 21, 27, 48 (Exhibit 2B Part 1, PDF pp. 553, 557, 560, 563, 570, 576, 597)

Ref 3: Exhibit 2B / Tab 4 / Schedule 1 / p. 32 (Exhibit 2B Part 2, PDF p. 33)

Ref 4: Exhibit 2B / Tab 4 / Schedule 3 / Appendix I / pp. 1-49 (Exhibit 2B Part 2, Appendix I, PDF pp. 364-412)

Preamble:

Elexicon Energy states that acquisition of a mobile station will be used to support planned construction outages. This mobile station would provide temporary capacity in locations where there are capacity constraints and would be used to support planned construction outages. The Mobile station is expected to contain a 25MVA transformer with primary voltage at 44kV and dual secondary voltages of 13.8kV and 4.16kV.

Question(s):

- a) Has Hydro One or other LDCs in Ontario been approached to see if they could provide a mobile MS in a planned or emergency basis for Elexicon Energy to utilize? Please provide summary of analysis done for options other than purchasing the mobile station.
- b) Which geographic areas would not be able to utilize the mobile station due to voltage (input or output) differences?
- c) What percentage of customers and load would be supported by the proposed mobile station?
- d) Does the acquisition of the mobile station also mitigate the concern of loss of backup MS supply?
- e) How many stations have infrastructure to connect the mobile MS and does Elexicon Energy consider the mobile MS in N-1 contingency scenarios? If not, why not?

2-Staff-51

Customer & Generation Connections

Ref 1: Exhibit 2B / Tab 4 / Schedule 3 / Appendix B / p. 12 (PDF p. 82)

Preamble:

The application states:

“In 2024 alone, five transformers over 5 MVA were connected, compared to none in the years prior to 2023. This trend reflects a growing prevalence of large user applications and signals a shift in the nature of customer demand toward more energy-intensive operations.”

and

“Developers submit requests to Elexicon for load connections, seeking estimates for the proposed connected loads. It is essential to note that these requests are preliminary and do not constitute a commitment to proceed with development; rather they are intended to assist the developer in validating a business case for potential investments in the service area.”

Question(s):

- a) Please provide a detailed explanation for the significant increase in transformers exceeding 5 MVA installed in 2024, including the specific customer types, sectors, and projects that required these installations.
- b) Please provide the forecast for installations of transformers >5 MVA for 2027–2031 and the assumptions underlying this forecast.
- c) For each load connection application greater than 5W received between 2020-2025, please fill out the following table:

#	Year Load Requested	Load Amount Requested (MW)	Date of Connection (if connected)	Offer to Connect Signed? (Y/N as of today)	Customer Sector	Current Status (if not connected) & Reason (pending/cancelled/deferred)	Current Application Stage (processing / load studies / CCA / OTC / construction / commissioning / energizing)
1							

- d) Please indicate if any of the load connection applications from the answer that have yet to be connected c) are contingent on external factors (permits, financing). If yes, please specify which application in the table.
- e) Please indicate if any of the load connection applications from the answer to c) are for artificial intelligence data centres. If yes, please specify which application in the table.

2-Staff-52

System Expansion

Ref 1: Exhibit 2B / Tab 4 / Schedule 3 / Appendix C / Table 1 / p. 3 (PDF p. 100)

Ref 1: Exhibit 2B / Tab 4 / Schedule 3 / Appendix C / Table 7 / p. 31 (PDF p. 128)

Preamble:

The application includes a table that summarizes system expansion projects that are in progress.

The application states:

“The inquiries outlined above highlight a diverse range of developments, from residential projects to commercial establishments. The cumulative proposed load indicates a strong demand for electrical services, reflecting the growth potential within Elexicon’s service area. As these developers move forward with their plans, Elexicon anticipates an increase in Offer to Connect (OTCs) being issued, which will further necessitate infrastructure enhancements and capacity planning.”

Question(s):

a) Please fill out the following table.

District	Est. Connection Year	Load (MW)	Total Cost Estimate	Estimated Capital Contributions	Net Capital Expenditures	Current stage of project development (e.g., conceptual planning, design, early execution, procurement, construction)	Offer to Connect signed (Y/N)
Ajax	2029	14.8	\$15.50M				
Bowmanville	2030	4	\$2.80M				
Pickering	2027	25	\$12.00M				
Pickering	2028	40	\$49.83M				
Pickering	2027	16	\$8.00M				
Pickering	2028	20	TBD				
Uxbridge	2027	0.9	\$0.63M				
Uxbridge	2027	4.9	\$8.00M				
Whitby	2031	30-50	\$35.00M				
Whitby	2031	35	TBD				

- a) Please describe the methodology used to assess whether customer-initiated capacity expansion requests will materialize, including how Elexicon Energy distinguishes between firm commitments and speculative requests.
- b) For the projects listed in part a):
- i. Please explain how each estimated connection year was determined, including key milestones, third-party dependencies, and schedule risk allowances.
 - ii. Please provide the cost estimate class and contingency assumptions for each project.
 - iii. Please identify any projects that have high dependence future assets (e.g. GTA East TS).
- c) Please describe how probability of conversion, timing uncertainty, and customer commitment (e.g., signed OTCs) are factored into capital planning and prioritization.
- d) Please provide any historical analysis or metrics used to estimate realization rates for large-load inquiries and how these inform investment decisions.
- e) Please identify whether scenario planning or sensitivity analysis is performed (e.g., high/low demand cases) and provide examples of how these scenarios influence project timing or scope.
- f) Please provide annual and cumulative MW expected to energize in 2027–2031 and presenting sensitivity buffers where applicable.
- g) For each System Expansion project at Reference 1 that involves one or more major highway crossings (Pickering 25MW, Pickering 25MW, Whitby 30-50MW), please provide the following:

- i. Unit cost (e.g., \$/km of line, \$/km of crossing, or \$/structure) used in the cost estimate for the segments that involve highway crossings.
 - ii. Unit cost for comparable non-highway-crossing line segments within the same project (or, if unavailable, within similar Elexicon Energy projects of the same voltage class).
 - iii. For any unit cost variances, please provide a breakdown of the specific cost drivers for the cost variation between highway-crossing and non-crossing segments (e.g., MTO permitting, specialized engineering, construction method constraints, traffic control requirements, easements/ROW, geotechnical considerations).
 - iv. Was alternative routing considered to avoid highway crossing?
 - v. What is the typical timeline for permitting for highway crossings?
- h) Please update Table 7 with 2025 actual expenditures.

2-Staff-53

Metering and AMI 2.0

Ref 1: Exhibit 2B / Tab 4 / Schedule 3 / Appendix D (Exhibit 2B Part 2, PDF pp. 133 - 162)

Preamble:

Elexicon Energy expects to replace failed meters and install new meters for customer connections at a five-year cost of \$9.85M. The historical 2020-2024 program cost was \$7.11M. Elexicon Energy has forecast an increase of 18,000 new metered customers (3,600 yearly average) for the 2027-2031 period. Elexicon Energy is predicting that on average 1,400 meters will failure each year compared to an average of 1,000 meters failing historically since 2021.

Elexicon Energy is proposing to deploy AMI 2.0 over a period of 8 years starting in 2028. Elexicon Energy plans to spend \$21.39M across the 2027-2031 period for the AMI 2.0 rollout.

Question(s):

- a) Please update Table 5 with actual 2025 Metered Customers.
- b) Please update Tables 6 and 7 with actual 2025 expenditure.
- c) What is the annual forecast cost of installing 3600 new meters each year of the 2027-2031 period?
- d) What is the annual forecast cost of replacing 1400 meters in each year of the 2027-2031 period?

2-Staff-54

Substation Renewal

Ref 1: Exhibit 2B / Tab 4 / Schedule 3 / Appendix E / p. 38 (PDF p. 200)

Ref 2: Exhibit 2B / Tab 3 / Schedule 2 / Asset Condition Assessment

Preamble:

At reference 1, the application states that:

“[t]his level of investment is also expected to slow down increases to the proportion of old assets in the system and will result in a mere 4% increase in the percentage of assets that have exceeded their TUL or will exceed their TUL in the next 5 years.”

Question(s):

- a) Please explain the methodology used to determine the change in asset demographics over the forecast period.
- b) Please explain why a 2% reduction in the proportion of station assets in poor or very poor condition (from 14% to 12%) is reasonable for the 2027–2031 period.
- c) Please describe how Elexicon Energy assessed whether the incremental reductions in poor/very-poor condition assets achieved when moving from Low→Balanced and Balanced→Needs-Based were “worth” the additional capital required. In your response, explain the basis on which Elexicon Energy evaluated the value or justification for each incremental percentage-point improvement in asset condition.

2-Staff-55

Substation Renewal

Ref 1: Exhibit 2B / Tab 4 / Schedule 3 / Appendix E, p. 38 (PDF p. 200)

Ref 2: Exhibit 2B / Tab 4 / Schedule 3 / Appendix E, p. 33 (PDF p. 195)

Ref 3: Exhibit 2B / Tab 3 / Schedule 2 / Asset Condition Assessment

At reference 1, the application states that:

“Elexicon’s AM Planning Process (Exhibit 2B - Tab 3 - Schedule 1) describes Elexicon’s broader approach to developing capital and maintenance investment plans, including investment pacing and prioritization functions. Elexicon leverages this process to both identify and prioritize [Municipal Stations] MSs as part of discrete capital investment projects. Pacing and prioritization of projects in the program is based on an analysis of the risk that will be mitigated and benefits that will be achieved from renewal for each MS in the system. The analysis produced a priority score for each MS. Investment timing was based primarily on the MS’s priority score. The analysis utilized eight weighted variables.”

“Elexicon evaluated three investment options for the Substation Renewal Program, each offering different levels of cost and benefit: Needs-Based, Balanced, and Low. As part of this evaluation, both the accumulative current and forecasted asset condition and age of substation assets were carefully considered to ensure that investment decisions reflect asset condition, risk, and lifecycle performance.”

The evidence lists the eight variables used in the analysis: Station Health Index, Safety, Environmental Impact, Electrical Service Continuity, Healthy & Productive Workforce, Operational Efficiency, Customer Convenience and Confidence, and Regulatory Compliance.

At reference 2, the application states that:

“Pacing and prioritization of projects in the program is based on an analysis of the risk that will be mitigated and benefits that will be achieved from renewal for each MS in the system. The analysis produced a priority score for each MS. Investment timing was based primarily on the MS’s priority score.”

Question(s):

- a) Please provide the weighting factors applied to each of the eight variables used in the Substation Renewal prioritization. In your response, please include:
 - i. The specific numerical weight or percentage assigned to each variable.
 - ii. A description of how the weighting factors were determined.
- b) Please provide the priority scores for all Municipal Stations evaluated as part of the Substation Renewal Program. In your response, please provide:
 - i. The total priority score for each MS evaluated under the Substation Renewal prioritization process ranked from highest to lowest priority scores.
 - ii. The score breakdown showing how each of the eight weighted variables contributed to the total score for each MS.
 - iii. Please identify which MSs were included in the:
 - Balanced investment plan
 - Needs-Based plan only
 - Low investment plan only
- c) For each MS included in the Balanced plan but deferred in the Low scenario, please provide a narrative explanation of how the station’s priority score reflects the asset condition deterioration, failure risk indicators, and reliability consequences described earlier in the evidence.

- d) Please explain how the priority scores were used to determine the specific year (2027, 2028, 2029, 2030, or 2031) in which each MS renewal project is scheduled.
- e) For any MS where the scheduled renewal year does not align with its priority score ranking, please provide the rationale for the sequencing and how these decisions are consistent with Elexicon Energy's Asset Management Planning Process.
- f) Please explain how Elexicon Energy determines whether a substation proceeds as a full rebuild versus a partial rebuild or targeted asset replacement for Shuter MS and Bigelow MS.

2-Staff-56

Substation Renewal

Ref 1: Exhibit 2B / Tab 4 / Schedule 3 / Appendix E / p. 34 (PDF p. 196)

Ref 2: Exhibit 2B / Tab 3 / Schedule 2 / Appendix B / Asset Condition Assessment

At reference 1, the application defines operational efficiency and station health index which are part of the eight weighted variables in the Municipal Station priority analysis:

“Operational Efficiency – Evaluates the risk of lost opportunities for efficiency improvements through investment in labour-saving capital equipment. The benefits range from no impact on OM&A costs over the five-year period to potential OM&A cost reduction/avoidance >\$250K. The more OM&A savings the projects could potentially achieve the higher the priority score.”

“Station Health Index – Defines the condition of the station and acts as a proxy for the probability of failure. Each station's health index is the weighted aggregate HI value of the individual assets in the station. The lower the health index the higher priority score.”

Question(s):

- a) The description of the Operational Efficiency variable appears inconsistent. It states that the metric “evaluates the risk of lost opportunities for efficiency improvements through investment in labour saving capital equipment,” but then describes the scoring as based on the magnitude of OM&A savings achieved through such investments. These two concepts, risk of missed opportunities and realized OM&A savings, seem to be separate.
 - i. Is the Operational Efficiency variable intended to measure (a) the risk associated with not undertaking the capital investment, (b) the expected OM&A savings from undertaking the investment, or (c) both?

- ii. If it measures both, please explain how these two components are differentiated and weighted within the scoring methodology.
 - iii. Please provide the specific scoring criteria, including how “lost opportunity risk” is quantified versus how OM&A savings (e.g., >\$250k) are quantified.
- b) Please confirm if the “Station Health Index” metric included in the Material Investment Narrative is the same as the “Aggregate HI Score by station” included in the Asset Condition Assessment.
- c) Please explain the following for the Aggregate HI Scores for stations:
- i. How is it calculated?
 - ii. Does each component listed (e.g., power transformer, station cable, etc.) receive a weighting factor? If yes, please provide the following:
 - i. The weighting factor for each component
 - ii. Please describe how each weighting factor was determined
- d) If the “Station Health Index” metric is different from the “Aggregate HI Score by station”, please answer part c) above for the “Station Health Index” metric.

2-Staff-57

Substation renewal

Ref 1: Exhibit 2B / Tab 4 / Schedule 3 / Appendix E (Exhibit 2B Part 2, PDF pp. 163 - 232)

Ref 2: Exhibit 2B / Tab 3 / Schedule 2 / Appendix B / page 72 (Exhibit 2B Part 1, PDF p. 722)

Preamble:

Total forecasted investment within the Substation Renewal program is \$109.88M over the 2027-2031 rate period. The historical 2020-2024 program cost was \$22.70M.

Investment in this program is separated into three segments:

- Station (full or partial rebuilds) \$103.88M
- DC System replacements \$3.29M and
- Station deficiencies \$2.72M.

Table 5 summarizes the total investment associated with the Station Renewal program, Tables 1 and 6 provide a listing of all Station rebuild investments for the 2027-2031 forecast period.

Question(s):

- a) Please update Table 5 with 2025 actual expenditures.
- b) For all the stations listed in Table 1 please provide the following information:
 - The ratings (ONAN/ONAF) of each of the transformers in the station

- Each transformer age
 - The current and forecast peak summer loading (2026-2031) of the transformers in the station
 - The loading planning capacity of the transformers in the station
 - The contingency sources to be drawn upon if all or a portion of station capacity is lost
 - Does it have mobile MS connection capabilities?
- c) Please provide in a format similar to Table 6, forecast expenditures for the \$78.18M Low Investment Option.
- d) Which of the existing 62 Municipal Substations operated by Elexicon Energy have spill containment in the event of an oil leak or spill from the transformer(s) in the substation? Will any of the full station rebuilds result in oil containment being installed where none exists today?
- e) Elexicon Energy states that the rebuild of Sandy Beach MS will be complete in 2026. Will all poor and very poor assets in the MS as identified in the ACA be replaced as part of the rebuild?
- f) On an annual basis, how often is it required to de-energize feeder lines for routine relay maintenance at Shuter station?
- g) The forecast cost for the rebuild of Catherine MS is \$1.95M. Please provide details of the specific individual asset/works expenditures that comprise the \$1.95M.
- h) How long have the 4 feeder cables at Fairport MS been in this temporary condition? Are distribution feeder reconfiguration costs included in the station rebuild and relocation cost?
- i) Elexicon Energy states that Edgehill T2 must be replaced due to Dissolved Gas Analysis results. The ACA has assessed Edgehill T2 in Fair condition with an HI of 54%. Why has T2 been assessed in Fair condition if DGA results warrant replacement?
- j) What is the size of the new transformer that is to replace the existing T2 transformer at Edgehill MS?
- k) What will be the disposition of the Cavan South MS transformer (HI = 57%) once the station is decommissioned?
- l) Please provide a breakdown (by major station components and activities) of the 2027-2029 annual costs for the full rebuild of Garden MS.
- m) Elexicon Energy is proposing the full rebuild of Crandell MS. The transformers HI is 70%. What will be the disposition of the transformer under the full rebuild proposal? Are the asbestos lined ducts at Crandell MS considered friable or non-friable?
- n) Elexicon Energy states that the temporary transformer unit in Uxbridge West was manufactured in 1964. How many actual in-service years has this unit had versus

years as a spare? What will be the disposition of the transformer under the full rebuild proposal?

- o) For the Town Centre MS, what is the cost to replace the tie and line switches?
- p) What will be the disposition of the Herchimer MS transformer (HI = 53%) once the station is decommissioned?
- q) Elexicon Energy is proposing the full rebuild of Cascade MS. The transformers HI is 64%. What will be the disposition of the transformer under the full rebuild proposal?
- r) Elexicon Energy is proposing a full rebuild of Westney Heights MS. The transformers HI are 60% and 64%. What will be the disposition of the transformers under the full rebuild proposal? What is the cost to replace the cables with HI <10%?
- s) The Sidney MS power transformer has a calculated Health Index of 29%. This is the lowest HI of all the Elexicon Energy power transformers. Please explain why this unit is not being addressed in the 2027-2031 period.
- t) Please provide a listing of all spare MS transformers including location, voltage and capacity ratings.
- u) Elexicon Energy plans to replace four DC systems annually at a cost of is \$3.29 million over the 2027–2031 rate period. According to the most recent ACA, only 5 chargers are currently in poor or very poor condition, and no battery units are currently in poor or very poor condition. Most batteries are in the good to very good condition. Please provide a listing and individual cost of all projects in the DC System replacements for each year of the 2027-2031 forecast period.
- v) Please provide a listing and individual cost of all projects in the Station Deficiencies program for each year of the 2027-2031 forecast period.

2-Staff-58

Substation Renewal

Ref 1: Exhibit 2B / Tab 4 / Schedule 3 / Appendix E / p. 36 (PDF p. 198)

Ref 2: Exhibit 2B/ Tab 4 / Schedule 1 / p. 16 (PDF p. 17)

At reference 1, the application summarizes program risks and mitigation methods. The following is stated for program lead times:

“Risk: Program Lead Times - Procurement of key infrastructure components such as transformers and switchgear can take 24–36 months, impacting timely project execution.

Mitigation Methods: Advance Procurement: The timely execution of the project is heavily reliant on the availability of these critical assets. To proactively manage

this risk and ensure alignment with the planned in-service date, Elexicon initiates procurement activities in advance of the anticipated project commissioning.”

Question(s):

- a) Please clarify precisely when this lead-time period begins (e.g., at issuance of RFP/RFQ, at contract award, at vendor purchase order acceptance, or another milestone).
- b) Based on the response above, for each MS renewal project planned for the 2027-2031 period, please confirm when this procurement activity for transformers and switchgears was initiated. For example, if the lead-time period begins at the issuance of the RFP/RFQ, please identify when the RFP/RFQ was issued (or is planned to be issued) for each project.
- c) For each MS renewal project planned for the 2027-2031 period, please provide the estimated delivery date for the transformers and switchgear and if they have been delivered.
- d) At reference 2, Elexicon Energy states that, “Elexicon experienced delays in the delivery of equipment such as transformers and switchgear, which caused several substation renewal projects to be deferred. Notably in years 2022 and 2023, Elexicon in-serviced less than planned due to delayed switchgear replacements in Monarch MS and Liberty MS.”
 - i. Have any major equipment orders for any of the substation renewal projects planned for the 2027-2031 been delayed? If yes, please indicate which projects, the duration of the delay, and any revised equipment delivery schedules. Have these delays been incorporated into the forecast schedule for substation renewal?

2-Staff-59

Underground System Renewal

Ref 1: Exhibit 2B / Tab 4 / Schedule 3 / Appendix F (Exhibit 2B Part 2, PDF pp. 233 - 281)

Preamble:

Total forecasted investment within the Underground System Renewal program is \$84.15M from 2027 to 2031. The historical 2020-2024 program cost was \$18.02M.

Question(s):

- a) Please update Table 7 with 2025 actual expenditures.
- b) Please update Table 8 with 2025 actual figures.
- c) Please provide the annual costs for each of the equipment categories in Table 8.

- d) Please provide in a format similar to Tables 7 and 8, forecast expenditures for the \$48.64M Low Investment Option.
- e) How many individual lengths of submarine cables does Elexicon Energy have in its service area? What are number and the individual lengths of the submarine cables that are proposed to be replaced in the 2027-2031 forecast period?
- f) Old cables will be replaced with new TR-XLPE cables in PVC conduit infrastructure. Is the new TR-XLPE cable strand sealed?

2-Staff-60

Overhead System Renewal

Ref 1: Exhibit 2B / Tab 4 / Schedule 3 / Appendix F (Exhibit 2B Part 2, PDF pp. 282 - 335)

Preamble:

Total forecasted investment within the Overhead System Renewal program is \$55.72M from 2027 to 2031. The historical 2020-2024 program cost was \$29.63M.

Question(s):

- a) Please update Table 8 with 2025 actual expenditures.
- b) Please update Table 9 with 2025 actual figures.
- c) Elexicon Energy states that Pole-Tran transformers will be replaced with standardized pole mount transformers. Is it Elexicon Energy's intention to replace the Pole-Trans pole and distribution system with an overhead system?

2-Staff-61

Reactive Capital

Ref 1: Exhibit 2B / Tab 4 / Schedule 3 / Appendix H (Exhibit 2B Part 2, PDF pp. 336 - 363)

Preamble:

Total forecasted investment within the Reactive Capital program is \$30.23M from 2027 to 2031. The historical 2020-2024 program cost was \$29.77M. Significant increases in Reactive Capital Actual versus Plan are noted in years 2022, 2023 and 2024 due to a combination of severe weather events and higher number of failures

Question(s):

- a) Please update Table 8 with 2025 actual expenditures.
- b) Please provide a breakdown of the portions of reactive capital cost due to severe weather and failures for each of the 2020 – 2025 historical years.

- c) Figure 6 indicates that no UG cable required reactive replacement over the 2020-2024 period. Please confirm that there was no UG cable replaced over the historical period through the reactive capital program.
- d) Table 8 indicates no capital contributions for reactive capital over the 2027 – 2031 forecast period. Does Elexicon Energy anticipate that there will be no foreign interference impacts (ie. Vehicle impacting Elexicon Energy equipment) over this period?

2-Staff-62

Substation Growth

Ref 1: Exhibit 2B / Tab 4 / Schedule 3 / Appendix I (Exhibit 2B Part 2, PDF pp. 364-412)

Preamble:

Total forecasted investment within the Substation Growth program is \$147.33M from 2027 to 2031. The historical 2020-2024 program cost was \$41.58M. Approximately two-thirds of the forecast spending in the program will be invested into a new transformer station, GTA East TS, in the North Pickering/Whitby area.

Question(s):

- a) Please update Table 6 with 2025 actual expenditures.
- b) Elexicon Energy states that capacity assessment incorporates N-1 contingency planning. N-1 contingency planning at the DESN Transformer Station level ensures that the loss of a incoming transmission line, or transformer station power transformer would **not result in the loss of power** to downstream distribution customers. Under the Elexicon Energy N-1 MS capacity planning standards will the loss of a MS transformer result in a loss of supply to connected customers until a **contingency backup** supply source takes over?
- c) Please provide the following for each new and upgraded MS proposed in the Substation Growth program:
 - a. each existing area MS and their current and forecast loading that comprise the system planning evaluation
 - b. the calculation for the existing MS Planning Capacity,
 - c. the calculation for the N-1 MS Planning Capacity
 - d. how many hours a year each of the MS are expected to be above the N-1 MS Planning Capacity over the 2027-2031 forecast period.
- d) Please provide the annual 2027-2031 customer growth in each of the planning areas where new MS are proposed.
- e) For the BLG development in North Whitby which is planned to be developed in two stages, when are the in-service dates for Stage 1 and Stage 2?

- f) Elexicon Energy states that supply MS for the BLG development have been defined based on the reasonable distances from the BLG development load centre. Are there any other reasons that the Taunton West MS is not suitable for area supply considerations?
- g) Tables 12 and 13 indicate Forecasted Load and 13.8kV MS Planning Capacity in Belleville without and with Foster MS included. Without Foster MS, there is no change to the Maximum Planning Capacity and the N-1 MS Planning Capacity. What impact does the Edgehill MS T2 13.8kV upgrade, to be completed in 2028, have on the Maximum Planning Capacity and the N-1 MS Planning Capacity?
- h) Why is the Port Hope MS considerably more expensive than the Foster MS?
- i) Due to station decommissioning, upgrades, conversions, etc., are any of the existing 4.16kV power transformers (eg. Cascade Tx with an HI of 64%) available for use with the proposed Uxbridge North MS?
- j) How is the existing capacity at Bradshaw MS to be upgraded? Additional TX or upgraded TX? If upgrading, can the existing 13.8kV power transformer (HI = 74%) be used elsewhere in the system as part of the Substation Growth program?

2-Staff-63

Grid Enhancements

Ref 1: Exhibit 2B / Tab 4 / Schedule 3 / Appendix J (Exhibit 2B Part 2, PDF pp. 428-471)

Ref 2: Exhibit 2B / Tab 3 / Schedule 2 / Appendix A / pp. 9, 23 (Exhibit 2B Part 1, PDF pp. 632, 646)

Preamble:

Elexicon Energy is forecasting a total investment of \$67.81M over the 2027-2031 period in the Grid Enhancements program. The historical 2020-2024 program cost was \$20.53M.

Question(s):

- a) Please update Tables 4 and 5 with 2025 actual expenditures.
- b) How many SCADA enabled units and reclosers were installed in each of the 2020-2025 years and proposed in the 2026 forecast year? How many are to be installed in each of the 2027 – 2031 forecast years?
- c) Of the 256 Elexicon Energy feeders, how many are 4.16kV feeders?
- d) Are any SCADA enabled units and reclosers to be installed on existing 4.16kV feeders?

- e) How many communicating fault current indicators (CFCIs) were installed in each of the 2020 – 2025 years and proposed in the 2026 forecast year? How many are to be installed in each of the 2027 – 2031 forecast years?
- f) How many CFCIs are proposed to be installed on each of the respective 27.6kV, 13.8kV and 4.16kV systems over the 2027-2031 period?
- g) What conditions would not permit the deployment of CFCIs?
- h) How many self-resetting fuses were installed in each of the 2020 – 2025 years and proposed in the 2026 forecast year? How many are to be installed in each of the 2027 – 2031 forecast years?
- i) How many reclosing attempts will the self-resetting fuses try before lock-out?
- j) How many self-resetting fuses are proposed to be installed on each of the respective 27.6kV, 13.8kV and 4.16kV systems over the 2027-2031 period?
- k) Which stations are to be subject to Asset Performance Management systems over the 2027-2031 period?
- l) Elexicon Energy plans to implement station modernization within the Grid Enhancements program, targeting a deployment pace of approximately three stations per year. Please identify the stations covered by this program for each of the 2027 – 2031 years.
- m) Elexicon Energy will replace 26 protection relays across 7 stations over the 2027 – 2031 years. Please identify which stations are affected in each of the 2027 - 2031 years.

2-Staff-64

Voltage & System Conversion

Ref 1: Exhibit 2B / Tab 4 / Schedule 3 / Appendix K (Exhibit 2B Part 2, PDF pp. 472- 509)

Preamble:

Elexicon Energy has identified key priority areas for voltage & system conversion during the 2027–2031 rate period, with a total forecast investment of \$23.64M. The historical 2020-2024 program cost was \$1.71M.

Elexicon Energy plans to invest approximately \$6.83M during the 2027–2031 rate period for voltage & system conversion within the Port Hope service area.

Question(s):

- a) Please update Table 6 with 2025 actual expenditures.
- b) The new Port Hope MS is scheduled for 2029 in-service. Cavan South MS is scheduled for decommissioning in 2028. Please provide the annual loading for

each of the existing and proposed MS in the Port Hope area over the 2027-2031 period.

- c) Page 477 of the PDF states that the Edgehill MS T1 operates at 13.8kV and T2 operates at 4.16kV. Page 479 of the PDF states that Edgehill MS T1 will continue to operate at the 4.16 kV system voltage during the 2027–2031 planning period. Please clarify the actual Edgehill MS T1 and T2 voltage ratings.
- d) What is the capacity and projected 2027-2031 load of the Green River Step-Transformer?
- e) Are Greenwood North Transformer and Greenwood Transformer also Step-Transformers?
- f) Elexicon Energy states that for the North-West Pickering distribution system, connections are limited to a maximum transformer size of 500 kVA at 8.32 kV due to technical and equipment limitations. The system is already operating near its planning capacity limit of 3.6 MVA. Any new connection requests under current conditions would require costly system expansions from the 27.6 kV network which are often economically unfeasible for some customers and developers. Is the purpose of this conversion to allocate expansion costs to existing rate base customers instead of new customers and developers?

2-Staff-65

Facilities

Ref 1: Exhibit 2B / Tab 4 / Schedule 3 / Appendix L (Exhibit 2B Part 2, PDF pp. 510-537)

Ref 2: Exhibit 2B / Tab 4 / Schedule 3 / Appendix L-1 (Exhibit 2B Part 2, PDF pp. 538- 614)

Preamble:

Elexicon Energy is forecasting a total investment of \$14.77M over the 2027-2031 period in the Facilities program. The historical 2020-2024 program cost was \$9.02M. Elexicon Energy states that forecasted costs are limited to those viewed as essential to maintaining the sound and serviceable condition of the buildings impacted.

Question(s):

- a) Please update Tables 8 and 9 with 2025 actual expenditures.
- b) Elexicon Energy states that it uses Cresa's estimates for Facility Storage and Warehouse costs as well as Office Renovations & Parking cost and escalates them by inflation and typical capital overheads to arrive at a new cost. Please confirm that Cresa includes a 15% contingency in its estimates or provide the contingency value used.

- c) Please provide the Brown & Beattie Building Sciences building condition assessment report for the Elexicon Energy facilities.
- d) Table 1 shows the planned repairs for the Ajax Facility over the 2027-2031 period. Please provide the costs for each of the specific repairs listed in Table 1.
- e) Table 2 shows the planned repairs for the Whitby Facility over the 2027-2031 period. Please provide the costs for each of the specific repairs listed in Table 2.
- f) Table 3 shows the planned repairs for the Beaverton Facility over the 2027-2031 period. Please provide the costs for each of the specific repairs listed in Table 3.
- g) Table 4 shows the planned repairs for the Gravenhurst Facility over the 2027-2031 period. Please provide the costs for each of the specific repairs listed in Table 4.
- h) Table 5 shows the planned repairs for the Bowmanville Facility over the 2027-2031 period. Please provide the costs for each of the specific repairs listed in Table 5.
- i) Elexicon Energy states that it expects that the recommended repairs B&B identified in 2025 and 2026 will be deferred to 2027. What are the forecast building expenditures for 2025 and 2026 shown in Table 9 for?

2-Staff-66

Fleet

Ref 1: Exhibit 2B / Tab 4 / Schedule 3 / Appendix M (Exhibit 2B Part 2, PDF pp. 615- 635)

Preamble:

Elexicon Energy is forecasting a total investment of \$17.85M over the 2027-2031 period in the Fleet program. The historical 2020-2024 program cost was \$7.78M. Elexicon Energy has identified 47 vehicles that will require replacement over the 2027-2031 forecast period. Elexicon Energy plans to invest in 15 new vehicles for planned new positions that would require a vehicle to perform the duties of the position.

Question(s):

- a) Please update Table 10 with 2025 actual expenditure.
- b) Elexicon Energy states that to attend to customer premises on islands in the Gravenhurst region, Elexicon Energy must have access to watercraft. A small boat has been identified as a 2027 addition. How does Elexicon Energy access the islands at the present time?
- c) Please provide the assessment reports for all the vehicles proposed for replacement over the 2027-2031 period.
- d) For each planned fleet addition noted in Table 10, please identify the department and number of positions associated with the fleet addition.

2-Staff-67

IT Systems

Ref 1: Exhibit 2B / Tab 4 / Schedule 3 / Appendix N (Exhibit 2B Part 2, PDF pp. 636- 671)

Preamble:

Elexicon Energy forecasts a total investment of \$10.25M over the 2027-2031 period in the IT Systems program. The historical 2020-2024 program cost was \$15.62M.

Question(s):

- a) Please update Tables 9, 11, 12, 13, 14, 15 and 16 with 2025 actual expenditure.
- b) Elexicon Energy replaces end user devices (such as PCs, tablets, and mobile phones) according to a defined 3-year lifecycle plan. Table 12 indicates no historical costs for Endpoint Device Refresh. Are historical costs for end user devices (such as PCs, tablets, and mobile phones) captured in Table 13 End User Hardware Enhancements?

2-Staff-68

Tools and Equipment

Ref 1: Exhibit 2B / Tab 4 / Schedule 3 / Appendix O (Exhibit 2B Part 2, PDF pp. 672- 683)

Preamble:

Elexicon Energy forecasts a total investment of \$5.41M over the 2027-2031 period in the Tools and Equipment program. The historical 2020-2024 program cost was \$1.58M.

Question(s):

- a) Please update Table 2 with 2025 actual expenditure.
- b) Please provide an annual listing of all tools procured over the historical 2020-2025 period and the 2026 – 2031 forecast period.
- c) For the 2027-2031 forecast period please provide an annual listing of all tools required for new vehicles for new positions.

2-Staff-69

OT Systems

Ref 1: Exhibit 2B / Tab 4 / Schedule 3 / Appendix P (Exhibit 2B Part 2, PDF pp. 684- 719)

Preamble:

Elexicon Energy forecasts a total investment of \$17.52M over the 2027-2031 period in the OT Systems program. The historical 2020-2024 program cost was \$4.57M.

Question(s):

- a) Please update Tables 3, 5, 7 and 8 with 2025 actual expenditure.
- b) What are the estimated costs for the Comprehensive Investment Option and the Low Investment Option?

2-Staff-70

Variance Explanations – A2 Customer & Generation Connections

Ref 1: Exhibit 2B / Tab 4 / Schedule 1 / pp. 12-14 (PDF p. 13-15)

Preamble:

At reference 1, the application states that the Customer and Generation Connections program “remains inherently volatile as it is primarily driven by external factors. Due to the customer driven nature of this program, customer timelines may change, resulting in variances year-over-year.”

Question(s):

- a) Please explain the reasons for the 54.4% variance between the planned and actual 2024 net in-service additions for the Customer & Generation Connections program. In your response, identify and quantify the primary drivers (e.g., project deferrals, cancellations, customer-driven delays, etc.).
 - i. If the variance is attributed to customer-driven delays, please identify the type of customer involved (i.e., residential, commercial, industrial, institutional, or large-scale developers).
- b) Please confirm whether the significant shortfall in 2024 actual net in-service additions has resulted in any revisions to the Elexicon Energy’s forecast for the 2027-2031 period. Please explain.

2-Staff-71

Ref. 1: Exhibit 9 / Tab 3 / Schedule 3 / pp. 1 - 2 (PDF pp. 12 - 13)

Ref 2: Exhibit 2B / Tab 4 / Schedule 3 / pp. 23 – 24 (PDF pp. 93 – 94)

Ref. 3: [Final Notice of Amendments to the Distribution System Code](#), June 16, 2025

Preamble:

Elexicon Energy states that Elexicon’s draft investment plan was prepared as the amendments to the DSC were introduced. The amendments to the DSC apply different horizons based on whether a connection is housing related or not. The mix of housing-related and larger connections (i.e. commercial and industrial customers) will vary from year to year which introduces complexity in forecasting, particularly in the outer years of the plan. This is further exacerbated by the fact that Elexicon is seeing an increase in volume and magnitude of connections which makes historical trends challenging to rely

upon. Due to these complexities, Elexicon was unable to revise investments in System Access to accommodate the horizon revisions noted above.

Appendix C of reference 2 outlines changes to the Distribution System Code to extend the customer revenue horizon to 40 years for residential customers (as defined in Appendix C).

Question(s):

- a) Please update Table 12 and Table 13 with revised amounts due to the change in the customer revenue horizon to 40 years.
 - i. Please provide supporting calculations detailing how Elexicon Energy arrived at the revised values.
 - ii. Please include in the supporting calculations an example of at least one specific development request, which can be an actual request with identifying information removed, or an illustrative development request that would be similar to those typically received by Elexicon Energy. Please confirm if Elexicon Energy took into account the capacity allocation model?
 - iii. If not, please state if the capital contribution were under/over estimated

2-Staff-72

Variance Explanations – A3 System Expansion

Ref 1: Exhibit 2B / Tab 4 / Schedule 1 / pp. 12-14 (PDF pp. 13-15)

Ref 2: EE Exhibit 2A-1-1(1) OEB App.2-AA-AB-BA-BB-C

Preamble:

At reference 1, the application states that, “System Expansion net actual ISA amounts totalled \$13.02M on a gross basis and \$1.99M on a net basis from 2020–2024. Actual gross in-service amounts were consistently below the planned gross budget across the historical period, while net results were generally below the plan except for 2023. The reduced gross in-service amount reflects project cancellations and timing delays driven by external parties, primarily in Ajax, Pickering and Whitby, whereas the smaller net variance — and the increase in 2023 — resulted from variances in customer contributions.”

Question(s):

- a) Please describe the main drivers of System Expansion project cancellations from 2020–2024, and identify the types of customers associated with these cancellations (e.g., institutional, industrial, commercial, or residential developers).
- b) The application shows \$18.8M in net CapEx and only \$1.99M in net in service additions from 2020–2024. Please explain the key factors contributing to this

gap, including cancellations, timing delays, customer contributions, or other causes.

- c) The below table summarizes the capital expenditures in System Expansion for years 2020 to 2024. Please explain the reasons for this step increase in net capital expenditures in 2024 and 2025, and indicate whether this increase is linked to specific customer segments, geographic areas, project types, or timing shifts.

Projects (\$M)	2020	2021	2022	2023	2024	2025
A3 System Expansion (Gross Capex)	3.1	3.0	10.2	5.1	16.3	14.0
Capital Contributions	3.1	2.9	8.7	1.7	2.5	2.4
Net Capex	0.1	0.1	1.5	3.4	13.8	11.6

- d) The application states that the 2024 actual net in-service additions for the System Expansion program is (\$0.32M). Please explain why this is negative.
- e) Please describe the internal processes and planning practices Elexicon Energy uses to ensure that the System Expansion forecast budget and in-service additions for the 2027–2031 period are able to accommodate uncertainties such as customer-driven project cancellations, schedule changes, and timing delays similar to those experienced in the historical period.
- i. Please indicate whether these processes have changed compared to those used during the historical period, and if so, describe how they have evolved.

2-Staff-73

Variance Explanations – System Access In-Service Additions

Ref 1: Exhibit 2B / Tab 4 / Schedule 1 / pp. 3-4 / Table 1 (DSP Part 2, PDF pp. 4-5)

Preamble:

Table 1 shows that System Access – Net capital expenditures increase from a historical annual average of approximately \$11.95M (2020–2024) to a bridge-year annual average of approximately \$26.02M (2025–2026), representing a 118% increase.

Question(s):

- a) For the System Access – Net category, please provide a project-level breakdown of the forecast in-service additions for 2025 and 2026, including:
- i. Project description (e.g., customer connections, road authority relocations, previously approved ICM project, etc.)

- ii. Planned in-service date
- iii. Capital amounts going into service
- b) For any project exceeding \$1M forecast in-service additions in years 2025 or 2026, please provide:
 - i. Current status and key milestones
 - ii. Any known risks to timing or scope
- c) If it is not already explained in Elexicon Energy's answers to part a) and b) above, please explain the drivers for the 118% increase in in-service additions from the historic period to the bridge years noted in the preamble above.

2-Staff-74

Variance Explanations – Substation Growth

Ref 1: Exhibit 2B / Tab 4 / Schedule 1 / pp. 18-19 / Table 1 (PDF pp. 19-20)

Ref 2: Exhibit 2A / Tab 6 / Schedule 1 / p. 2 / Table 3 (PDF p. 67)

Ref 3: Exhibit 1 / Tab 8 / Schedule 1/ Attachment 3 / Audited Financial Statements 2024

Preamble:

At reference 1, the application states that, "Substation Growth net actual ISA amounts totaled \$50.49M during 2020-2024 and contributed to 78.5% of all investments in System Service. The net actual ISA amounts in this program exceeded the plan in years 2021 and 2024, and below the planned amounts in 2022-2023. This was primarily due to true-up costs associated with Seaton MTS and Whitby TS totaling to \$7.36M in 2024. These true-up costs result from differences between the assumptions in Elexicon's load forecasts relative to actual demand that occurred, triggering adjustments in the cost recovery agreements with Hydro One."

At reference 2, the application states that Elexicon Energy incurred a \$3,244,400 Hydro One true-up cost under the Connection and Cost Recovery Agreement (CCRA) for the transmission connection to Seaton MTS.

At reference 3, the application states that Whitby Transformer Station was built by Hydro One to meet Elexicon's load growth needs, and under the CCRA's 15-year final true-up, Hydro One determined that actual transformation revenue fell short of the \$19,950,000 allocated construction cost, resulting in Elexicon Energy owing a \$4,062,000 true-up payment in 2024.

Question(s):

- a) Please confirm that the Seaton MTS true-up amount referenced in "reference 1" is the same \$3,244,400 Hydro One true-up cost identified at reference 2.

- b) Please explain why true-up adjustments were required for Seaton MTS and Whitby TS in 2024, including a summary of the specific forecast assumptions that differed materially from the actual demand.
- c) As a result of these true-up costs, has Elexicon Energy made any changes to forecasting methodology for subsequent CCRA's, such as the one for the Belleville DESN project? Please explain.

2-Staff-75

Substation Growth

Ref 2: EE Exhibit 2A-1-1(1) OEB App.2-AA-AB-BA-BB-C

Ref 1: Exhibit 2B / Tab 4 / Schedule 1 / Appendix I (PDF p. 413)

Question(s):

- a) Please provide a table listing all actual and forecast CCRA payments to, and credits from, HONI over 2020 - 2031, including the project, payment due date and payment amount.
 - i. Please confirm where the historic and forecast costs are contained within reference 1.
- b) For each actual and forecast cost owing to or credited from HONI over 2020-2031:
 - i. Please categorize the costs as construction costs or load true-up.
 - ii. Please provide the agreements between Elexicon Energy and HONI
 - iii. Please provide any estimates and calculations from HONI (i.e. output of the HONI DCF model). In the absence of estimates from HONI, please provide Elexicon Energy's detailed calculations of the true-up amount.
 - iv. In cases where Elexicon Energy forecasts a payment during 2027-2031 due to reduced or unrealized load, please explain why the load forecast at the time of the agreement with HONI was not realized.
- c) Please identify any HONI CCRA payments associated with projects that were not identified in one of the regional plans submitted in this application.

2-Staff-76

Previously Approved ICM Projects

Ref 1: Exhibit 2A / Tab 6 / Schedule 1 / pp. 1- 3 and 4 - 6 (PDF pp. 66 – 68 and 69 – 71)

Preamble:

The OEB-approved ICM funding for the Seaton Transformer Station and Bus Rapid Transit-Highway 2 (BRT) projects.

Question(s):

Please confirm the in-service dates for the Seaton Transformer Station and the BRT projects.

2-Staff-77

OEB-Approved Rate Base and Capital Expenditures

Ref 1: Exhibit 2A / Tab 1 / Schedule 1 / Page 8 of 20 (Exhibit 2A, PDF page 8)

Preamble:

Elexicon Energy states that, due to its 2019 merger, it has no prior analysis or OEB-approved comparator is available to assess increases in capital expenditures or rate base.

Question(s):

- a) Please explain the due diligence conducted during the merger to verify the accuracy and prudence of Whitby Hydro Corporation's (Whitby Hydro) and Veridian Connections Inc.'s (Veridian Connections) historical capital spending and rate base.
- b) For each of Whitby Hydro and Veridian Connections, please provide a variance analysis of approved vs. actual net capital expenditures (separated by System Access, System Renewal, System Service and General Plant) and rate base for each year from the last rebasing of each utility to amalgamation. Please explain any variances above 20%.
- c) Please provide a term-over-term analysis of combined net capital expenditures and rate base actuals for Whitby Hydro and Veridian Connections during 2015–2019, and for Elexicon Energy during 2020–2024. Please ensure the analysis for the net capital expenditures is completed by category - System Access, System Renewal, System Service and General Plant.
- d) In the absence of OEB-approved comparators, please identify any proxy baselines used (e.g., blended historical net fixed assets from Whitby Hydro and Veridian). Please explain how each proxy was derived.

2-Staff-78

Previously Approved Z-Factor Claim

Ref 1: EB-2022-0317 / Decision and Order, June 15, 2023

Ref 2: EE Exhibit 2A-1-1(1) OEB App.2-AA-AB-BA-BB-C

Preamble:

In the EB-2022-0317 proceeding,³ the OEB approved capital cost recovery of \$3,841,456 for the Z-Factor claim, a reduction from the original application amount of \$4,379,603. The following table summarizes the 2023 rate base additions associated with the Z-Factor assets, as filed in Chapter 2 Appendices, Tab 2BA, indicate a total of \$4,266,024.

OEB Account	Description	Opening Balance	Z-Factor Opening Balance
1820	Distribution Station Equipment <50 kV	67,704,708	99,624
1830	Poles, Towers & Fixtures	111,132,443	2,775,710
1835	Overhead Conductors & Devices	78,808,439	287,348
1845	Underground Conductors & Devices	91,780,844	382,186
1850	Line Transformers	71,142,757	595,463
1855	Services (Overhead & Underground)	49,208,047	83,085
1955	Communications Equipment	2,325,932	6,291
1980	System Supervisor Equipment	9,016,897	36,317
		Total	4,266,024

Question(s):

- a) Please reconcile the difference in the amounts.
- b) Please identify any offsets or scope reductions in the 2024–2026 renewal/reactive budgets due to assets already replaced under the amounts recovered through the storm restoration related to the May 2022 storm Z factor claim.⁴ Where no offsets were taken, please explain why.

2-Staff-79

Asset Continuity Schedule

Ref 1: Exhibit 2B / Tab 4 / Schedule 1 / pp. 3-4 / Table 1 (PDF pp. 4 – 5)

Ref 2: Chapter 2 Appendices / Tab 2BA – Fixed Asset Continuity Schedule

Ref 2: Chapter 2 Appendices / Tab 2BA – Fixed Asset Continuity Schedule (ICM)

Question:

- a) At reference 1, for 2022, the table shows total net in service additions in the amount of \$84.58M. At reference 2 and 3, the 2022 Total PP&E for Rate Base Purposes is reported as \$38,521,572 for the fixed asset continuity and

³ EB-2022-0317, Decision and Order, June 15, 2023

⁴ EB-2022-0317

\$41,791,207 for the fixed asset continuity including ICM, totaling \$80,312,779.

This amount differs by more than \$4M with the \$84.58M amount from reference

1. Please reconcile the difference.

2-Staff-80

Substation Growth

Reference 1: Exhibit 2B / Tab 4 / Schedule 3 / Appendix I (PDF p. 366)

Reference 2: Exhibit 2B / Tab 4 / Schedule 3 / Appendix I-1

The application states that approximately two-thirds of the proposed Substation Growth budget is associated with GTA East TS and that the Ajax-Pickering/Whitby area will exceed 44 kV station capacity without this project. The pre-filed evidence notes interdependencies with Hydro One (new 44 kV transmission line/ROW) and references the regional planning conclusion that a new TS is needed.

The application states that GTA East Needs Assessment Report, December 2024 issued by Hydro One identified a requirement for a new transformer station (TS) in Whitby between 2030–2032, driven by forecasted overloading of the TS and 44 kV system.

Preamble:

- a) Please confirm the month the proposed GTA East TS is planned to go into service.
- b) What are the specific Station expenditures covered in each of the years 2027 – 2031?
- c) Please explain how the regional planning evidence that identifies the GTA East TS need, the MVA required, and the target in-service date, and show how this aligns with Elexicon Energy's two-phase 2025–2031 schedule.
- d) Please explain the basis for the proposed 2031 in-service date for GTA East TS by identifying: (i) the year each of Cherrywood, Thornton, and Whitby DESN 1 & 2 exceeds its LTR or feeder capacity, and (ii) the earliest year GTA East TS must be in service to avoid capacity violations under both the base-case and a low-growth scenario.
- e) Please provide a cost breakdown of GTA East TS by major component (i.e., site/civil, transformers (size/quantity), switchgear & protection, line terminations, telecom/SCADA, land, environmental/permitting, and HONI interface costs. Please also indicate the estimate class and contingency.
- f) Please provide a high-level project schedule for this project, outlining the major phases and target dates (e.g., planning, design, procurement, construction, commissioning, and in-service). What stage of the project is it currently in?

g) Please confirm when the CCRA is planned to be finalized with Hydro One.

2-Staff-81

Renewable Generation Connection Rate Protection (RGCRP)

Ref 1: Appendix 2-FB

Ref 2: Appendix 2-OA

Ref 3: Exhibit 2A / Tab 5 / Schedule 1 / p. 4 – 5 (PDF p. 63 – 64)

Preamble:

In Appendix 2-FB Elexicon Energy used a long-term debt rate of 4.73% (see below).

Rate Base		
Deemed ST Debt	4%	4.00%
Deemed LT Debt	56%	56.00%
Deemed Equity	40%	40.00%
ST Interest	2.11%	2.72%
LT Interest	4.94%	4.73%
ROE	9.36%	9.11%

In Exhibit 5 as well as Appendix 2-OA Elexicon Energy proposes a long-term debt rate of 4.83%.

Question(s):

- a. Please confirm the correct long-term debt rate and update the evidence as necessary.

2-Staff-82

Renewable Generation Connection Rate Protection (RGCRP)

Ref 1: Appendix 2-FB

Ref 2: Exhibit 2A / Tab 5 / Schedule 1 / p. 1

Ref 3: Exhibit 2A / Tab 5 / Schedule 1 / p. 4 – 5 (PDF p. 63 – 64)

Preamble:

In Ref 2, Elexicon Energy states that its working capital allowance (WAC) starting in 2027 is 6.62%. In Appendix 2-FB shows a WCA of 6.40% for 2027.

Question(s):

- a. Please confirm the correct working capital allowance and update the evidence as necessary.

2-Staff-83

Fixed Asset Continuity Schedule

Ref 1: 2027 Chapter 2 Filing Requirements for Electricity Distribution Rate Applications / December 16, 2025 / Section 2.2.2

Ref 2: EE_Exhibit 2A-1-1(1)_OEB App.2-AA-AB-BA-BB-C_20251219

Ref 3: EE_Exhibit 2A / Tab 2 / Schedule 1 / Table 1

Preamble:

OEB Staff notes that the application does not include historical actual capital expenditure and fixed asset continuity information for each legacy utility covering the period from the last OEB approved rebasing applications to 2019 in Refs 2 and 3. As a result, the 2020 opening balances used in Appendices 2-BA and 2-AB cannot be reconciled to previously OEB approved values.

Question(s):

- a) Please provide the historical actual capital expenditures covering the period from each utility's last OEB-approved rebasing application to 2019 by each rate zone in Excel format.
- b) Please update Appendices 2-AB and 2-BA in Ref 2 to reflect continuous historical data from the last OEB-approved rebasing years through 2019, including consolidated totals.
- c) Please reconcile the 2019 ending consolidated balances in c) to 2020 opening balance in Ref 2 and explain if any differences.
- d) Please reconcile the updated Appendix 2-AB ("net capital expenditures") to the updated Appendix 2-BA ("capital additions") for the historical period from the last rebasing year(s) to 2019, and explain any variances.
- e) Please provide a table comparing the OEB-approved closing balances from the most recent rebasing application to the corresponding actual closing balances for that same year by rate zone, and explain the variances. The table should include, at a minimum: Gross property, plant and equipment, Accumulated depreciation and Net book value.

2-Staff-84

Appendices 2-AB and 2-BA Reconciliation

Ref 1: EE_Exhibit 2A-1-1(1)_OEB App.2-AA-AB-BA-BB-C_20251219

Preamble:

OEB Staff notes Elexicon’s response to error checking indicating that no error between net capital expenditures reported in Appendix 2-AB and total PP&E additions reported in Appendix 2-BA, and that differences are related to WIP, Z-factor, and ICM amounts.

OEB Staff has compiled the table below to compare the Appendices 2-AB and 2-BA:

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Net Capex (2-AB)	\$35.2	\$53.4	\$78.4	\$52.5	\$68.9	\$59.8	\$77.2	\$123.3	\$129.7	\$149.7	\$149.0	\$188.1
Total PP&E(2-BA)	\$34.7	\$53.3	\$32.4	\$48.7	\$63.8	\$52.3	\$50.7	\$123.3	\$129.7	\$149.7	\$149.0	\$188.1
Variance	\$ 0.5	\$ 0.1	\$46.1	\$ 3.8	\$ 5.1	\$ 7.5	\$26.5	\$ (0.0)	\$ 0.0	\$ (0.0)	\$ (0.0)	\$ 0.0

Question:

- a) Please provide a reconciliation to explain how net capital expenditures reported in Appendix 2-AB translate into total PP&E additions reported in Appendix 2-BA for the years 2020 to 2026 by year.
- b) For each year with a material variance (including 2022 and 2026), please identify and quantify the specific drivers of the difference, including, but not limited to:
 - construction work in progress (CWIP) additions and transfers to in-service,
 - ICM-related capital,
 - Z-factor related capital,
 - asset retirements or derecognitions, and
 - any other material reconciling items.
- c) Please explain why net capital expenditures and total PP&E additions fully reconcile for the forecast years 2027 to 2031, while material differences are observed in the historical years 2020 to 2026.

2-Staff-85

Depreciation and Amortization

Ref 1: Exhibit 2A / Tab 2 / Schedule 1

Ref 2: EE_Exhibit 2A-1-1(1)_OEB App.2-AA-AB-BA-BB-C_20251219 / Tab App2.BB_Service Life

Preamble:

In Ref 1, Elexicon identifies several asset classes whose Effective Useful Lives (EULs) fall below the ranges recommended in the Kinectrics Asset Depreciation Study and provides explanations for Accounts 1835 and 1908. However, Appendix 2-BB shows that Account 1860 - Meters is also flagged as being outside the Kinectrics range, yet no explanation for this variance is provided in the evidence.

Question(s):

- a) Please confirm that the Effective Useful Lives applied to Account 1860 - Meters fall outside the minimum Kinectrics service life range as indicated in Appendix 2-BB.
- b) If so, please provide explanation.

2-Staff-86

Fixed Asset Continuity Schedule

Ref 1: EE_Exhibit 2A-1-1(1)_OEB App.2-AA-AB-BA-BB-C_20251219 / Tab App2-BA_Fixed Asset Cont

Preamble:

When Elexicon calculated net depreciation in the Appendix 2-BA Fixed Asset Continuity Schedule, it appears to have deducted the Non-Rate-Regulated Utility Assets; however, for the historical years 2020-2024, the model is instead pulling the value from “Less: Socialized Renewable Energy Generation Investments.”

For example, in 2020, the Non-Rate-Regulated Utility Asset amount used in the net depreciation calculation is \$35,850 (cell M99) even though this cell Refs L87, which corresponds to the Socialized Renewable Energy Generation Investments. The correct value for Non-Rate-Regulated Utility Assets for 2020 is \$58,012 (cell L88).

When Elexicon calculated net depreciation in the Appendix 2-BA Fixed Asset Continuity Schedule, the Transportation category appears to have been adjusted as follows:

- For 2020, the amount deducted for Transportation did not include the Property Under Finance Lease asset class.
- For 2021, the \$329,064 associated with Property Under Finance Lease was not included in Transportation; however, an additional \$23,227.68 was hard-coded into the Transportation amount.
- For 2022-2027, the full amounts of Property Under Finance Lease have been included in the Transportation category.

According to Article 220 - Accounting Procedure Handbook, electric property included in Account 2005 - Property Under Finance Lease must be classified separately in accordance with the detailed accounts 1606 to 1990 prescribed for Electric Plant in Service.

Questions:

- a) Please confirm OEB staff observation of Non-Rate -Regulated Utility asset is correct.
 - i) If so, please make the correction to Appendix 2-BA and update the pre-filed evidence if applicable.
 - ii) If not please explain why.
- b) Please confirm whether the amounts booked in Account 2005 - Property Under Finance Lease comply with IFRS 16
- c) Please describe the nature and key terms of the Lease, including the lease commencement date, lease term, renewal options, and the type of asset subject to the lease, if applicable.

2-Staff-87

Capitalization Policy

Ref 1: EE_Exhibit 2A / Tab 4 / Schedule 1

Preamble:

Elexicon states that the utility was formed in 2019 through the merger of Veridian Connections and Whitby Hydro, neither of whom had previously filed capitalization policies with the OEB prior to their respective transitions to IFRS. Elexicon further states that “this is the first capitalization policy (including depreciation) prepared by Elexicon post-merger, and it has not required any revision since original issuance May 11, 2020.”

Given that both Veridian and Whitby operated as licensed distributors prior to amalgamation, and both transitioned to IFRS effective January 1, 2015, it is unclear from the evidence how capitalization practices were documented, governed, or reviewed before the creation of Elexicon’s unified 2020 policy.

Questions:

- a) Please confirm whether Veridian Connections and Whitby Hydro each maintained internal capitalization policies prior to the merger, even if not filed with the OEB.
 - i) If no capitalization policies existed at the legacy utilities, please explain how capitalization practices, including the application of burden rates, treatment of overheads, and asset recognition criteria, were governed and documented prior to the issuance of Elexicon’s unified 2020 capitalization policy.
 - ii) If yes, please explain how Elexicon determined which legacy capitalization practices to adopt, revise, or replace when developing the unified 2020 capitalization policy.

- b) Please confirm whether any elements of legacy Veridian or Whitby capitalization practices continue to be used today, or whether the 2020 policy fully superseded all prior legacy practices.
- c) Please confirm that there were no deferral and variance accounts requested and approved for the depreciation rates change from the integration/harmonization process.
 - i) if confirmed, please elaborate on how the impact of the depreciation rates change arising from the harmonization is not harmful to ratepayers with respect to the recovery in rates of Elexicon' costs.

2-Staff-88

Burden Rate

Ref 1: EE_Exhibit 2A / Tab 4 / Schedule 1

Preamble:

Elexicon includes internally developed capital costs that reflect the application of overheads and burden rates to direct labour and other internally incurred costs. However, the evidence does not clearly define the burden rate(s) applied, the cost components included, nor how these rates were derived and governed.

Given the material impact that burden rates can have on capitalized costs, depreciation expense, and ultimately customer rates, additional clarity is required to assess the reasonableness and consistency of Elexicon's practices.

Questions:

- a) Please define the burden rate(s) Refd or implied in Exhibit 2 and related schedules. In your response, please identify:
 - i) Whether a single burden rate or multiple burden rates are used (e.g., by function, department, or asset class);
 - ii) The cost components included in the burden rate(s) (e.g., benefits, payroll taxes, supervision, facilities, IT, fleet, training, etc.).
- b) Please provide the numerical value(s) of the burden rate(s) applied during the test year(s), expressed as a percentage of direct labour costs.
- c) Please explain how the burden rate(s) are calculated, including:
 - i) The total overhead costs included in the numerator;
 - ii) The allocation base used in the denominator (e.g., direct labour dollars, hours worked);
 - iii) How the allocation base is measured and validated.
- d) Please confirm whether the burden rate methodology and values were inherited from either Veridian Connections or Whitby Hydro, or whether they were newly

established post-merger. If inherited, please explain how consistency and reasonableness were assessed during the harmonization process.

- e) Please quantify the impact of the applied burden rate(s) on:
 - i) Total capitalized costs in the test year(s); and
 - ii) Resulting depreciation expense included in rates.
- f) Please explain if the burden rates were benchmarked with any other distributors in Ontario. If not, please explain why not.

Exhibit 3 – Load Forecasting

3-Staff-89

CDM and NWS in the Load Forecast

Ref 1: Exhibit 3 / Tab 1 / Schedule 1 / Appendix A (PDF p. 15)

Preamble:

Elexicon Energy isolated the impacts of conservation and demand management (CDM) by first adding persisting CDM savings back to rate class consumption. A weather normalized forecast is then produced based on no CDM delivery and then persisting CDM savings of historical programs are subtracted to reflect the actual normal forecast. Elexicon Energy notes that this approach, which utilizes independent measurements, provides a greater level of accuracy than could be obtained through regression.

Question(s):

- a) Please explain in detail why Elexicon Energy believes that the approach used to reflect the impacts of CDM in the load forecast provides a greater level of accuracy than that which could otherwise be obtained through regression.
- b) Other than CDM, has Elexicon Energy included the effects of any other historical non-wire solution deployments in its service territories as part of its load forecast? If so, please describe the methodology used.

3-Staff-90

Incremental Load Added (Adjusted) Outside of Regression

Ref. 1: Exhibit 3, Tab 1, Schedule 1, Appendix A, Section 1.1; Tables 1 and 25; EV and heating discussion throughout Sections 1 and related tables.

Preamble:

The Power Advisory report included as Appendix A of Exhibit 3 shows that incremental loads related to electrification (electric vehicles, electric space heating) and known or

anticipated customer connections are added to the weather-normalized regression forecasts as manual adjustments. By 2031, these incremental loads represent approximately 15% of total forecast kWh and 25% of forecast billed kW demand.

Question(s):

- a) Please describe in detail the methodology used to estimate incremental EV, electric heating, and known customer loads.
- b) Please identify the assumptions used to avoid double-counting these incremental loads with growth already captured by the regression models.
- c) Please discuss the level of certainty associated with each category of incremental load and identify any assumptions related to timing, phasing, or customer commitment.
- d) Please provide an alternative forecast excluding one or more categories of incremental load for sensitivity purposes.

3-Staff-91

Electric Vehicle Forecast Assumptions

Ref. 1: Exhibit 3, Tab 1, Schedule 1, Appendix A, Tables 100–114

Preamble:

Appendix A shows that EV adoption forecasts are based on provincial forecasts allocated to Elexicon's service territory, with separate estimates for battery electric vehicles and plug-in hybrid vehicles, with incremental energy consumption added to the load forecast.

Question(s):

- a) Please identify the provincial EV forecasts relied upon and explain how these were allocated to Elexicon's customers and rate classes.
- b) Please describe the assumed EV charging profiles, including assumptions regarding time-of-use and peak coincidence.
- c) Please explain how EV charging demand contributes to the forecast increase in billed kW.
- d) Please provide sensitivity analyses reflecting lower and slower EV adoption than assumed in the base forecast.

3-Staff-92

Electric Space and Water Heating Assumptions

Ref. 1: Exhibit 3, Tab 1, Schedule 1, Appendix A, Tables 115–125

Preamble:

The Power Advisory forecast includes incremental electric heating loads that are added to normalized usage, particularly in the Residential and GS <50 kW classes.

Question(s):

- a) Please describe the assumptions used to estimate electric heating penetration by customer class and by rate zone.
- b) Please explain how patterns of electric heating usage and demand contribution were determined.
- c) Please provide evidence supporting the assumed pace of electrification in Elexicon's service territory.
- d) Please provide a sensitivity analysis excluding incremental electric heating loads.

3-Staff-93

GS/Large Use Customer Load Growth

Ref. 1: Exhibit 3, Tab 1, Schedule 1, Appendix A, Tables 27 and 28; Sections 1.1 and 1.3.

Preamble:

Appendix A shows material increases in forecast kW demand for GS >50 kW and Large Use classes, despite relatively small increases in customer counts.

Question(s):

- a) Please identify on an aggregate basis the number of customers and/or discrete projects underlying the forecast demand growth for the GS >50 kW and Large Use classes, including associated incremental demand (kW) and timing assumptions.
- b) Please indicate whether these loads are contracted, committed, or speculative.
- c) Please discuss the risk of forecast error should these loads be delayed or reduced, and the implications for cost allocation and rate design.
- d) Please provide a forecast excluding new GS and Large Use customer additions.

3-Staff-94

Residential Growth in the Veridian Rate Zone

Ref. 1: Exhibit 3, Tab 1, Schedule 1, Appendix A, Section 1.1; Tables 11–13.

Preamble:

The report notes that residential customer growth in the Veridian Rate Zone is forecast to be significantly higher than historic experience, approximately double historic growth rates.

Question(s):

- a) Please provide the evidence relied upon to support the increased pace of residential customer growth in the Veridian Rate Zone.
- b) Please explain how municipal growth plans, development approvals, or housing statistics were incorporated into the forecast.
- c) Please provide a sensitivity analysis assuming historic residential growth rates persist.

3-Staff-95

Economic Forecast Assumptions Beyond 2026

Ref. 1: Exhibit 3, Tab 1, Schedule 1, Appendix A, Section 3.2; Table 53.

Preamble:

GDP and employment forecasts beyond 2026 rely on Ontario Budget 2025 projections due to the absence of publicly available bank forecasts.

Question(s):

- a) Please explain how Ontario Budget forecasts were extended through 2031.
- b) Please discuss the sensitivity of the GS and Large Use forecasts to alternative economic assumptions.

3-Staff-96

COVID-Related Variables

Ref. 1: Exhibit 3, Tab 1, Schedule 1, Appendix A, Section 1.2.

Preamble:

The regression models include several COVID and work-from-home variables which remain statistically significant in some areas, despite reduced weighting after 2023.

Question(s):

- a) Please explain why COVID-related variables remain included in the regression models used for forecasting beyond the pandemic period.
- b) Please quantify the impact of removing all COVID-related variables on forecast kWh and kW.
- c) Please explain how long-term structural changes are distinguished from temporary pandemic effects.

3-Staff-97

Load Forecast Risk and Variance Management

Ref. 1: Exhibit 3, Tab 1, Schedule 1, Appendix A, Sections 1 and 3.

Preamble:

Given the magnitude of forecast growth and the reliance on incremental load assumptions, there is potential for forecast variance relative to actual outcomes.

Question(s):

- a) Please describe how forecast risk is considered in Elexicon's revenue requirement, cost of power, and rate design proposals.
- b) Please discuss whether any risk mitigation or variance deferral mechanisms are proposed or contemplated.
- c) Please identify which customer classes bear the greatest risk under forecast variance scenarios.

3-Staff-98

Growth Drivers

Ref: Exhibit 3, Tab 1, Schedule 1; Appendix A (Power Advisory)

Preamble:

Please explain the drivers of the forecast growth rates over the 2024–2031 period relative to the historical period, with reference to the historical trends presented in Exhibit 3 and the forecast assumptions embedded in the load forecast model.

Question(s):

In your response, please separately address the contribution and supporting evidence for each of the following drivers:

- a) Organic customer growth, including changes in customer additions, housing starts, or demographic assumptions relative to the historical period.
- b) Electric vehicle adoption, including:
 - i. assumed EV penetration rates by customer class
 - ii. charging profiles (coincident and non-coincident)
 - iii. how these assumptions differ from historical load patterns
- c) Electrification of space and water heating, including:
 - i. assumed uptake rates
 - ii. end-use load shapes
 - iii. the extent to which electrification is expected to contribute to winter and system peak demand growth

3-Staff-99

Customer-Specific Load Additions

Ref: Exhibit 3, Tab 1, Schedule 1; Appendix A, Sections 1.1 and 1.2

Preamble:

Exhibit 3 and Appendix A describe forecast load additions derived from a combination of customer-specific information and macro-level assumptions. Greater clarity is required regarding the extent to which forecast load growth is supported by identifiable customer activity versus broader planning assumptions.

Question(s):

- a) Please identify which forecast load additions are based on customer-specific information (e.g., executed agreements or active connection applications) versus macro-level assumptions.
- b) For customer-specific additions, please provide the rate class, forecast kWh and kW, and expected in-service year.

Exhibit 4 – Operating, Maintenance & Administration

4-Staff-100

Ref 1: Appendix 2-L

Ref 2: Appendix 2-K

Please provide the OEB-approved OM&A budgets for each of the legacy distributors and provide a proxy amount for Elexicon Energy as a merged distributor for the year 2020. Please compare the proxy against 2020 actuals.

4-Staff-101

Operating Synergies - Merger

Ref 1: Exhibit 4 / Tab 1/ Schedule1 / p. 2 (PDF p. 2)

Ref 2: Exhibit 1 / Tab 4 / Schedule 1 / pp. 1-9

Elexicon Energy has provided OM&A expenditure by programs from 2020 to 2031. Please provide a breakdown of operating synergies achieved by OM&A program (as shown in Appendix 2-JC) as a result of the merger.

4-Staff-102

Historical and Test Year FTEs

Ref 1: Exhibit 4 / Tab 2 / Schedule 1 / p. 8 of 45 (PDF p. 330)

Ref 2: Exhibit 4 / Tab 2 / Schedule 1 / p. 8 / Table 1 (PDF p. 330)

Preamble:

Elexicon Energy states 54 FTEs added post-merger are due to growth. Table 1 shows an addition of 87 FTE between 2020 and 2025. Elexicon Energy notes that the balance of the FTE level changes is primarily driven by the use of temporary and student roles to support fluctuating volumes of work and co-op students to support administrative work and data analysis.

Question(s):

- a) Please provide a table showing all added and projected FTEs from 2020 to 2027 by year of hire, position and OM&A program.
- b) Please provide an explanation for each position not included in the 54 positions noted in Ref 1.

4-Staff-103

Prospective FTEs

Ref 1: Exhibit 4 / Tab 2 / Schedule 1 / p. 25 / Table 11 (PDF p. 347)

Ref 2: Exhibit 4 / Tab 1 / Schedule 1 / p. 9 / Table 1 (PDF p. 9)

Preamble:

In Ref 2, Elexicon Energy is showing 54 FTE additions for the 2027 – 2031 test period.

Ref 1, Table 11 shows that over the course of 2026 to 2031, Elexicon Energy expects to add approximately 63 FTEs.

Question(s):

- a) Please provide a table showing all added and projected FTEs from 2026 to 2031 by proposed year of hire, position and OM&A program.
- b) Please explain the methodology Elexicon Energy used to determine the number of new positions required shown in a) for the 2026 - 2031 period.
 - i. Please provide any underlying assumptions to support how the new positions for the 2026-2031 period were determined.

4-Staff-104

DVA Adjustment

Ref 1: Appendix 2-JB and 2JC

Ref 2: Exhibit 4 / Tab 1 / Schedule 1 / p. 13 (PDF p. 13)

Preamble:

Elexicon Energy included DVA Adjustments in lines 43 and 44 of Appendix 2-JB and 2-JC.

Elexicon Energy notes that for the Locates segment, adjustments were made pursuant to Accounting Order 002-2023, which established the Getting Ontario Connected Act (“GOCA”) variance account to capture incremental costs arising from Bill 93 and to record the approved base-rate OM&A amount as Other Revenue.

The adjustment to the Regulatory Affairs segment costs refers to a portion of the costs that are recorded in Group 2 variance accounts, including Account 1518 for retail service cost variances, Account 1548 for service transaction request variances, and Account 1508 sub-accounts for OEB cost assessments and LEAP EFA funding.

Question(s):

- a) Please explain the need for these adjustments.
- b) Please explain why Elexicon Energy included these amounts in its historic actuals since they are being tracked in DVA accounts.

4-Staff-105

Ref 1: Exhibit 4 / Tab 1 / Schedule 1 / p. 42 (PDF p. 42)

Preamble:

Elexicon Energy states the increase of \$12.7M from 2026 to 2027 is attributable to an inflation impact of \$2.1M on labour and non-labour costs, incremental labour of \$3.0M, and non-labour expenses of \$7.5M.

Question(s):

- a) Please provide a table showing the breakdown of non-labour costs for the 2027 test year as well as the 2028-2031 test period and provide a short explanation for each driver.

4-Staff-106

Labour Costs – Contract Labour

Ref 1: Appendix 2-JC

Question(s):

- a) For each OM&A program listed, please provide, for each year in the 2020-2027 period, a breakdown of the total labour costs between Elexicon Energy's labour and contracted labour (e.g., contractors, consultants, etc.). Please also provide a discussion of any year-over-year changes in the proportion of work completed by Elexicon Energy relative to contracted labour.
- b) Please state if Elexicon Energy plans to remain this breakdown during the 2027 – 2031 period.

4-Staff-107

Capital-related Labour Costs

Ref 1: Exhibit 4 / Tab 2 / Schedule 1 / p. 26 (PDF p. 348)

Preamble:

Elexicon Energy notes that its workforce plans for the 2026 to 2031 period are driven by its investment plan. Elexicon Energy states that it must have a sufficiently sized workforce to execute a significant increase in planned capital related to capacity and customer connections, asset deterioration, grid modernization, as well as technology and infrastructure upgrades to support business requirements.

Question(s):

- a) What percentage of the capital budget is due to labour for each year in the forecast period?

4-Staff-108

FTEs and Overtime

Ref 1: Appendix 2-K

Ref 2: Exhibit 4 / Tab 1 / Schedule 3 / p. 2 (PDF p. 66)

Question(s):

- a) Please provide a revised version of Appendix 2-K that reflects 2025 actuals and the 2026/2027 forecast using the current best available information. As part of the response, please also provide the number of employees, total salary and wages (with a further breakout of overtime and incentive pay), total benefits, and total compensation by the following categories: Executive, Management, Union, and Non-Union for each year from 2020 - 2027.
- b) Please confirm if total FTEs and compensation in Appendix 2-K include allocated FTEs from Elexicon Corporation.

- c) Please explain how overtime-related compensation was forecast for the 2027-2031 test years.
- d) Elexicon Energy states in reference 2 for System Operations the utility relied on overtime and contractors to fill resourcing gaps which contributed significantly to the overall increase in costs over the 2020-2026 period. Please provide the total overtime related costs. Are there any overtime related costs budgeted for in the forecast period for this segment? If so, please provide the forecast costs.

4-Staff-109

Vacancy Rate

Ref 1: Exhibit 4 / Tab 2 / Schedule 1 / p. 39 (PDF p. 361)

Ref 2: OEB Appendix 2-K

Question(s):

- a) Elexicon Energy states that as of mid-year 2025, its vacancy rate is 4.28%. Please explain Elexicon Energy's methodology used to derive the vacancy rate of 4.28% or provide a spreadsheet (or a table) that supports the derivation of the vacancy assumption numbers of 4.28% based on historical and current trending which includes attrition (retirement and resignations), internal/external environmental factors and forecasting noted above.
- b) Please provide the year-to-day vacancy rate and forecasted vacancy rate from 2026-2031 used for budgeting purposes.

4-Staff-110

Compensation

Ref 1: Appendix 2-K

Preamble:

OEB staff notes that Elexicon Energy increased its average management salary per FTE by 31% in 2021. The increase for the 2027 test year shows an increase of 14%.

OEB staff notes that Elexicon increased its average salaries and wages for non-management by 5.73% per FTE in 2021.

Question(s):

- a. Please explain the increases in management salary in 2021 in detail.
- b. Please explain the increase in management salary in 2027 in detail and provide any underlying assumptions.
- c. Please provide the annual salary increase for management for the 2028-2031 test period.

- d. Please justify the increase for non-management salaries and wages and discuss how it affects the synergy savings Elexicon Energy is showing.

4-Staff-111

Workforce Planning

Ref 1: Exhibit 4 / Tab 1 / Schedule 1 / p.26 (PDF p. 348)

Ref 2: Exhibit 4 / Tab 1 / Schedule 6 / p. 6 / Appendix A (PDF p. 258)

Ref 3: Appendix 2-K

Preamble:

Elexicon Energy notes that during its business planning process, it revised its forecast internal staffing levels over multiple planning stages to determine the minimal amount of net new positions to be added to Elexicon Energy's workforce during the forecast period (2026 to 2031).

In Ref 2, Elexicon Energy provides a table showing cost savings from the Dx NEXT implementation of \$21.05M

In Ref 1, Elexicon Energy notes that it was able to reduce its FTE requirements after evaluation of the anticipated benefits and impact of the Dx NEXT project. The impact of Dx NEXT will permit Customer Care to reduce internal labour requirements by 18 FTE, and for Finance, 6 FTE. Elexicon Energy's hiring plan limits new roles to only those essential for executing its plan.

Question(s):

- a) Please provide the annual incremental productivity savings (not sustained savings) per year for the 2027 to 2031 period.
- b) Please provide a brief explanation of how the incremental productivity savings due to Dx NEXT has been calculated.
- c) Please provide a spreadsheet that shows supporting calculations used to derive the amount of savings per year and discuss the underlying assumptions.
- d) Please indicate the program(s) these savings have been incorporated into at the level of the cost drivers shown in Appendix 2-JB.

4-Staff-112

OM&A per Customer

Ref 1: Appendix 2-L, OM&A per Customer

Ref 2: Appendix 2-IB, Customer and Connections

Ref 3: Exhibit 4 / Tab 1 / Schedule 1 / p. 35 / Table 5 (PDF p. 35)

Preamble:

OEB staff notes that Appendix 2-L, line 19 (Number of Customers) and Table 5 in Ref 3 do not match Elexicon Energy's evidence provided in Appendix 2-IB.

Question(s):

- a) Please confirm that Elexicon Energy used customer and connection numbers to calculate the OM&A per customer value in Appendix 2-L. If so, explain why.
- b) Update Appendix 2-L and Table 5 using customer number only (excluding connections).
- c) Please provide a comparison with Ontario's and peer group averages using the updated OM&A per customer.

4-Staff-113

Dx Next and Asset Management and Distribution Operations

Ref 1: Exhibit 4 / Tab 1 / Schedule 6 / Appendix A / pp. 26 – 27 (PDF p. 283 – 284)

Ref 2: Exhibit 4 / Tab 1 / Schedule 6 / Appendix A / p. 26 / Table 7 (PDF 283)

Preamble:

In Ref 1, Elexicon Energy states that process improvements will directly reduce overtime costs and eliminate the need for one additional headcount to support expanded work programs.

Table 7 does not quantify any savings under Asset Management and Distribution Operations.

Question(s):

- a) Please quantify the savings and state in which year the savings are or will be realized.
- b) Please quantify the overtime savings that Elexicon Energy is expecting.

4-Staff-114

Asset Planning and System Engineering (APSE)

Ref 1: Exhibit 4 / Tab 1 / Schedule 2 / p. 5 – 11 (PDF p. 51 – 57)

Preamble:

OEB staff notes that APSE cost increased by 70% from 2020 to 2027 and are expected to rise a further 10% by 2031.

Question(s):

- a) Please provide a breakdown of these costs between Distribution System Planning, Load Forecasting and Station Planning and System Studies and Standards from 2020 to 2031 and a breakdown by drivers for each division.
- b) Please explain the particular increases in 2024 and the proposed increase in 2027 in more detail.

4-Staff-115

Control Centre

Ref 1: Exhibit 4 / Tab 1 / Schedule 3 / p. 8 and 13 (PDF p. 72 and 77)

Ref 2: Exhibit 10 / Tab 1 / Schedule 1 / p. 4 (PDF p. 4)

Preamble:

Elexicon Energy notes that to mitigate risks and ensure the System Control Centre remains adequately staffed and operationally resilient, the utility strategically decided to insource its System Operator apprenticeship training program and participate in apprenticeship initiatives to rebuild its internal resources and stabilize its workforce.

On April 7, 2026 Elexicon Energy filed an evidence update that shows increased cost for the Control Centre of \$6M versus \$2.7M shown in the pre-filed evidence.

Question(s):

- a) Please explain the reason for the increase shown in the April 7, 2026 evidence in detail.
- b) Please provide a detailed breakdown of this cost drives and provide a table that shows each FTE by title and year of hire or proposed time of hire.
- c) Please state how many apprentices have been hired by Elexicon Energy to date and how many are anticipated to be added in the 2027 test year and the 2028-2031 test period.
- d) Please elaborate on the costs to support the apprenticeship program.
- e) Did Elexicon Energy receive any apprenticeship grants or loans?
 - i. If so, please quantify and elaborate.
 - ii. If not, why not. Please explain if a grant was sought.

4-Staff-116

Maintenance – Substations

Ref 1: Exhibit 4 / Tab 1 / Schedule 4 / p. 4 (PDF p. 127)

Ref 2: Appendix 2-JB and 2-JC

Preamble:

In its variance analysis, Elexicon Energy notes that the cost drivers for substation maintenance are decreasing in the 2024-2027 period due to the normalization after the vandalism incident in 2024.

OEB staff notes that while costs decreased significantly in 2025, costs in 2027 are projected to increase by a further \$400k.

Question(s):

- a) Please explain the increase in the 2025, 2026 and 2027 test year compared to 2020 – 2023 year-over-year and provide a variance analysis for the 2028 – 2031 test period year over year.
- b) Please provide the cost of the vandalism incident in 2024.

4-Staff-117

Vegetation Management

Ref 1: Exhibit 4 / Tab 1 / Schedule 4 / p. 3-4 (PDF p. 86-87)

Ref 2: Exhibit 4 / Tab 2 / Schedule 4 / p. 57 (PDF p. 140)

Preamble:

In Ref 1 Elexicon Energy notes that it will deploy Light Detection and Ranging (LiDAR) and satellite imagery within its vegetation management program to support the transition from area-based to feeder-based trimming cycles and incorporate planned mid-cycle spot trimming for worst performing feeders and rural areas. Elexicon Energy states that during the transition, some overlap between the two methods will temporarily increase trimming volumes in the initial years and then stabilize over the forecast period.

Question(s):

- a) Please provide a table showing the cost breakdown for the traditional vegetation management and the Light Detection Ranging and satellite imagery for the 2027 test year and the 2028 – 2031 test period.
- b) In Ref 2, Elexicon Energy states that it expects operational efficiencies from this condition approach. Explain if any efficiency due to this technology has been considered in the 2028 – 2031 OM&A budget and quantify the amount.
- c) Elexicon Energy notes that system expansion will increase the volume of vegetation management activities.
 - i. Please quantify the expected cost increase due to expansion and provide further explanation.
 - ii. Please discuss the vegetation management needs in new subdivisions in the 2027 – 2031 test period.

4-Staff-118

Locates

Ref 1: Exhibit 4 / Tab 1 / Schedule 4 / p. 62 (PDF p. 145)

Ref 2: Exhibit 4 / Tab 1 / Schedule 4 / p. 65-68 (PDF p. 148-151)

Ref 3: Appendix 2-JB and 2-JC

Preamble:

In Ref 1, Elexicon Energy notes that the Getting Ontario Connected Act (GOCA) variance account (EB-2023-0143) requires utilities to record the locate “revenue” amount representing the OM&A expense related to the locate cost that was approved in the utility’s base rates as Other Revenue. This allowed Elexicon Energy to track such costs incurred from April 1, 2023, through to December 31, 2026, up to the 2027 rebasing.

Ref 2 notes that this segment will incur a one-time cost increase to update Elexicon Energy mapping record to meet the requirements of defined coverage areas for the OOC mapping notification system.

Question(s):

- a) Please quantify the one-time cost increase due to the mapping initiative for the Gravenhurst and Port Hope area.
- b) Please provide a more detailed breakout of the Cable Locates program budget for the historical and forecast period attributed to volume increases and locate service provider fees. How are the locate notification volumes forecasted for the 2025 - 2031 period?
 - i. Please also provide supporting calculations used to derive the forecast costs per year.
- c) Please explain how efficiencies due to the implementation of the Dx NEXT Project related to Locates have been factored in when preparing the budget for the forecast period?
- d) Please provide a table that shows (i) actual and forecast cable locate program costs per year, (ii) the total amount recorded in the Getting Ontario Connected Act (GOCA) Variance account 1508 per year, (iii) total cost which is a sum of (i) and (ii) for the 2020 to 2027 period.
 - i. Please provide an explanation for year-over-year increases/decreases in the above calculated annual total cost.
- e) Please provide a breakdown of the dedicated Locates and Damage Prevention team including positions and responsibilities.

- i. Please explain the need for additional staff in 2024 – 2027, including title and job responsibilities.
- ii. Please explain the need for the additional staff in 2027 – 2031 including title and job responsibilities.

4-Staff-119

Billing

Ref 1: Exhibit 4 / Tab 1 / Schedule 5 / p. 10 (PDF p. 161)

Ref 2: Appendix 2-JB and 2-JC

Preamble:

OEB staff notes that projected cost in 2027 for the billing segment will have increased by 20% over 2020.

In Ref 1, Elexicon Energy notes that in addition to merger synergies, the billing segment has controlled expenses related to paper bills by making efforts to convert customers to e-billing through customer outreach and education. As of 2025 prices, Elexicon saved approximately \$18.70 per year per customer through conversion to e-billing.

Question(s):

- a) What is Elexicon Energies percentage of e-billing to date?
- b) What is the project share of e-billing for each year of the 2027 – 2031 test period?
 - i. How have savings due to e-billing been projected in the 2027 – 2031 OM&A budget for this segment.

4-Staff-120

Customer Experience and Contact Centre

Ref 1: Exhibit 4 / Tab 1 / Schedule 5 / p. 18 (PDF p. 169)

Ref 2: Exhibit 4 / Tab 1 / Schedule 6 / p. 26 - 27 (PDF p. 282 – 283)

Ref 3: Appendix 2-JB and 2-JC

Preamble:

In Ref 1 Elexicon Energy notes that costs will increase by \$0.83M during the 2024 – 2027 period, primarily due to the addition of staff to support the increasing volume and complexity of customer inquiries, as well as the discovery phase for AMI 2.0. Further increases reflect costs for the first full year of operations for the Key Accounts function.

Question(s):

- a) Please provide a breakdown between the various drivers (i.e. discovery phase for AMI 2.0, additional staff etc.) on this increase for the 2027 test year and each year of the 2028 – 2031 test period.
- b) Provide a breakdown between consultant costs and internal labour costs.
- c) In Ref 3, Elexicon Energy states that it would have required the addition of 18 FTEs to ensure continues operations.
 - i. Please provide all the underlying assumptions and calculations for this statement.
 - ii. Are any of the proposed costs for this cost driver related to the implementation of the Dx Next project? If so, please quantify and explain.

4-Staff-121

Technology – Modern Workplace Project

Ref 1: Exhibit 4 / Tab 1 / Schedule 1 / p.9 (PDF p. 9)

Ref 2: Exhibit 2B / Tab 3 / Schedule 2 / Table 2 (PDF p. 632)

In Ref 1 Elexicon Energy states that it was able to shift approximately \$1.6 million in OM&A costs related to AMI 2.0 to align with anticipated deployment, which is also paced to mitigate bill impacts in the Test Year.

- a) Please provide the non-capitalized costs included in the OM&A budget for the Modern Workplace project in 2027, 2028, 2029, 2030 and 2031, if applicable.
- b) If there are non-capitalized costs included in the Technology driver, confirm that this amount is incremental to the \$59.7M capital costs proposed for the Grid Modernization project.

4-Staff-122

Technology

Ref 1: Exhibit 4 / Tab 1 / Schedule 1 / p.9 (PDF 9)

Ref 2: Exhibit 4 / Tab1 / Schedule 6 / p. 14 (PDF 201)

Ref 3: Exhibit 4 / Tab 1 / Schedule 6 / Appendix A / p. 26 / Table 7 (PDF p. 282)

Ref 4: Exhibit 4 / Tab 1 / Schedule 6 / Appendix A / Attachment 1 – Dx NEXT Project Summary Business Case, p. 25 (PDF p. 311)

Ref 5: Appendix 2-JB and 2-JC

Preamble:

Appendix 2-JB shows an increase of \$9.3M or 77% in Technology from 2020 to 2027. Elexicon is proposing a budget between \$12M to \$13M for this category over the CIR term.

Reference 1 shows \$19.5M for the third and final portion of Dx NEXT implementation costs. Elexicon is proposing the final phase of implementation costs, forecasted for 2027, be included in the Cloud Computing and Implementation account and recovered over a ten-year period commencing in 2027.

Question(s):

- a) Please provide a cost breakdown for the Technology cost driver (i.e. license, subscriptions, additional staff etc.) for each year from 2020 to 2027 and the forecast period of 2028 to 2031.
- b) Please confirm that any costs included in the Technology cost driver in Appendix 2-JB is incremental to the cost of \$42M sought for recovery through Account 1511 Cloud Computing Implementation Account.
- c) Please confirm that the total cost for the Dx NEXT project is \$61.6M.
- d) In Ref 4 Elexicon Energy shows internal labour costs of \$4.2M in the 2027 test year and \$0.2M in 2028.
 - i. Are the internal labour costs tracked in the variance account or included in the OM&A budget?
 - ii. If costs Dx NEXT related internal labour costs are included in the OM&A budget, please provide all programs those costs are included in.
- e) Please confirm that subscription costs related to the Dx NEXT project are included in the 2028 – 2031 OM&A budget.
 - i. If so, please clarify if these costs are included in the technology driver.
 - ii. If not, please shows where these costs have been included in the OM&A budget for the 2028 – 2031 test period.
- f) Ref 3, Table 7 shows cost savings of \$5.22M in software costs for the 2027-2031 period.
 - i. Discuss in detail how the \$5.22M savings from the Dx NEXT Project affect the technology cost driver in the 2027 test year and in the 2028 – 2031 test period.
 - ii. Please provide a year-over-year variance analysis.
 - iii. Please contrast the achieved savings with year-over-year costs related to the Dx NEXT project costs (i.e. subscription costs etc.).

4-Staff-123

Regulatory Affairs

Ref 1: Exhibit 4/ Tab 1 / Schedule 6, p.48-52 (PDF p. 235-239)

Ref 2: Appendix 2-JB and 2-JC

Preamble:

OEB staff notes that Elexicon Energy's 2027 costs for its regulatory affairs department have increased by \$3.17M or 68% since 2020 and are expected to rise a further 4% over the Custom IR term.

On p. 50 Elexicon Energy also noted that productivity savings for the Dx Next project provide efficiencies are forecast to reduce the number of new positions required to adequately execute core responsibilities within this segment.

On p. 48 Elexicon notes that it will require additional internal staff and access to external legal and consulting services over the forecast period.

Question(s):

- a) Please provide a cost breakdown for each underlying driver (i.e. additional FTEs, funding requirements for LEAP, etc.) for the historic period and the forecast period from 2027-2031.
- b) Please provide the budget that Elexicon Energy has included for access to legal and consulting services in the forecast period and provide further explanation for this forecast.
- c) Please discuss the expected productivity savings and state how many FTEs are expected to be reduced/saved due to Dx NEXT and contrast this with the FTEs that are expected to be added.

4-Staff-124

People and Culture

Ref 1: Exhibit 4 / Tab 1 / Schedule 6 / p. 31 (PDF p. 218)

Ref 2: Appendix 2-JB and 2-JC

Preamble:

OEB staff notes that costs for People and Culture will have increased by \$4.8M or 69% from 2020 to the 2027 test year and will increase a further 8% by 2031.

Question(s):

- a) Please provide a cost breakdown showing the various drivers (i.e. additional FTEs, etc) for the historic period and the test period from 2027-2031
- b) Provide further details regarding the external resources cost driver.
- c) Please discuss any productivity savings due to Dx Next and provide a calculation showing the savings.

4-Staff-125

Finance

Ref 1: Exhibit 4 / Tab 1 / Schedule 6 / p. 37 - 38 (PDF p. 224 - 225)

Ref 2: Appendix 2-JB and 2-JC

Preamble:

OEB staff notes that cost for the 2027 test year for Finance increased by 35% over 2020 and is expected to rise a further 15% by 2031 primarily due to the addition of staff.

Elexicon Energy states that while Finance will need to add additional staff in the 2027 to 2031 period to accommodate a larger and more complex workload, the capabilities provided by Dx NEXT will enable Elexicon Energy to avoid the need for six positions that would otherwise have been required during this period.

Question(s):

- a) Please state how many FTEs will be added and provide expected year of hire, title and position.
- b) Please provide a more detailed explanation of each position added.
- c) Please discuss the expected productivity savings due to the implementation of the Dx NEXT project and provide the calculation showing how these savings were derived.
- d) Please elaborate on the six positions that are expected to be reduced/saved due to Dx Next and contrast this with the FTEs that are expected to be added.

4-Staff-126

Finance

Ref 1: Exhibit 4 / Tab 1 / Schedule 6 / p. 38 (PDF p. 225)

Ref 2: Appendix 2-JB and 2-JC

Preamble:

On page 38, Elexicon Energy notes that the increase of \$1.66M during the bridge and test period (2025-2027) also reflects lower labour capitalization, as resources were temporarily redirected toward regulatory support, such as the incremental capital module (ICM) filed as part Elexicon Energy's 2026 rate application.

Question(s):

- a) Please explain what portion of labour allocated to the Finance or the Regulatory Affairs department was capitalized and why.

4-Staff-127

Stakeholder Relations

Ref 1: Exhibit 4 / Tab 1 / Schedule 6 / p. 59 (PDF p. 246)

Ref 2: Appendix 2-JB and 2-JC

Preamble:

OEB staff notes that costs for Stakeholder Relations will have increased by \$1.3M or 76% in the 2027 test year over 2020 and are expected to rise a further 15% by 2031.

Question(s):

- a) Please provide a breakdown for each underlying driver (i.e. additional FTEs etc.) for the historic period and the forecast period from 2027-2031.
- b) How much of the 2027 budget is allocated to communication requirements during outages and weather events as per the 2025 DSC amendment.
- c) Please explain the need for additional staff in 2027-2031 in greater detail given a 76% increase for this cost driver by 2027.
- d) Please quantify the incremental cost savings for external vendors by bringing the function of the department in-house for the 2027 – 2031 test period (not sustained savings).
 - i. Provide any assumptions used and show the calculations in how this amount was derived at.
 - ii. Please contrast the savings with the cost increases in the 2027 test year and the 2028 – 2031 test period.

4-Staff-128

Legal and Corporate Secretariat

Ref 1: Exhibit 4 / Tab 1 / Schedule 6 /p. 52 (PDF p. 239)

Ref 2: Exhibit 4 / Tab 1 / Schedule 6 / p.59-68 (PDF p. 246-255)

Ref 3: Exhibit 4 / Tab 3 / Schedule 1 / p. 1

Ref 3: Appendix 2-JB and 2-JC

Preamble:

OEB staff notes that Elexicon Energy's 2027 costs for its legal and corporate secretariat have increased by \$4.33M or 63% since 2020 and are expected to rise a further 19% over the Custom IR term.

In Ref 1 Elexicon Energy states that one-time regulatory cost are included in the regulatory affairs cost driver.

On p. 59 Elexicon Energy notes that several functions reside within this segment including legal services, privacy, information management, enterprise risk management, insurance administration, internal audit and governance.

Question(s):

- a) Please provide a cost breakdown and driver (i.e. additional staff, insurance premiums, directors fees, president's office etc.) for each of the functions that reside within this segment for the 2027 test year and the 2028 – 2031 forecast period.
 - i. Please provide all underlying assumptions for each function.
- b) Please confirm that the legal fees in the amount of \$1.33M, incurred for this application, are not included in this segment and are incremental to legal service described under this segment.
- c) Please explain how the move of the CEO's office from Elexicon Energy to Elexicon Corporation has impacted this cost driver.
 - i. Please explain why the office of the CEO has been moved out of Elexicon Energy since Elexicon Energy notes that the EC is now focused on the regulated business since EG ceased to exist in early 2025.
- d) Please explain any synergy savings relevant for this cost driver.

4-Staff-129

Legal and Corporate Secretary

Ref 1: Exhibit 4 / Tab 1 / Schedule 6 / p.48 (PDF p. 235)

Ref 2: Exhibit 4 / Tab 1 / Schedule 6 / p.59-68 (PDF p. 246-255)

Ref 3: Appendix 2-JB and 2-JC

Preamble:

Elexicon Energy states that over the forecast period, this segment anticipates that the vendor management system being implemented in 2027 as part of the Dx NEXT project will improve the internal team's productivity by streamlining procurement and contract compliance, enabling risk assessments and vetting processes, and facilitating standard forms and documentation.

On p. 66, Elexicon Energy also mentions avoided costs by reducing reliance on expensive external resources.

Question(s):

- a) Please provide the annual incremental productivity savings (not sustained savings) per year for the 2027 to 2031 period.

- b) Please explain how productivity savings have been calculated and how they affected this cost driver year-over-year.

4-Staff-130

One-Time Regulatory Costs

Ref 1: Appendix 2-M

Question(s):

- a) Please update Appendix-2 M for 2025 Actuals and 2026 forecasted costs, if necessary.
- b) For each line item in Appendix 2-M provide the underlying assumptions/drivers to determine the application related costs.
- c) Please provide a breakdown of the individual consultant costs included in one-time regulatory costs.

4-Staff-131

Shared Services and Corporate Cost Allocation and Other Revenue

Ref 1: OEB App.2-H_Other Operating Revenue

Ref 2: OEB App.2-N_Shared Services and Corporate Cost Allocation

Ref 3: Exhibit 4 / Tab 3 / Schedule 7 / p.7 (PDF p. 414) / Table 4 & 5

Ref 4: [Ch. 2 of the Filing Requirements for Electricity Distribution Cost of Service Rate Application – 2025 Edition for 2026 Rate Application, p. 44](#)

Preamble:

The 2026 Filing Requirements state that the balances recorded in Account 4375, Revenues from Non Rate-Regulated Utility Operations, and Account 4380, Expenses of Non Rate-Regulated Utility Operations, must reconcile to the balances recorded in Appendix 2-N – Shared Services and Corporate Cost Allocation for the three historical years, the bridge year and the test year. Any difference must be reconciled.

Question(s):

- a) OEB staff notes that the Services provided by Elexicon Energy (\$M) in Reference 3 do not align with the amounts shown in Reference 2. Specifically, Reference 3 does not include Finance services provided by EE to EEU for each year. Please explain why the Finance services from EE to EEU are not included as services provided by Elexicon Energy in Reference 3. Please update the Appendix 2-H and Appendix 2-N as necessary.
- b) Please explain what types of work are included under the Non-Rate Regulated Utility Operations and costs for Non-Rate Regulated Utility Operations in Reference 3.

- c) Reference 3 shows the revenue for Non-Rate Regulated Utility Operations is \$7.81M, and costs for Non-Rate Regulated Utility Operations is \$8.07M in 2020. Please explain why the revenue and costs for Non-Rate Regulated Utility Operations in 2020 vary by more than \$7M compared to other years.
- d) Please expand Table 4 and Table 5 in Reference 3 to include a detailed breakdown of which services are provided and the amount allocated to each service for the years 2020 through 2031.

Exhibit 5 – Cost of Capital, PILs, and Revenue Requirement

5-Staff-132

Notional Debt

Ref 1: EB-2024-0063, Cost of Capital Decision, March 27, 2025, p. 65

Ref 2: Exhibit 5-1-2 OEB App.2-OA Capital Structure

Question(s):

- a) Please revise Appendices 2 - OA Capital Structure to show the Capitalization Ratio (% and \$), Cost Rate (%), and Return (\$) of both Notional Long-term Debt and Actual Long-term Debt. Please ensure the average of the Notional Long-term Debt and Actual Long-term Debt matches the Revenue Requirement Workform.

5-Staff-133

Shareholder Promissory Note

Ref 1: Exhibit 1 / Tab 4 / Schedule 1 / p. 3 (PDF pp.78)

Ref 2: Appendix 2-OB Debt Instruments

Preamble:

In Reference 1, Elexicon Energy indicates that the shareholders have agreed to convert \$62M of their debt as contained in promissory notes into equity, forgoing predictable guaranteed interest payments to support Elexicon Energy's balance sheet.

Reference 2 shows that Elexicon Energy's shareholder promissory notes have a principal amount of \$71,925,942 as of 2024, and a principal amount of \$17,974,000 as of 2025.

Question(s):

- a) What would be the impact on ROE, expressed in basis points, resulting from the conversion of \$62M of debt into equity?
- b) Please provide the achieved 2025 ROE, or an estimate, if available.

- c) What would be the impact on actual debt-to-equity ratio due to this conversion?
Please provide the actual debt-to-equity ratio before and after the conversion.
- d) What would be the impact on Cash Flow-to-Total Debt Ratio, resulting from the conversion of \$62M of debt into equity?
- e) Please confirm whether any resulting financial impacts from this conversion would be borne by ratepayers. If yes, please quantify the financial impact.
- f) As noted in the Preamble, the change in the principal amount of the shareholder promissory note between 2024 and 2025 is \$54M, which does not align with the \$62M converted debt figure provided by Elexicon Energy. Please explain the difference and reconcile Reference 2 as needed.

5-Staff-134

Affiliated Debt

Ref 1: Appendix 2-OB Debt Instruments

Preamble:

Reference 1 indicates that Elexicon Energy has an intercompany loan from Elexicon Corporation at a 4.58% rate, starting in 2024.

Question(s):

- a) Please confirm whether the costs associated with this affiliated debt are passed on to Elexicon Energy on the same terms and conditions as Elexicon Corporation receives from the external markets.
- b) Please confirm whether there is any issuance costs levied on this affiliated debt. If yes, please explain the calculation methodology used to determine the issuance costs.

5-Staff-135

Third Party Interest Rate Swap Loan

Ref 1: Appendix 2- OB Debt Instruments

Preamble:

Reference 1 indicates that Elexicon Energy entered into two interest rate swap loans with TD beginning in 2023, with interest rates of 4.84% and 5.096%, respectively. These loans were subsequently transferred to RBC in 2026, at higher interest rates of 4.92% and 5.176%.

Question(s):

- a) Please explain why Elexicon Energy would choose to terminate these two interest rate swap loans before maturity and transfer to RBC at higher interest rates.
- b) Please provide the total costs associated with this debt transfer, including a detailed breakdown of all related expenses.
- c) Please confirm whether the costs associated with transferring these two loans have been recorded under Other Revenue.

5-Staff-136

Return on Equity (ROE)

Ref 1: Exhibit 1 / Tab 4 / Schedule 1 / pp.2-3 (PDF pp.77-78)

Preamble:

Elexicon Energy states its ROE has fallen out of the OEB’s 300 basis point deadband since 2022, and it does not have the ability to further fund spending requirements that continue to increase as its deferred rebasing period proceeds.

Question(s):

- a) . What are the main drivers of the further fund spending requirements mentioned in Reference 1?
- b) Please provide the amount of annual funding shortfall between 2022 to 2024.
- c) Why would Elexicon choose to defer its rebasing period despite experiencing a funding shortfall?

5-Staff-137

Cash Flow-to-Total Debt Ratio (%)

Ref 1: Exhibit 1 / Tab 8 / Schedule 1 / Attachment 5 (PDF p. 1054)

Preamble:

Elexicon Energy provides its Cash Flow-to-Total Debt Ratio in Reference 1, as shown below:

	For the Year Ended December 31			
	2024	2023	2022	2021
Cash Flow-to-Total Debt Ratio (%)	7.8	10.5	12.4	15.6
Total Debt in Capital Structure (%)	59.8	57.2	54.4	50.8
EBIT Interest Coverage (Times)	1.44	1.62	2.14	3.17

Question(s):

- a) Please provide Elexicon’s 2025 and 2020 Cash Flow-to-Total Debt Ratio.

- b) Please provide the supporting calculation of Elexicon's Cash Flow-to-Total Debt ratio from 2020 to 2025 to assess trends in cash flow and debt levels.
- c) Has Elexicon conducted any analysis comparing its Cash Flow-to-Total-Debt ratio, or other leverage metrics, with those of peer companies in Canada? If so, please provide the analysis.

Exhibit 6 – Revenue Requirement

6-Staff-138

Other Revenue

Ref 1: Appendix2-H_Other Operating Revenue

Question(s):

- a) Please file an updated Appendix 2-H, with 2025 actuals if available. If not available, please file updated Appendix 2-H with a more recent 2025 estimate.

6-Staff-139

Other Revenue

Ref 1: Appendix2-H_Other Operating Revenue

Ref 2: [2027 Filing Requirements Chapter2 Appendices 1.0](#) and [Ch. 2 of the Filing Requirements for Electricity Distribution Cost of Service Rate Application – 2025 Edition for 2026 Rate Application](#), p. 44

Preamble:

Appendix 2-H – Other Revenue indicates that each account must be broken down in more detail, showing the components of each account.

Question(s):

- a) Please provide breakdown details of each account below:
 - Account 4082 Retail Services Revenues
 - Account 4084 Service Transaction Requests Revenues
 - Account 4086 SSS Administration Revenue
 - Account 4210 Rent from Electric Property
 - Account 4305 Regulatory Debits
 - Account 4310 Regulatory Credits
 - Account 4335 Profits and Losses from Financial Instrument Hedges
 - Account 4355 Gain on Disposition of Utility and Other Property
 - Account 4398 Foreign Exchange Gains and Losses, Including Amortization

- Account 4405 Interest and Dividend Income

6-Staff-140

Profits and Losses from Financial Instrument Hedges (Account 4335)

Ref 1: Appendix2-H_Other Operating Revenue

Ref 2: Exhibit 6 / Tab 3 / Schedule 1 / p. 5 (PDF p.237)

Preamble:

According to Reference 2, the losses in this account are all because of swapping loans, and Elexicon Energy intends to hold its swap loan until maturity in 2028.

Question(s):

- a) Has Elexicon Energy considered adjusting its financial strategy in light of the losses noted in Reference 2.
- b) There is no revenue recorded in this account from 2029 to 2031. Please confirm whether Elexicon Energy intends to stop swapping loans until 2031, resulting in no further income during this period. If not the case, please explain.

6-Staff-141

Miscellaneous Non-Operating Income (Account 4390)

Ref 1: Appendix2-H_Other Operating Revenue

Preamble:

The other revenue recorded in Account 4390 show an increase of \$0.8M which exceeds the materiality threshold.

Question(s):

- a) Please explain the driver of the increase noted in the preamble and provide supporting calculations if needed.

6-Staff-142

Pole Attachment Revenues (Account 4210)

Ref 1: Exhibit 6 / Tab 3 / Schedule 1 / pp. 3 (PDF p. 235)

Ref 2: Appendix2-H_Other Operating Revenue

Preamble:

Elexicon Energy notes in Reference 1 that Other operating revenues increased from \$1.4M to \$2.1M primarily due to Pole Attachment Revenue being recovered as per established OEB rates in 2027.

Reference 2 shows that the pole attachment revenues are forecast to increase by 1.8% per year from the 2027 to 2031 period which is less than the OEB's current approved 2026 inflation of 3.7%.

Question(s):

- a) Please explain whether the increase in pole attachment revenue within Account 4210 in 2027 is solely attributable to OEB approved rate per pole per month.
- b) Please provide the supporting calculations used to derive the pole attachment revenue, including the number of poles and rate per pole.
- c) Is the Pole attachment revenue in Reference 2 currently a placeholder? Please confirm whether Elexicon Energy will update pole attachment revenues using OEB's approved inflation factor when the information is available.
- d) Please confirm whether Elexicon Energy will update the pole attachment revenue for the 2027 to 2031 period annually to reflect the OEB's approved pole attachment charge. If not, please explain why not.

6-Staff-143

Interest and Dividend Income (Account 4405)

Ref 1: Appendix2-H_Other Operating Revenue

Preamble:

The other revenue recorded in Account 4405 remains at \$50,000 from 2025 to 2031.

Question(s):

- a) Please explain the methodology used to forecast Interest and dividend income for 2025 to 2031, and why it remains unchanged. If needed, please provide supporting calculations.

6-Staff-144

Late Payment Charge Revenues (Account 4225)

Ref 1: Appendix2-H_Other Operating Revenue

Preamble:

The Reference above shows Late Payment Charge Revenues are forecast to increase by 2% per year from 2027 to 2031 period.

Question(s):

- a) Please explain the methodology applied for forecasting Account 4225 and provide supporting calculation if needed.

**6-Staff-145
 PILs Model**

Ref 1: EE_Exhibit 6-2-1(1)_PILS Workform_20251219

Ref 2: EE_Exhibit 2A-1-1(1)_OEB App.2-AA-AB-BA-BB-C_20251219

Preamble:

OEB staff has compiled a table as below, showing the differences of capital additions between Refs 1 and 2 (before CWIP addition):

Description	2026	2027	2028	2029	2030	2031
Capital additions (Ref 1) (A)	\$ 66,281,504	\$ 61,000,881	\$ 113,817,897	\$ 131,245,668	\$ 121,379,387	\$ 241,524,931
Capital additions (Ref 2) (B)	\$ 43,951,698	\$ 66,301,652	\$ 122,404,973	\$ 137,217,468	\$ 127,905,557	\$ 254,384,924
Variance (B-A)	\$ (22,329,806)	\$ 5,300,771	\$ 8,587,076	\$ 5,971,800	\$ 6,526,170	\$ 12,859,993

Questions:

- a) Please reconcile and explain the variances identified in the table above.
- b) Please update the evidence if applicable.

6-Staff-146

Capitalized Interest

Ref 1: Exhibit 6 / Tab 2 / Schedule 1 / pdf p 23

Ref 2: Filing Requirements for Electricity Distribution Rate Applications - 2026 Edition for 2027 Rate Applications - Chapter 2 / Section 2.2.2 / p. 19

Preamble:

In Ref 1, Elexicon stated that interest is not capitalized to construction work in progress (CWIP) for tax purposes, while interest is capitalized for accounting purposes in the 2027 projection. Ref 2 requires distributors to ensure that “continuity statements must provide year-end balances and include any capitalized interest during construction and any capitalized overhead costs.”

Questions:

- a) Please confirm whether capitalized interest during construction has been included in the Fixed Asset Continuity Schedule (Appendix 2-BA).
- b) If yes, please identify:
 - i) the annual amounts of capitalized interest included in 2020-2031 by year; and
 - ii) where these amounts are reflected in Appendix 2-BA (e.g., capital additions, CWIP transfers, or other adjustments).

- c) If capitalized interest during construction is not included in Appendix 2-BA, please explain why and explain whether this treatment was approved by the OEB in Elexicon rate zones' respective rate applications in the past. If so, please provide details regarding those rate applications.
- d) Please quantify the revenue requirement impact on different treatments of the capitalized interest. In your response, please include the amounts that are not capitalized and variances to identify whether this treatment affects rate base, depreciation expense, return on capital, and/or PILs by year.

6-Staff-147

Tax Credits

Ref 1: Exhibit 6 / Tab 2 / Schedule 1 / pdf p 24

Ref 2: EE_Exhibit 6-2-1(4)_Supporting Schedules_20251219 / tab SR&ED Tax Credits Forecast

Ref 3: EE_Exhibit 6-2-1(1)_PILS Workform_20251219 / tabs B0 PILs /Tax Provision Bridge / T0 2027-2031 PILs /Tax Provision

Preamble:

Elexicon has Scientific Research and Experimental Development (SR&ED) tax credits as discussed in Ref 1. However, OEB Staff notes in the PILs Workform that no investment tax credits or miscellaneous tax credits have been reflected in the calculation of the PILs tax provision, as shown in Ref 3.

OEB Staff also notes Elexicon's statement that it has relied on historical actuals to forecast Federal Apprenticeship Job Creation tax credits of \$0.0 million.

Questions:

- a) Please explain why SR&ED tax credits are not reflected in the PILs Workform as investment tax credits or miscellaneous tax credits in the calculation of the 2025-2031 PILs tax provision.
- b) Please confirm whether Elexicon has earned any Federal Apprenticeship Job Creation tax credits in the historical period. If yes, please provide the annual amounts that were filed in the actual tax returns.
- c) Please update the PILs model as applicable based on the response in a) and b) as applicable.
- d) Please update Ref 2 to include actual 2025 data, if available; otherwise, please provide estimated 2025 amounts and calculate a three-year average for 2023–2025.

6-Staff-148

Tax Loss Carry Forward Balance Adjustment: 1592 Accelerated CCA

Ref 1: Exhibit 6 / Tab 2 / Schedule 1 / pdf p 20 / Table 3

Preamble:

In Ref 1, Elexicon presented tax savings related to accelerated CCA quantified on a cash basis and reported by year.

Questions:

- a) Please provide detailed supporting schedules and calculations for the annual tax savings amounts shown in Ref 1 including all assumptions, inputs, and methodology used to derive each year's amount.
- b) Please also provide the underlying calculation spreadsheet(s) with formulas redacted demonstrating the numerical linkage between inputs and the reported results.
- c) Please file copies of Elexicon's corporate income tax returns for the taxation years 2018 through 2023, inclusive.
- d) Please reconcile the tax savings realized on a cash basis as presented in Table 3 to the corresponding amounts reflected in each year's tax return. If applicable, please provide a breakdown of the reconciliation between regulated and non-regulated activities.

6-Staff-149

Tax Loss Carry Forward Balance Adjustment : 1511 Cloud Computing Implementation Costs Deferral Account

Ref 1: Exhibit 4 / Tab 1 / Schedule 6 / Appendix A / p 1

Ref 2: Exhibit 4 / Tab 1 / Schedule 6 / Appendix A / p 10 / table 4

Ref 3: Exhibit 6 / Tab 2 / Schedule 1 / pdf p 17

Ref 4: Exhibit 6 / Tab 2 / Schedule 1 / pdf pp 21-22

Ref 5: EE_Exhibit 6-2-1(1)_PILS Workform_20251219 / tabs H4 Sch 4 Loss C fwd Hist and B4 Sch 4 Loss C fwd Bridge

Ref 6: Exhibit 9 / Tab 3 / Schedule 2 / p 3

Preamble:

In Ref 1, Elexicon stated that "given the cloud-based nature of this platform, such costs are not capitalizable."

In Ref 6, Elexicon proposed full recovery of \$42 million as also shown in Ref 2. In Ref 4, Elexicon stated that "from a tax perspective, the impact of this spending is a decrease to Net Income, and a decrease to PILs owed. These tax reductions are directly tied to

expenses incurred by Elexicon to implement Dx NEXT through increased tax losses and should be used to offset the tax payments due on recovery of Dx NEXT costs through rate riders upon approval of the Cloud Computing Implementation Costs deferral account.”

OEB Staff notes that tax loss carry forward adjustments of \$17.3 million in 2025 and \$8.2 million in 2026 have been included in Ref 5. In Ref 3, Elexicon stated that “in the event the credit balance in Account 1592 -Sub-account Accelerated CCA were disposed of in full, and tax loss carry forward balances derived from Accelerated CCA were subsequently used to reduce PILs in rates in 2027 and beyond, ratepayers would effectively be credited the tax benefits of Accelerated CCA twice.”

Questions:

- a) Please confirm whether the forecast spending of \$15.64 million in 2025 and \$6.87 million in 2026 related to the Cloud Computing Implementation Costs is fully treated as OM&A for both accounting and tax purposes.
 - i) If so, please confirm the impact on revenue requirement including PILs
 - ii) If not, please identify the amounts that have been capitalized and explain the impacts on rate base, revenue requirement, including PILs.
- b) Please provide a spreadsheet with formulas redacted supporting the calculation of the tax loss carry forward adjustments of \$17,366,758 in 2025 and \$8,178,447 in 2026.
- c) Given that the \$42 million is proposed to be recovered from customers through a rate rider, and that tax loss carry forward adjustments are also included in 2025 and 2026, please explain whether these treatments result in any double counting of recovery from customers, and if not, how double counting is avoided.

6-Staff-150

PILs Model

Ref 1: EE_Exhibit 6-2-1(1)_PILS Workform_20251219

Ref 2: 2027 Income Tax/PILS Workform

Preamble:

Elexicon filed its PILs model using the 2026 Income Tax/PILs Workform. Subsequent to the filing of the Application, the OEB released the 2027 Income Tax/PILs Workform.

Questions:

- a) Please re-file the PILs model using the 2027 Income Tax/PILs Workform. Identify and explain any resulting changes to the PILs calculation.

If the use of the 2027 workform results in changes that affect responses to other tax- or revenue requirement related Interrogatories, please identify the affected Interrogatories and provide updated responses as necessary.

Exhibit 7 – Cost Allocation, Rate Design and Other Charges

7-Staff-151

Seasonal Residential Density Factors

Ref. 1: Exhibit 7, Section 2.4, Cost Allocation Model I-6.2

Ref. 2: Exhibit 7 / Tab 1 / Schedule 1 / Section 2.4 / p. 20 of 25 (PDF p. 20)

Question(s):

- a) Please explain the rationale for the Seasonal Residential density factors, including:
 - i. Poles (10.0)
 - ii. Overhead conductors (5.6)
 - iii. Underground conductors (1.7)
 - iv. transformers (5.1)
- b) Please explain why these factors materially exceed those of permanent Residential customers.
- c) Please provide the underlying evidence supporting the Seasonal Residential density assumptions, including:
 - i. average customers per km of line
 - ii. average assets per customer
- d) Please provide a sensitivity analysis showing the impact on allocated costs and revenue-to-cost ratios if:
 - i. Seasonal Residential density factors were reduced by 25%.
 - ii. Seasonal Residential density factors were increased by 25%.

7-Staff-152

EV Load Coincidence

Ref. 1: Exhibit 3, Appendix A

Ref. 2: Exhibit 7, Tab 1, Schedule 1, Section 2.3

Preamble:

The methodology for deriving the 2027 hourly load shape is to remove forecast incremental EV and heat pump load from the total forecast, applying the historical load profile to the remaining load, and then re-allocating incremental heating and EV load across hours based on weather sensitivity and assumed charging patterns.

Question(s):

- a) Please explain how forecast EV load is treated for purposes of peak demand and cost allocation, including:
 - i. Assumed coincidence of EV charging with system peak; and
 - ii. How EV load is reflected in CP and NCP allocators used in the cost allocation model.

7-Staff-153

Revenue to Cost Ratios

Ref. 1: Exhibit 7 / Tab 1 / Schedule 1 / Section 4.2 / p. 24 of 25 (PDF p. 24)

Preamble:

The revenue-to-cost ratio for the Sentinel Light class is proposed to decline from 96.28% to 91.87% in 2027, while several other rate classes, including Residential, are proposed to increase to 97.08%. This outcome appears inconsistent with the OEB's general policy objective of gradually moving revenue-to-cost ratios toward 100%.

Question(s):

- a) Please explain whether the proposed Sentinel Light revenue-to-cost ratio was intentionally reduced as part of an overall mitigation strategy.
- b) What alternative mitigation measures were considered to address bill impacts for Seasonal Residential customers or other affected classes, aside from revenue-to-cost ratio adjustments.
- c) Why cost responsibility for mitigation was allocated in this manner across rate classes, including the rationale for increasing Residential revenue-to-cost ratios to offset reductions elsewhere.

Exhibit 8 – Rate Design

8-Staff-154

Rate Harmonization

Ref: Exhibit 8 / Rate Design Overview / pp. 1-3 (PDF pp. 1-3)

Question(s):

- a) Please explain why rate harmonization in 2027 was selected instead of a phased approach.
- b) Please quantify the incremental bill impacts avoided or incurred compared to a 3-year and 5-year phase-in.

8-Staff-155

Rate Class Structure and Reclassifications

Ref. 1: Exhibit 8 / Tab 1 / Schedule 1 / Table 4 / p. 7 of 47 (PDF p. 7)

Ref. 2: Exhibit 8 / Tab 1 / Schedule 1 / Table 7 / p. 10 of 47 (PDF p. 10)

Question(s):

- a) Please reconcile the 2027 rate class revenue allocation percentages used in reference 1 with the cost allocation outputs in reference 2. Identify and explain any changes.

8-Staff-156

Retail Transmission Service Rates

Ref. 1: Exhibit 8 / Tab 1 / Schedule 1 / Section 6.1 / pp. 18-25 (PDF pp. 18-25)

Ref. 2: Exhibit 8 / Tab 1 / Schedule 1 / Section 6.2 / Tables 21-26 / pp. 19-23 (PDF pp. 19-23)

Question(s):

- a) Please provide a sensitivity analysis showing how RTSRs would differ if calculated separately for VRZ and WRZ in 2027.

Please review the treatment of EV-specific 3,000 to 4,999 kW sub-class in the RTSR harmonization and ensure that an appropriate rate is produced.

8-Staff-157

Loss Adjustment Factors

Ref. 1: Exhibit 8 / Tab 1 / Schedule 1 / Section 13 / pp. 34-37 (PDF pp. 34-37)

Ref. 2: Exhibit 8 / Tab 1 / Schedule 1 / Section 13 / Tables 36 & 37 / pp. 35-36 (PDF pp. 35-36)

Question(s):

- a) Please explain the increase in loss factor for Primary Metered Customers > 5,000 kW. Are Elexicon's Large Use customers served by dedicated transmission-connected feeders? If a new Large Use customer were added through a new customer, or through load growth, would Elexicon ensure that it is served by a transmission-connected feeder?
- b)

8-Staff-158

Specific Service Charges

Ref. 1: Exhibit 8 / Tab 1 / Schedule 1 / Section 10 / pp. 26-30 (PDF pp. 26-30)

Ref. 2: Exhibit 8, Tab 1, Schedule 1, Section 10, Table 30, pp. 29-30 (PDF pp. 29-30)

Question(s):

- a) Please explain why VRZ SSCs were selected as the basis for harmonized charges rather than WRZ SSCs.
- b) Please quantify the annual revenue impact of discontinuing WRZ-only SSCs.
- c) Please explain why the after-hours customer substation isolation charge is proposed to be removed from the tariff and confirm how costs will be recovered under time-and-materials billing.

8-Staff-159

Bill Impacts and Rate Mitigation

Ref. 1: Exhibit 8 / Tab 1 / Schedule 1 / Section 16 / pp. 41-46 (PDF pp. 41-46)

Ref. 2: Exhibit 8 / Tab 1 / Schedule 1 / Section 13 / Tables 43-46 / pp. 43-46 (PDF pp. 43-46)

Question(s):

- a) Please provide bill impacts for each harmonized rate class separating:
 - i. impacts from base distribution rates
 - ii. impacts from harmonization
 - iii. impacts from RTSRs
 - iv. impacts from LV rates
 - v. impacts from loss factors
- b) Please explain why Sentinel Lighting mitigation was selected instead of mitigation through phasing or bill caps.
- c) Please confirm that mitigation adjustments maintain overall revenue neutrality and identify which rate classes absorb the offsetting revenue changes.

Exhibit 9 – Deferral and Variance Accounts

9-Staff-160

Non-Wires Solution Deferral Account

Ref 1: Exhibit 9 / Tab 4 / Schedule 2 / pp. 24-27 (PDF pp. 87-90)

Ref 2: Exhibit 2B / Tab 3 / Schedule 5 / pp. 4-5 (PDF pp. 861-862)

Preamble:

Elexicon Energy has proposed to establish a non-wires solution deferral account as a means to recover OM&A costs associated with any non-wires solution opportunities that may arise over the 2027 to 2031 rate term. Elexicon Energy has not proposed any maximum amount that will be permitted to be recovered through the proposed non-wires solution deferral account.

Question(s):

- a) Please provide any opinions as it relates to a maximum amount that may be recovered through the proposed non-wires solution deferral account.
- b) Should a non-wires solution opportunity arise over the 2027-2031 rate term that results in balances being recorded in the proposed non-wires solution deferral account, does Elexicon Energy expect a commensurate reduction in capital expenditures over the 2027 to 2031 rate term?

9-Staff-161

Non-Wires Solution Deferral Account

Ref 1: Exhibit 9 / Tab 4 / Schedule 2 / pp. 24-27 (PDF pp. 87-90)

Ref 2: Exhibit 1 / Tab 5 / Schedule 1 / p. 13 (PDF p. 129)

Preamble:

Elexicon Energy has proposed a Custom Revenue Cap Index rate framework with the following components:

- Growth Factor to represent the growth in utility costs associated with output growth,
- Input Price Differential Factor to represent the rate at which Elexicon Energy's OM&A input costs are increasing relative to the rate of inflation provided for in the Custom Revenue Cap Index's inflation factor, and
- Revenue Growth Factor to recover the cost drivers of Elexicon Energy's investment plan that are not otherwise captured by the other factors of the Custom Revenue Cap Index.

Elexicon Energy has also proposed to establish a non-wires solution deferral account as a means to recover OM&A costs associated with any non-wires solution opportunities that may arise over the 2024 to 2031 rate term.

Question(s):

- a) Please explain whether the additional OM&A funding provided by the effects of the proposed Growth, Input Price Differential, and/or Revenue Growth Factors can be allocated to any non-wires solution OM&A spending in lieu of the proposed non-wires solution deferral account. In the response, please identify any ramifications of such an outcome.
- b) Please comment on any other ramifications to Elexicon Energy's investment plan over the 2027-2031 rate term should the proposed non-wires solution deferral account not be approved.

9-Staff-162

2027 DVA Continuity Schedule and Commodity Analysis Workform

Ref 1: EE_Exhibit 9-1-1(1)_DVA Continuity Schedule_20251219

Ref 2: 2027 Deferral and Variance Account (Continuity Schedule) Workform

Ref 3: 2027 Commodity Accounts Analysis Workform

Preamble:

In Exhibit 9, Elexicon indicated that the 2025 Group 1 DVA balances were not finalized at the time of filing and that placeholders were used in the DVA Continuity Schedule. Elexicon also stated that it will review the 2025 Group 1 DVA balances against the disposition threshold when the audited balances become available at a later stage in this proceeding. In addition, Elexicon indicated that the Commodity Accounts Analysis Workform for 2025 was not completed due to the unavailability of final 2025 audited balances and will be provided when available.

Questions:

- a) Please update and re-file the DVA Continuity Schedule using the 2027 DVA Continuity Schedule Workform, reflecting audited 2025 actual balances for all Group 1 and Group 2 accounts, including any associated interest calculations.
- b) Based on the updated 2025 Group 1 balances, please demonstrate whether the disposition threshold is met for the 2027 rate year and explain whether Elexicon is requesting disposition as part of this application.
- c) Please complete and file the Commodity Accounts Analysis Workform (2027 model) for the applicable years.

9-Staff-163

Extended Horizons Variance Account (EHVA)

Ref 1: OEB Rate Order / *Extended Horizons Variance Account (EHVA)* / EB-2024-0092 / March 20 / 2025

Ref 2: Exhibit 9 / Tab 3 / Schedule 3

Ref 3: Exhibit 9 / Tab 4 / Schedules 1 and 2

Preamble:

In Ref 1, the OEB established the EHVA to track incremental revenue requirement impacts associated with the extension of customer connection and revenue horizons under the DSC. The OEB stated that distributors are expected to incorporate the impacts of the DSC amendments into base rates at their next cost-based rate application and that the EHVA is not anticipated to be required beyond that point.

Ref 1 also states that “The generic variance account applies only to the forecasted connections that are currently embedded in distribution rates and eligible for the extension of connection and revenue horizons”.

InrRef 2, Elexicon confirmed that the EHVA would no longer be required and would not be used on a going forward basis if the DRVA is approved as proposed, as all relevant demand-related variability would be captured through the DRVA. However, if the OEB does not approve the DRVA, Elexicon requested that the EHVA be retained, as it expects the account would continue to be necessary during the 2027-2031 period.

Questions:

- a) Please confirm whether Elexicon has calculated and recorded any amounts in the EHVA for the period from November 18, 2024 to December 31, 2024, and for the 2025 test year to date.
 - i) If yes, please provide a schedule in excel listing the following information:
 1. The amounts recorded (principal and carrying charges) in 2024 and amount calculated and recorded (or to be recorded) in 2025;
 2. The calculation of the incremental revenue requirements by each impacted connection;
 3. The specific connection projects giving rise to the recorded amounts
 4. Please explain how each connection included in the calculation meets the criteria of “currently embedded in distribution rates” and “eligible for the extension of connection and revenue horizons”.
 - ii) If not, please explain why not, given that EHVA applies only to forecasted connections that are currently embedded in distribution rates and eligible for the extensions under DSC.
- b) Please confirm that the impacts of the DSC amendments regarding the extension of connection horizons have been embedded in the base rates proposed in this application, as required by the Accounting Order. If not, explain why not.
- c) Please explain why the continuance of EHVA is contingent on the approval of DRVA in this application as indicated by Elexicon, given that EHVA only applies to eligible connections that are currently embedded in distribution rates, rather than the new connections

9-Staff-164

Projected Interest (Carrying Charges) Methodology

Ref 1: Exhibit 9 / Tab 3 / Schedule 2 / page 3

Ref 2: Exhibit 9 / Tab 3 / Schedule 5

Ref 3: Elexicon Energy 2026 IRM application / EB-2025-0046

Preamble:

Elexicon included projected carrying charges that extend beyond the 2027 test year, some to 2031 and others to 2036.

In Ref 3, Elexicon proposed to dispose Group 2 account balances with carrying charges calculated through December 31, 2027, consistent with its requested 2027 rate year. However, the OEB approved carrying charges only up to December 31, 2025 in the Decision and Order⁵, consistent with the IRM framework that carrying charges accrue only to the approved disposition date.

Question(s):

- a) Please recalculate carrying charges for all applicable accounts to the 2027 test year only.

9-Staff-165

Account 1508: Pole Attachment Revenue Variance

Ref 1: Exhibit 9 / Tab 3 / Schedule 5 / p. 8 / Table 9

Ref 2: 2026 IRM Application / EB-2025-0046 / Appendix D / Tables 4.9 and 4.11

Preamble:

Year	VRZ No. of Poles	VRZ No. of Poles Growth Rate	WRZ No. of Poles	WRZ No. of Poles Growth Rate
2018	22,005		5,556	
2019	22,523	2%	5,573	0.3%
2020	23,529	4%	5,666	1.7%
2021	24,085	2%	5,583	-1.5%
2022	24,212	1%	5,630	0.8%
2023	24,472	1%	5,750	2.1%
2024	24,465	0%	5,750	0.0%
2025	24,479	0%	6,012	4.6%
2026	24,479	0%	6,012	0.0%

OEB Staff have compiled the table above using historical and forecast pole counts provided in Refs 1 and 2. OEB Staff notes that the forecast assumes a 4.6% increase in the number of WRZ poles in 2025, followed by no growth in 2026. The historical data for the 2018-2024 period show WRZ annual growth rates ranging from -1.5% to 2.1%.

⁵ EB-2025-0046, Decision and Order, January 15, 2026

OEB Staff also notes that the number of VRZ poles is forecast to remain largely unchanged over the 2022-2026 period, following modest historical growth.

Questions:

- a) Please explain why this forecasted WRZ growth rate is reasonable in light of the historical WRZ growth experience summarized in the OEB Staff compiled table.
- b) Please explain the basis for forecasting a 4.6% increase in WRZ poles in 2025, including identification of any specific drivers, projects, reclassifications, or methodological changes underlying this assumption.

9-Staff-166

Account 1508: LEAP EFA Funding

Ref 1: Exhibit 9 / Tab 3 / Schedule 5 / p. 10 / Table 10

Preamble:

Elexicon has provided a projected LEAP Emergency Financial Assistance (EPA) funding amount of \$324,200 for each of 2025 and 2026 to be recorded in Account 1508.

Questions:

- a) Please provide any supporting calculations (breakdown by type of the grant programs, the grant \$ per program and number of the grants) relied upon developing the forecasted LEAP EPA funding amounts for 2025 and 2026.

9-Staff-167

Account 1508: Estimated Useful Life

Ref 1: Exhibit 9 / Tab 3 / Schedule 5 / pp. 10-13

Ref 2: EE_Exhibit 9-3-5(3)_Change in Useful Lives Summary_20251219

Ref 3: EB-2013-0174 EX4_APPL_Veridian COS_201210 / Exhibit 4 / Tab 6 / Schedule 1 / p. 3

Preamble:

The accounting order in Ref 1 establishing the Account 1508 sub-account for changes in estimated useful lives specifies the amounts recorded must be underpinned by an annual depreciable PP&E study report that itemizes and supports all adjustments to depreciation expense.

In Ref 2, Elexicon presented multi-year depreciation impacts and resulting net PP&E balances for the period 2019 to 2026, reflecting differences between the Whitby Useful Life Lives (WUL) and Elexicon Energy Useful Lives (EEUL) scenarios

Elexicon stated that following the merger, the estimated useful lives applied to WRZ assets were aligned with those used for VRZ, and the VRZ useful lives were reviewed as part of Veridian's cost of service application in Ref 3.

Questions:

- a) Please confirm whether an annual depreciable PP&E study report was prepared for each year underlying the amounts recorded to the Account 1508 sub-account presented in this application.
 - i) If so, please file the report(s) and reconcile the depreciation impact and resulting net PP&E balances to Ref 2, on a line-by-line and year-by-year basis (2019-2026). The reconciliation should clearly demonstrate how the assumptions and outputs of the annual depreciable PP&E study report(s) support the amounts shown in Ref 2 under both the WUL and EEUL scenarios, including opening net PP&E, net additions, net depreciation, and closing net PP&E.
 - ii) If not, please explain how compliance with the requirements of the accounting order was achieved in recording amounts to the Account 1508 sub-account.
- b) Please provide the VRZ depreciable PP&E study report (including the Kinectrics Report or relevant extracts) that Elexicon is relying on in this rate proceeding to establish the useful lives applied to WRZ assets.

9-Staff-168

Account 1508: Getting Ontario Connected Act (GOCA) Variance Account

Ref 1: Accounting Order (002-2023) for the Establishment of a Deferral and Variance Account to Record Incremental Locates Costs Arising from Bill 93

Ref 2: Exhibit 4 / Tab 1 / Schedule 4 – Sustainment Program (Locates)

Ref 3: EE_Exhibit 4-1-1(1)_OEB App.2-J_OM&A Programs_20251219

Ref 4: Exhibit 9 / Tab 3 / Schedule 5 / pp. 4-7

Preamble:

In Ref 1, Elexicon provided a description of the methodology used to calculate and forecast third-party Locate Service Providers (LSPs), Ontario One Call, and incremental internal labour costs associated with additional locates program oversight.

OEB Staff notes that Elexicon has recorded locates-related costs associated with Bill 93 in Account 1508, as presented in Refs 2, 3 and 4. OEB Staff also notes that Ref 2 presents total Locates program costs within the Sustainment Program and includes adjustments referred to as "DVA Adjustment (Locates)" for certain years, while Ref 3 presented forecast OM&A information used for rate-setting purposes.

Questions:

- a) For each year from 2023 to 2026, please reconcile:
 - i) total locates OM&A costs shown in Refs 2 and 3;
 - ii) amounts removed from OM&A through any “DVA Adjustment (Locates),” in both Refs 2 and 3; and
 - iii) amounts recorded in Account 1508 - GOCA as shown in Ref 4.
- b) Please also include a summary reconciliation table by year (2023-2026) that clearly bridges gross locates OM&A costs to DVA adjustments and amounts recorded in Account 1508 - GOCA, supported by detailed calculations and Ref tie-outs.
- c) Please clarify the purpose of the “DVA Adjustment (Locates)” shown in Ref 2 and explain how this adjustment differs from the actual amounts recorded in Account 1508 - GOCA.
- d) Please clarify the statement of “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”.
- e) Please provide calculation support for the incremental price increases from third-party LSPs recorded and forecast in the GOCA deferral account, including the baseline rates used, escalation or inflation assumptions, actual and/or forecast rates applied, and a reconciliation to the incremental costs recorded.
- f) Please provide supporting details for the incremental internal labour costs attributed to GOCA, including the basis for determining these costs are incremental and causally related to GOCA requirements.
- g) Please briefly explain the method used derive the 2026 amounts.

9-Staff-169

Account 1511: Cloud Computing Implementation Costs (Dx NEXT)

Ref 1: Accounting Order (003-2023) for the Establishment of a Deferral Account to Record Incremental Cloud Computing Arrangement Implementation Costs” / November 2 / 2023 / p 2

Ref 2: Cost of Capital and Other Matters / EB-2024-0063 / Decision and Order / March 27 / 2025 / Section 3.8.1 / pp 102 to 103.

Ref 3: Exhibit 4 / Tab 3 / Schedule 5 Appendix A.

Ref 4: EE_Exhibit 4-1-1(1)_OEB App.2-J_OM&A Programs_20251219.

Ref 5: Exhibit 9 / Tab 3 / Schedule 5 / pp. 14-18.

Ref 6: Cloud Computing Implementation Costs Generic Deferral Variance Account Webinar Q&A Materials / February 15 / 2024

Preamble:

In Ref 1, the OEB approved the establishment of a generic deferral and variance account to record eligible incremental cloud computing implementation costs and any related offsetting savings, if applicable, with recovery subject to OEB's approval at rebasing.

In Ref 2, the OEB confirmed that at rebasing a utility may propose a disposition methodology for cloud computing deferral account balances, and that the appropriate recovery period should be informed by factors such as the nature of the cloud solution, the timing and duration of any associated service or contract term, the magnitude of the expenditure, and rate impact considerations.

In Ref 5, Elexicon proposed to recover incremental cloud computing implementation costs totaling \$47,750,314 associated with the Dx NEXT project through Account 1511, with disposition of the deferral account balance over a ten-year period commencing in 2027, which is the test year for the 2027-2031 rate period. The proposal also includes forecast one-time implementation costs expected to be incurred in 2027. In the same evidence, Elexicon referred to "amortizing" these costs in the context of mitigating rate impacts.

In Refs 3 and 4, OEB Staff notes that forecast OM&A information for the 2027-2031 period is presented, including forecast OM&A savings associated with the Dx NEXT implementation. In table 7 of Ref 3, Elexicon provided OM&A Cost Savings from Dx NEXT Implementation for 2027-2031.

In Ref 6, The Q&A materials clarified that utilities are expected to identify and assess any such savings arising from the transition to cloud-based solutions, and either record them in the deferral account or explain why savings are not applicable or not measurable. The Q&A further indicated that certain implementation cost categories that are typically expensed for financial reporting purposes (such as training, data conversion, or business process re-engineering) may be eligible for recording in the deferral account provided they are incremental, and that incremental capital costs and incremental OM&A implementation costs are expected to be identified and tracked separately.

Questions:

- a) Please clarify what Elexicon means by the term "amortizing" in Ref 5.
- b) Please confirm whether any portion of the forecast one-time 2027 Dx NEXT cloud computing implementation costs proposed for recovery through Account 1511 is included in the 2027 test-year OM&A forecasts reflected in Exhibit 4 (including Appendix 2-J OM&A Summary, Cost Drivers, or Programs). If so, please identify the amounts, the associated OM&A programs or functions, and

- explain how double recovery is avoided. If not, please identify where and how these costs have been excluded from the Exhibit 4 OM&A forecasts.
- c) Please provide a comparison of the 2027 revenue requirement and bill impacts for the following proposals:
- (i) with the proposed deferral and ten-year disposition of the one-time 2027 cloud implementation costs;
 - (ii) with the proposed deferral and five-year disposition of the one-time 2027 cloud implementation costs;
 - (iii) with the proposed deferral and three-year disposition of the one-time 2027 cloud implementation costs; and
 - (iv) assuming those one-time 2027 implementation costs were recovered entirely in 2027 without deferral.
 - (v) Please indicate which of the recovery periods evaluated in (i)–(iv) Elexicon considered most appropriate and briefly explain why having regard to the considerations described in Ref 2.
- d) Please explain how the identified Dx NEXT related savings interact with the proposed recording of cloud computing implementation costs in Account 1511, and provide the following:
- i) A year-by-year breakdown (2027 to 2031) of the OM&A savings identified in Exhibit 4, including the allocation of the total savings shown in Table 7 by year and by cost category;
 - ii) Confirmation of whether any savings related to the Dx NEXT implementation are expected to be realized in 2025 and 2026, and if so, please quantify those savings by year and explain if the savings will be recorded as offsetting entries in Account 1511;
 - iii) Identification of whether any Dx NEXT related savings realized in 2027 or later years are being, or will be, recorded as offsetting entries in Account 1511, and if not, an explanation of why such savings are not recorded in the deferral account; and
 - iv) An explanation of how Elexicon's proposed treatment of Dx NEXT related savings is consistent with Ref 6.
- e) Please provide the nature of the costs recorded or to be recorded in the accounts by year, with a breakdown of the costs by cloud solution; for each solution, to provide details of type of costs, such as configuration, testing, data conversion; nature of the costs, capital or OM&A, using the IFRS standard; and the dates the costs were incurred, or when they are expected to be incurred.
- f) Please explain whether Elexicon has discussed accounting treatment with its external auditor and whether the external auditor has agreed on the OM&A treatment of these costs. If not, please explain why not.

Account 1575: IFRS-CGAAP Transitional PP&E

Ref 1: Whitby Hydro Electric Corporation / EB-2018-0079 / Decision and Order on 2019 Annual IR Distribution Rate Application / December 20 / 2018 / Settlement Proposal

Ref 2: Whitby_1576 Spreadsheet_Appendix 2_20180913 / Tabs App.2-BA_Fixed Asset Cont and App.2-EC_Account 1576

Ref 3: EE_Exhibit 2A-1-1(1)_OEB App.2-AA-AB-BA-BB-C_20251219 / Tab App2-BA_Fixed Asset Cont

Ref 4: EE_Exhibit 9-3-5(5)_OEB App.2-EA_Account 1575_20251219

Ref 5: Exhibit 9 / Tab 3 / Schedule 5 / pp 21- 24

Preamble:

In Ref 1, Whitby Hydro settlement accepted by the OEB in its 2019 rate application agreed upon “the discontinuation of Account 1576 and approval of the use Account 1575 going forward to track the impact of gains and losses on retirement and disposition of assets and other accounting changes to Property, Plant and Equipment”.

OEB Staff notes that, in the Whitby Hydro filings associated with Account 1576, the values reported in Appendix 2-EC reconciled to the corresponding Appendix 2-BA fixed asset continuity schedules (Ref 2). However, in the current rate application, the values reported in Appendix 2-EA-VRZ (Ref 4) do not appear to reconcile to the amounts reported in Appendix 2-BA as filed (Ref 3).

OEB Staff also notes that the balances in Account 1576 associated with Whitby Hydro were disposed of on a final basis in 2019 and Elexicon proposed the discontinuation of Account 1575 in this rate application (Ref 5).

Questions:

- a) Please Update Appendix 2-BA (Ref 3) to include both CGAAP and IFRS based fixed asset continuity information for all years from the last approved cost-based rate application through to the merger by rate zone.
- b) Please confirm whether there are any amounts remaining in Account 1575 associated with legacy Whitby Hydro assets after the 2019 disposition.
 - i) If so, please provide the annual balances by year in Appendix 2-EA and explain the nature of these amounts. Please also confirm that all the line items in the consolidated Appendix 2-EA for the WRZ and VRZ reconcile to Appendix 2-BA on a year-by-year basis from the last approved cost-based rate application onward.
 - ii) If not, please explain why no balances remain.

9-Staff-171

Account 1592 Sub-account CCA Changes

Ref 1: Exhibit 6 / Tab 2 / Schedule 1 / Table 2

**Ref 2: EE_Exhibit 6-2-1(1)_PILS Workform_20251219 / Tabs “H8 Sch 8 CCA Hist” ,
“B8 Sch 8 CCA Bridge” and “T8 2027 Sch 8 CCA”**

Ref 3: EE_Exhibit 9-3-5(6)_Accelerated CCA PILs Impact_20251219EE_Exhibit 6-2-1(1)_PILS Workform_20251219

Ref 4: Exhibit 9 / Account 1592 - Sub-account CCA Changes

Ref 5: Bill C-97 (Accelerated Investment Incentive Program - AIIP)

Preamble:

In Refs 1 and 4, Elexicon has recorded balances in Account 1592 - sub-account PILS and Tax Variance Account - CCA Changes for the years 2018 through 2026 and has proposed disposition of the full balance of \$8,365,134 accumulated as of December 31, 2026. Elexicon has further indicated that it does not intend to record additional amounts in Account 1592 during the 2027 to 2031 period, but proposes that the sub-account remain open in the event of future tax changes.

OEB Staff notes that, as shown in Ref 2 Elexicon’s 2027 test-year CCA calculations continue to reflect accelerated CCA treatment pursuant to AIIP originally established under Bill C-97.

OEB Staff observes that the Accelerated CCA PILs Impact calculations presented in Ref 3 appear to reflect undepreciated capital cost (UCC) amounts and CCA outcomes that do not align directly with the UCC balances reported in Ref 2 Schedule 8.

OEB staff notes that the amounts calculated under the 50% rule in cells I72, I83, I103, and I114 for the 2019 and 2020 Actual Tax Returns, as presented in the “VRZ - CCA_w accel CCA” tab (Ref 3) are negative.

OEB staff further notes that in tab “WRZ - CCA - w accelerated” of Ref 3, values are calculated under the 50% rule for all tax returns from Q1 2019 through 2024, as well as for the 2025 and 2026 tax forecasts, based on additions related to AIIP. In the same tab, a net adjustment of \$444,914 is shown in cell G55; however, this adjustment does not appear in the corresponding “WRZ - CCA - wo accelerated” tab.

In addition, OEB staff observes that, in the “WRZ - CCA - wo accelerated” tab, WIP is the only item to which the 50% rule was not applied in the 2018 Actual Tax Return, in contrast to the 2019 Actual Tax Return in the same tab, and to both the 2018 and 2019 Actual Tax Returns in the “WRZ - CCA - w accelerated” tab.

Questions:

- a) Please describe the circumstances under which Elexicon would propose making further entries to Account 1592 in the future and confirm whether any such use would be subject to OEB approval in a future proceeding.
- b) Please confirm whether the continued application of accelerated CCA treatment in Elexicon's 2027 test-year calculations could give rise to additional variances eligible for recording in Account 1592, and if not, please explain how accelerated CCA impacts are proposed to be fully addressed through base rates rather than through further use of the variance account.
- c) Please confirm whether Elexicon agrees with the OEB staff's observations in Ref 3.
 - i) If so, please update the file to reflect the correct calculation.
 - ii) if not, please explain the reasons for the inconsistencies identified within the file.
- d) Please review Ref 3 in its entirety and confirm that all calculations are correct, in addition to addressing the specific observations made by OEB staff.

9-Staff-172

Generic Accounts Not Being Used

Ref 1: Exhibit 9 / Tab 3 / Schedule 6 / pp 1-2

Ref 2" Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs / EB-2015-0040 / September 14 / 2017

Preamble:

OEB Staff notes that the application includes Account 1508 - Designated Broadband Project Impacts Deferral Account which have no recorded balances or activity during the historical, bridge, or test-year periods, but are proposed to remain open beyond the rebasing date.

Questions:

- a) Please explain the basis for proposing that the account remain open beyond the rebasing date notwithstanding the absence of recorded balances or activity.
- b) Please describe the specific circumstances under which Elexicon expects the account to be used in the future, including:
 - i) the nature of the costs or revenues that would be recorded; and
 - ii) whether such circumstances are reasonably foreseeable during the 2027-2031 rate period.

9-Staff-173

Carrying Charges on New DVAs

Ref 1: Exhibit 9 / Tab 4 / Schedule 2

Preamble:

Elexicon stated that carrying charges will apply to the balances held within the seven proposed new deferral and variance accounts (DVAs) at the OEB's prescribed rates, calculated monthly.

OEB Staff notes that the proposed journal entries include a credit to "Account 1508 - Sub-account Carrying Charges"; however, the draft Accounting Order does not explicitly establish a carrying charges sub-account for the seven proposed new DVAs.

Questions:

- a) Please confirm carrying charges are calculated only on the monthly opening principal balance, exclusive of any accumulated carrying charges.
- b) Please also revise the draft Accounting Order to explicitly establish a separate carrying charges sub-account within Account 1508 for the seven proposed new DVAs, and to clearly set out the carrying charge calculation method.

9-Staff-174

Capital-In Service Additions Variance Account ("CISAVA")

Ref 1: Exhibit 9 / Tab 4 / Schedule 1 / page 1 and Schedule 2 / pp 4-8

Preamble:

In Ref 1, Elexicon stated that:

Elexicon is requesting approval of an asymmetrical variance account, to the benefit of ratepayers, to capture cumulative, capital related revenue requirement variance relative to forecast for the majority of its planned in service additions over the 2027 to 2031 period, subject to a 2% in-service addition deadband. The CISAVA will provide incremental ratepayer protection by ensuring ratepayers are credited for lower in-service additions in excess of 2% in the event that Elexicon does not materially deliver on its investment plan.

In Ref 1, Elexicon identified forecast net in-service capital additions subject to the CISAVA totaling \$587.7 million over the 2027–2031 period. Elexicon stated that the proposed CISAVA will track differences between actual and forecast annual in-service additions over the 2027–2031 period for the capital programs listed in section 2.3 implementation.

Elexicon stated that CISAVA will not apply to investments that are tracked in other proposed accounts, including the Demand-Related Variance Account (DRVA), the New Stations Deferral Account (NSDA), and the Connection Cost Recovery Agreement Variance Account (CCRVA).

Questions:

- a) Please provide a variance analysis of actual versus forecasted total in-service capital additions for historical years.
- b) Please confirm no amount would be recorded if the cumulative capital additions exceed 98% of the OEB-approved amount.
- c) Please provide a program level breakdown of the forecast annual in-service capital additions used for CISAVA purposes for each year from 2027 to 2031, consistent with the programs listed in section 2.3.
- d) Please confirm that the program level annual amounts:
 - i) Reconcile in aggregate to the total forecast net in-service additions subject to CISAVA shown in Table 1; and
 - ii) Represent forecast in-service additions, not gross capital expenditures or construction spend.
- e) Please confirm for purposes of CISAVA, the forecast in-service capital additions are those forming part of the capital plan and revenue requirement approved by the OEB in this proceeding, and that such approved amounts constitute the baseline against which actual in-service additions would be compared.
 - i) If so, please revise the draft Accounting Order to Ref variances between actual in-service capital additions and the OEB-approved forecast amounts, rather than variances between actual and forecast amounts.
 - ii) If not, please identify and describe the forecast that Elexicon intends to use as the CISAVA baseline.
- f) Please explain how Elexicon will operationally ensure that capital projects and associated capital-related revenue requirement are recorded in only one deferral or variance account where the scope of the accounts may overlap, including how projects with multiple drivers will be allocated and how double counting will be prevented.

9-Staff-175

Demand-Related Variance Account (“DRVA”)

Ref 1: Exhibit 9 / Tab 4 / Schedule 2 / pp 9-14

Preamble:

Elexicon stated that:

The proposed DRVA will symmetrically capture cumulative variances between forecast and actual Capital Related Revenue Requirement (“CRRR”) which is composed of: depreciation expense including derecognition, deemed interest, return on equity, and PILs. Elexicon intends to dispose of the balances in the DRVA in its next rebasing application.

Questions:

- a) Please confirm for purposes of DRVA, the forecast in-service capital additions are those forming part of the capital plan and revenue requirement approved by the OEB in this proceeding, and that such approved amounts constitute the baseline against which actual in-service additions would be compared.
 - i) if so, please revise the draft Accounting Order to Ref variances between actual in-service capital additions and the OEB-approved forecast amounts, rather than variances between actual and forecast amounts.
 - ii) If not, please identify and describe the forecast that Elexicon intends to use as the DRVA baseline.
- b) Please confirm that the DRVA essentially transfer 100% of the forecast risk regarding the demands in the custom IR application to the ratepayers. If so, please elaborate on why this is necessary and why this is not against the existing rate-setting mechanism.
- c) Please provide any precedent cases that Elexicon is aware of regarding the same/similar demand related variance account.

9-Staff-176

Connection Cost Recovery Agreement Variance Account (“CCRAVA”)

Ref 1: Exhibit 9 / Tab 4 / Schedule 2 / pp 15-19

Preamble:

Elexicon proposed to CCRAVA as a symmetrical variance account to capture variances between forecast and actual capital related revenue requirement associated with capital contributions and true-up payments made to Hydro One Networks Inc. under Connection Cost Recovery Agreements. Elexicon stated that the symmetrical design of the CCRAVA is intended to protect both the utility and ratepayers from variances that are outside management control.

Elexicon indicated that the only planned in-service addition subject to the CCRAVA is Hydro One capital contributions totaling \$22.1 million by 2031 related to transmission facilities connecting to the planned GTA East station, with all other Hydro One capital

contributions and CCRA true-up payments treated as variances relative to a forecast value of \$0.

Questions:

- a) Please explain the rationale for proposing a symmetrical variance account rather than an asymmetrical variance account.
- b) Please also confirm that all entries to CCRAVA will reflect variances between the forecast capital-related revenue requirement (CRRR) associated with the planned cumulative Hydro One capital contributions of \$22.1 million by 2031 and the actual CRRR, calculated in accordance with the proposed accounting methodology. If not, please clearly identify the forecast baseline(s) against which actual CRRR will be compared for CCRAVA purposes.
- c) Please provide additional clarification and supporting detail regarding the proposed forecast baseline and operation of the CCRAVA, including:
 - i) confirmation of the specific transmission asset(s) associated with the \$22.1 million capital contribution and the expected in-service date(s) of those assets;
 - ii) an explanation of how the forecast capital contribution of \$22.1 million is translated into annual CRRR for CCRAVA purposes over the 2027-2031 period;
 - iii) an explanation of how CCRA true-up payments, which do not correspond to new in-service additions, will be reflected in CRRR for CCRAVA purposes, including whether CRRR is recalculated based on the original in-service date of the underlying transmission asset or another contractual or regulatory milestone;
 - iv) confirmation of whether treating all other Hydro One capital contributions and CCRA true-up payments as variances relative to a forecast value of \$0 would result in the full CRRR associated with such payments being recorded in the CCRAVA in a single year, and if so, how this approach appropriately reflects the timing and economic substance of the underlying transactions; and
 - v) revision of the Draft Accounting Order, if required, to incorporate the clarifications provided above, including explicit direction on the forecast baseline, the timing of CRRR recognition, and the recording of CCRAVA entries.

9-Staff-177

New Stations Deferral Account (“NSDA”)

Ref 1: Exhibit 9 / Tab 4 / Schedule 2 / pp 19-23

Preamble:

Elexicon proposed to establish a New Stations Deferral Account (NSDA) to record CRRR associated with new station projects required over the 2027-2031 rate term that are beyond the seven station projects forecast in the capital plan. Elexicon stated that CRRR arising from the in-service additions, net of capital contributions, for such projects would be recorded as debit entries in the NSDA and accumulated for disposition in a future application.

Questions:

- a) Please provide additional clarification regarding the proposed operation of the NSDA, including:
 - i) how Elexicon will determine whether a station project qualifies as a “new station project... beyond the seven projects listed above”, including how changes in scope, timing, phasing, or re-sequencing of the seven identified projects will be distinguished from genuinely new station projects for NSDA eligibility;
 - ii) confirmation that only station projects that were not forecast and not included in base rates for the 2027-2031 period will be eligible for inclusion in the NSDA, and an explanation of how Elexicon will ensure that CRRR recorded in the NSDA is not otherwise reflected in base rate calculations;
 - iii) an explanation of the timing of CRRR recognition for NSDA purposes, including confirmation of when CRRR begins to be recorded (e.g., in-service date, partial in-service date, or another milestone), and how any potential overlap with base-rate recovery is avoided;
 - iv) confirmation of whether credit entries would be recorded in the NSDA in circumstances where a qualifying new station project is deferred beyond the rate term, materially downsized, or does not proceed, and if not, an explanation of how ratepayer neutrality is maintained;
 - v) a description of any materiality thresholds, controls, or internal review processes that will be applied before recording CRRR associated with a station project in the NSDA; and
 - vi) revision of the Draft Accounting Order, if required, to reflect the clarifications provided above with respect to NSDA eligibility criteria, CRRR timing, interaction with base rates, and any applicable controls.
- b) Please provide Elexicon’s thought on bring the new stations in its annual custom IR update application for OEB’s approval once the actual and/or forecast costs are better known at the time.

Non-Wire Solutions Deferral Account (“NWSDA”)

Ref 1: Exhibit 9 / Tab 4 / Schedule 2 / pp 24-31

Ref 2: Filing Guidelines for Incentives for Electricity Distributors to Use Third-Party DERs as Non-Wires Alternatives / March 28 / 2023

Preamble:

Elexicon states that:

Elexicon is proposing a deferral account to capture any incremental revenue requirement resulting from implementation of Non-Wires Solutions (“NWS”) over the 2027 to 2031 period. At present, Elexicon has not included any NWS expenditures in its 2027 to 2031 plan. However, opportunities for NWS may evolve over the rate term due to various factors such as acceleration of customer demand which may cause new capacity constraints, as additional DERs are connected to the system, and as the capabilities of the grid improve due to investments in grid modernization. The NWSDA ensures that Elexicon has the opportunity to pursue NWS when and where it is in the best interest of ratepayers to do so.

Elexicon proposed the account to record incremental OM&A costs associated with non-wires solutions activities. In addressing the materiality criteria, Elexicon states that “Based on publicly available information about other Ontario utilities’ programs which are in a more developed state, the potential operational costs related to NWS can range from \$0.1M/MW to \$0.3M/MW, suggesting costs over the five-year period, could well exceed the materiality threshold.”

In Ref 2, the OEB identified three incentive mechanisms that distributors may propose in relation to NWS activities:

- a shared savings mechanism,
- a performance target or scorecard-based incentive, and
- a margin on payments to third-party DER providers.

The OEB also indicates that incentive mechanisms, if approved, would typically be tracked through a deferral account established for that purpose.

Questions:

- a) Please explain how Elexicon will ensure that only incremental costs directly attributable to non-wires solutions activities are recorded in the NWSDV, and that business-as-usual system planning, engineering, or operations costs are excluded.

- b) Please calculate the NWS program capacity needed for the amount in the new account exceeding the materiality threshold, using the current program unit cost per MW.
- c) Please indicate which of the three incentive mechanisms identified by the OEB Elexicon anticipates proposing.
- d) Please explain how any incentive amounts would be treated for accounting and ratemaking purposes, including whether such amounts would be recorded in the proposed NWS deferral account or in a separate deferral or variance account.

9-Staff-179

Disposition of New DVAs

Ref 1: Exhibit 9 / Tab 4 / Schedule 2

Preamble:

In the application and draft Accounting Orders, Elexicon proposes the establishment of multiple new deferral and variance accounts with differing disposition timing. In some places, certain accounts are described as being disposed of at the next cost-of-service (rebasings) application, while other accounts are described as being disposed of in a future application.

Questions:

- a) Please explain the criteria or decision framework Elexicon uses to determine whether a new deferral or variance account is proposed to be disposed of at the next cost-of-service application versus in a separate future application. In your response, please describe the key considerations (e.g., nature of costs, degree of uncertainty, linkage to base-rate setting, prudence review requirements) that inform the proposed disposition timing, and how these considerations have been applied to each of the new accounts proposed in this application.
- b) Please revise the Draft Accounting Orders, if necessary, to reflect and clearly align with this framework.

9-Staff-180

Reinstated Accelerated Investment Incentive and Other Tax Incentives

Ref 1: [2025 Federal Budget, Chapter 1, Section 1.2 Supercharging Growth](#)

Ref 2: [Legislation passes to implement Budget 2025: Canada Strong](#)

Ref 3: Exhibit 6 / Tab 2 / Schedule 1

Ref 4: 2027 Income Tax/PILS Workform

Ref 5: EE_Exhibit 9-3-5(6)_Accelerated CCA PILs Impact_20251219

Ref 6: Exhibit 9 / Account 1592 - Sub-account CCA Changes

Preamble

Per reference 1, Budget 2025 introduced the “Productivity Super-Deduction”, a suite of federal income tax measures intended to accelerate capital cost recovery for eligible investments. As announced in Budget 2025 and enacted through Bill C-15, *the Budget Implementation Act, 2025, No. 1*, these measures establish a new accelerated capital cost allowance (CCA) framework applicable to capital investment acquired after 2024.

Budget 2025 announces the government’s intention to move forward with all previously announced measures that would allow businesses to write off the cost of their investments more quickly:

- Reinstatement of the Accelerated Investment Incentive, which provides an enhanced first-year write-off for most capital assets.
- Immediate expensing (i.e., 100-per-cent first-year write-off) of manufacturing or processing machinery and equipment.
- Immediate expensing of clean energy generation and energy conservation equipment, and zero-emission vehicles.
- Immediate expensing of productivity-enhancing assets, including patents, data network infrastructure, and computers.
- Immediate expensing of capital expenditures for scientific research and experimental development.

Prior to Budget 2025, accelerated CCA treatment was provided under the Accelerated Investment Incentive Program (AIIP) enacted through Bill C-97, the *Budget Implementation Act, 2019, No. 1*. AIIP applied to eligible property acquired after November 20, 2018 and was a temporary measure that phased out and ceased to apply to capital acquisitions after 2024. Under Bill C-97, AIIP phased out from 2024 to 2027 and completely ease from 2028.

Per reference 2, Bill C-15, the *Budget Implementation Act, 2025, No. 1*, received Royal Assent on March 26, 2026 and legislatively implements the tax incentives listed above, including the reinstatement of the AIIP to its full effect in 2025.

Question(s):

- a) Please provide the PILs model applying the tax incentives including the reinstated AIIP for eligible capital assets and other applicable tax incentives in Budget 2025.
- b) compare the PILs expense and Account 1592 balance:
 - i) applying AIIP and other applicable tax incentives in Budget 2025; and
 - ii) using the current method proposed by [utility name] using the table below:

	Test Year PILs Expenses	
--	--------------------------------	--

	2027	2028	2029	2030	2031	Account 1592 balance as of 2026
Applying full RIIP and DIEP from 2025 to 2031 - a						
Applying phase-out AIIP from 2025 to 2027 and reverse back to half-year rule from 2028 to 2031 - b						
Differences (a-b)						