

**UNDERTAKING JT-4.3**

**Reference:**

Technical Conference Volume 4, pp. 3-4.

Technical Conference Volume 3, pp. 69-71

**Undertaking:**

Have Staff ask PEG to provide the same version of Undertaking JT-3.20 regarding their own analyses.

**Response:**

PEG relied on Elexicon's updated forecast of OM&A expenses as presented in Exhibit 10 in its econometric benchmarking research. PEG understands that this forecast included the updated OM&A cost of Elexicon's proposed control centre and the ongoing cost of its Dx NEXT project. PEG also understands that this forecast did not include the one-time implementation costs related to the Dx NEXT project.

Benchmarking results that reflect two separate treatments of the one-time Dx NEXT implementation costs and the benchmarking results in PEG's testimony are presented in Table JT-4.3 below. The first scenario includes the one-time Dx NEXT implementation costs as incurred, which affects the benchmarking results only in the years 2025-2027. The second scenario reflects Elexicon's proposal to recover these costs over a 10-year period beginning in 2027.

Examining the results in Table JT-4.3, it can be seen that during the term of the proposed CIR plan, the Company's total cost performance worsens relative to the results presented in PEG's testimony by about 250 basis points with the one-off Dx NEXT implementation costs as incurred and by about 280 basis points if these costs are included beginning in 2027 and recovered over a 10-year period. The changes to Elexicon's OM&A cost performance during the proposed CIR term are considerably larger than the changes in total cost performance, with the Company's performance worsening by more than 500 basis points if the one-off Dx NEXT implementation costs are included as incurred and by more than 600 basis points if they are included beginning in 2027 and recovered over a 10-year period. These changes do not result in any changes to PEG's proposed stretch factor of 0.15%.

The one-time implementation costs for the Dx NEXT project includes some pension and benefit expenses that PEG would normally exclude from its benchmarking research. The Company has informed us that these costs are not material (e.g., these costs are less than \$600,000 cumulatively). PEG did not adjust the one-time Dx NEXT project implementation costs to account for this.

Witness: Mark Newton Lowry

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**Table JT-4.3**

**Elexicon Year-by-Year Distributor Cost Benchmarking Results**

[Actual - Predicted Cost]

| Year                                 | Total Cost Benchmark Scores                                |                                                     |                                                                    | OM&A Cost Benchmark Scores                                 |                                                     |                                                                    |
|--------------------------------------|------------------------------------------------------------|-----------------------------------------------------|--------------------------------------------------------------------|------------------------------------------------------------|-----------------------------------------------------|--------------------------------------------------------------------|
|                                      | PEG Report<br>Excluding Dx NEXT<br>Implementation<br>Costs | With Dx NEXT<br>Implementation<br>Costs as Incurred | With Dx NEXT<br>Implementation<br>Costs Recovered<br>over 10 Years | PEG Report<br>Excluding Dx NEXT<br>Implementation<br>Costs | With Dx NEXT<br>Implementation<br>Costs as Incurred | With Dx NEXT<br>Implementation<br>Costs Recovered<br>over 10 Years |
| 2025                                 | -29.6%                                                     | <b>-19.8%</b>                                       | -29.6%                                                             | -23.1%                                                     | <b>-0.3%</b>                                        | -23.1%                                                             |
| 2026                                 | -27.0%                                                     | <b>-19.2%</b>                                       | -27.0%                                                             | -15.6%                                                     | <b>2.3%</b>                                         | -15.6%                                                             |
| 2027                                 | -19.0%                                                     | <b>-6.4%</b>                                        | <b>-15.8%</b>                                                      | 4.8%                                                       | <b>30.7%</b>                                        | <b>11.7%</b>                                                       |
| 2028                                 | -15.2%                                                     | <b>-15.2%</b>                                       | <b>-12.3%</b>                                                      | 10.4%                                                      | <b>10.4%</b>                                        | <b>16.8%</b>                                                       |
| 2029                                 | -13.9%                                                     | <b>-13.9%</b>                                       | <b>-11.1%</b>                                                      | 10.2%                                                      | <b>10.2%</b>                                        | <b>16.4%</b>                                                       |
| 2030                                 | -13.2%                                                     | <b>-13.2%</b>                                       | <b>-10.5%</b>                                                      | 10.0%                                                      | <b>10.0%</b>                                        | <b>16.2%</b>                                                       |
| 2031                                 | -8.5%                                                      | <b>-8.5%</b>                                        | <b>-6.0%</b>                                                       | 10.2%                                                      | <b>10.2%</b>                                        | <b>16.1%</b>                                                       |
| <b>Averages</b>                      |                                                            |                                                     |                                                                    |                                                            |                                                     |                                                                    |
| <b>Forecast Period<br/>2025-2031</b> | <b>-18.07%</b>                                             | <b>-13.77%</b>                                      | <b>-16.05%</b>                                                     | <b>0.98%</b>                                               | <b>10.50%</b>                                       | <b>5.49%</b>                                                       |
| <b>CIR Period<br/>2027-2031</b>      | <b>-13.98%</b>                                             | <b>-11.46%</b>                                      | <b>-11.16%</b>                                                     | <b>9.12%</b>                                               | <b>14.30%</b>                                       | <b>15.43%</b>                                                      |

**Notes:**

Shaded values are unchanged from the PEG report, while numbers in bold have changed to reflect the inclusion of Dx NEXT implementation costs.  
Italicized values indicate the CIR plan term.

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Witness: Mark Newton Lowry