



ONTARIO ENERGY BOARD

FILE NO.	EB-2025-0312	Elexicon Energy Inc
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VOLUME: 1

DATE: July 22, 2026

BEFORE:	Patrick Moran	Presiding Commissioner
	Robert Dodds	Commissioner
	James Sidlofsky	Commissioner

THE ONTARIO ENERGY BOARD

Elexicon Energy Inc

Cost of Service Application

Presentation of the Application

held in person and virtually
at 2300 Yonge Street, 25th Floor, Toronto, Ontario
on Wednesday, July 22, 2026, commencing at 9:31 a.m.

VOLUME 1

A P P E A R A N C E S

PATRICK MORAN	Presiding Commissioner
ROBERT DODDS	Commissioner
JAMES SIDLOFSKY	Commissioner
TIARA FEARON	Ontario Energy Board
TOBIAS HOBBS	
VITHU GANESANATHAN	
BIRGIT ARMSTRONG	
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STEPHEN VETIS	
STEPHEN SHEEHY	
KRISTIN ROMANO	
LINCOLN FROST-HUNT	
TOM LADANYI	Coalition of Concerned Manufacturers and Businesses of Canada (CCMBC) & Energy Probe
MICHAEL BROPHY	Pollution Probe
MARK GARNER	Vulnerable Energy VECC
BILL HARPER	
MIKE MCLEOD	Quinte Manufacturers
JANE SCOTT	School Energy Coalition (SEC)
MARK RUBENSTEIN	
CLEMENT LI	Building Owners and Managers Association (BOMA)
LAWRIE GLUCK	Consumers Council of Canada (CCC)
DANIEL VOLLMER	Distributed Resource Coalition (DRC)

I N D E X O F P R O C E E D I N G S

<u>Description</u>	<u>Page No.</u>
--- Upon commencing at 9:31 a.m.	1
APPEARANCES	1
LAND ACKNOWLEDGEMENT	3
AFFIRMED: STEPHEN VETISIS	6
AFFIRMED: STEPHEN SHEEHY	6
AFFIRMED: KRISTON ROMANO	6
AFFIRMED: LINCOLN FROST-HUNT	6
PRESENTATION OF THE APPLICATION	7
--- Whereupon the proceeding concluded at 11:11 a.m.	73

E X H I B I T S

<u>Description</u>	<u>Page No.</u>
EXHIBIT KP1.1: SLIDE DECK ACCOMPANYING ELEXICON ENERGY PRESENTATION	4

U N D E R T A K I N G S

<u>Description</u>	<u>Page No.</u>
UNDERTAKING JP1.1: EXPLAIN WHETHER ELEXICON PLANS TO PAY OUT ANY AMOUNTS ACCRUED IN THE EARNING SHARING MECHANISM ON AN ANNUAL BASIS OR THE END OF THE RATE TERM	67

1 Wednesday, July 22, 2026

2 --- Upon commencing at 9:31 a.m.

3 PRESIDING COMMISSIONER MORAN: Good morning.

4 Please be seated. Good morning, everyone. My name
5 is Patrick Moran. I am presiding on this proceeding.
6 I am accompanied by Commissioner Robert Dodds to my
7 left and Commissioner James Sidlofsky to my right.

8 Could we have appearances, please, starting with
9 Elexicon.

10 **APPEARANCES**

11 D. COBAN: Good morning. My name is Daliana
12 Coban, external counsel for the applicant. And with
13 me here today, I have Ms. Erin Stevens, director of
14 regulatory affairs at Elexicon Energy. When we are
15 ready to hand it over to the panel, I -- or we can do
16 their introductions now. Whatever you prefer.

17 PRESIDING COMMISSIONER MORAN: Why don't we wait
18 until you are ready to go with your panel. Just --
19 we will just get the appearances from everyone first.

20 D. COBAN: Excellent. Thank you.

21 PRESIDING COMMISSIONER MORAN: Thanks.

22 M. RUBENSTEIN: Mark Rubenstein, counsel for the
23 School Energy Coalition.

24 PRESIDING COMMISSIONER MORAN: Mr. Rubenstein.

25 V. GANESANATHAN: Vithooshan Ganesanathan, OEB
26 Staff, case manager on the file.

27 B. ARMSTRONG: Birgit Armstrong, OEB Staff,
28 backup manager, case manager and SME for rate

1 framework and OM&A.

2 T. HOBBS: Tobias Hobbs, OEB counsel.

3 PRESIDING COMMISSIONER MORAN: Mr. Ladanyi, I
4 see you on the -- on screen.

5 T. LADANYI: Good morning. Tom Ladanyi for
6 Energy Probe and the Coalition of Concerned
7 Manufacturers and Businesses of Canada.

8 M. BROPHY: Good morning. Michael Brophy on
9 behalf of Pollution Probe.

10 M. GARNER: Good morning. Mark Garner on behalf
11 of VECC, and I am joined this morning with Mr. Harper
12 also.

13 M. MCLEOD: [Indiscernible] Quinte Manufacturers
14 Association.

15 PRESIDING COMMISSIONER MORAN: I am sorry. We
16 didn't get that.

17 M. MCLEOD: [Indiscernible].

18 PRESIDING COMMISSIONER MORAN: Still not getting
19 that.

20 M. MCLEOD: [Indiscernible].

21 PRESIDING COMMISSIONER MORAN: All right. Mr.
22 McLeod, I am assuming that is what you are trying to
23 tell us, so we will just acknowledge your presence
24 here. Okay.

25 M. MCLEOD: [Indiscernible].

26 PRESIDING COMMISSIONER MORAN: No problem.

27 J. SCOTT: Jane Scott --

28 PRESIDING COMMISSIONER MORAN: Good morning.

1 J. SCOTT: Good morning. Jane Scott, a
2 consultant with School Energy Coalition.

3 C. LI: Good morning, everyone. Clement Li on
4 behalf of Building Owners and Managers Association of
5 Toronto. Thank you.

6 L. GLUCK: Good morning. Lawrie Gluck on behalf
7 of the Consumers Council of Canada.

8 PRESIDING COMMISSIONER MORAN: Thank you, Mr.
9 Gluck.

10 D. VOLLMER: Good morning. Daniel Vollmer,
11 counsel to the Distributed Resource Coalition.

12 PRESIDING COMMISSIONER MORAN: Mr. Vollmer.

13 Okay. That appears to be everybody.

14 So we are here today to -- I guess, to hear from
15 Elexicon an overview of their evidence as a kick
16 start to the hearing process. Before we get to that,
17 I would ask Ms. Fearon to provide the land
18 acknowledgement for us.

19 **LAND ACKNOWLEDGEMENT**

20 T. FEARON: Good morning, everyone. The Ontario
21 Energy Board acknowledges that its headquarters in
22 Toronto is located on the territory of the
23 Anishinaabeg, Haudenosaunee, and the Huron-Wendat
24 Nations, and that this land is covered by historic
25 treaties. Traditionally, the territory now called
26 Toronto was a meeting place for many Nations and is
27 still home to many Indigenous peoples from across
28 Turtle Island.

1 As the Ontario Energy Board carries out its
2 regulatory responsibilities, we are committed to
3 listening, learning, and respecting Indigenous rights
4 and perspectives. We are grateful for the
5 opportunity to live and work on these lands and
6 honour the wisdom and resilience of Indigenous
7 communities, past and present. Thanks.

8 PRESIDING COMMISSIONER MORAN: Thank you, Ms.
9 Fearon.

10 All right. So I think we are ready to proceed
11 with your panel. If you could introduce them, and
12 then we will get Commissioner Sidlofsky to administer
13 the oath.

14 D. COBAN: And maybe before we introduce the
15 panel, just as a preliminary matter, we have a slide
16 deck accompanying this presentation, which I would
17 like to enter as an exhibit on the record, please.

18 T. HOBBINS: Okay. We will call that one KP1.1.

19 **EXHIBIT KP1.1: SLIDE DECK ACCOMPANYING ELEXICON**
20 **ENERGY PRESENTATION**

21 D. COBAN: And we are working also on finalizing
22 a reference guide to accompany the presentation, just
23 to provide you references to where on the record you
24 can find more information about the -- what is being
25 presented here today. So we will be filing a copy of
26 that reference guide later today, just for your
27 awareness.

28 PRESIDING COMMISSIONER MORAN: Okay. Thank you.

1 D. COBAN: And roughly, we expect the
2 presentation will take about 60, 70 minutes, subject
3 to any questions that you may have, which feel free
4 to jump in, but, of course, we also have time at the
5 end for more in-depth questions.

6 PRESIDING COMMISSIONER MORAN: Okay.

7 D. COBAN: And with that, I will pass it over to
8 the panel to introduce themselves, their
9 responsibilities -- excuse me -- at Elexicon, and
10 then get us started with the presentation, starting
11 with you, Mr. Vetsis.

12 S. VETISIS: Good morning, panel. My name is
13 Stephen Vetsis. I am the VP of regulatory affairs
14 and stakeholder relations at Elexicon.

15 S. SHEEHY: Good morning, panel. My name is
16 Stephen Sheehy. I am the director of asset planning
17 and system engineering at Elexicon.

18 K. ROMANO: I turned myself off. I apologize.
19 Good morning, panel. My name is Kriston Romano,
20 and I am the vice president of customer experience at
21 Elexicon.

22 L. FROST-HUNT: Good morning, panel. My name is
23 Lincoln Frost-Hunt. I am the vice president of
24 digital and innovation at Elexicon Energy.

25 S. VETISIS: Okay. And with that, why don't we
26 get started. I'd like to start off once again --

27 COMMISSIONER SIDLOFSKY: Sorry, Mr. Vetsis.
28 Just before you do, we are -- I am going to affirm

1 you as witnesses, even though this is just a
2 presentation, if you don't mind. And bear with me
3 because this is the first time I have been affirming
4 a witness panel because I am new around here.

5 So, panel, you are about to give evidence in
6 this hearing. This panel is dependent on you telling
7 the truth, and the law requires you to do so. So
8 before you testify, I have to ask you this: Do you
9 solemnly promise that this panel will tell the truth,
10 the whole truth, and nothing but the truth? Mr.
11 Vetsis, why don't we start with you.

12 S. VETSIS: I do.

13 **AFFIRMED: STEPHEN VETSIS**

14 COMMISSIONER SIDLOFSKY: Mr. Sheehy.

15 S. SHEEHY: I do.

16 **AFFIRMED: STEPHEN SHEEHY**

17 PRESIDING COMMISSIONER MORAN: Ms. Romano.

18 K. ROMANO: I do.

19 **AFFIRMED: KRISTON ROMANO**

20 PRESIDING COMMISSIONER MORAN: And Mr. Frost-
21 Hunt.

22 L. FROST-HUNT: I do.

23 **AFFIRMED: LINCOLN FROST-HUNT**

24 COMMISSIONER SIDLOFSKY: And one more question
25 for you: Do you understand that breaking our promise
26 would be -- and we will go in the same order. Mr.
27 Vetsis.

28 S. VETSIS: I do.

1 COMMISSIONER SIDLOFSKY: Mr. Sheehy.

2 S. SHEEHY: I do.

3 PRESIDING COMMISSIONER MORAN: Ms. Romano.

4 K. ROMANO: I do.

5 PRESIDING COMMISSIONER MORAN: And Mr. Frost-
6 Hunt.

7 L. FROST-HUNT: I do.

8 COMMISSIONER SIDLOFSKY: Thank you. That wasn't
9 painful for me at all, so please go ahead.

10 **PRESENTATION OF THE APPLICATION**

11 S. VETSIS: Good morning, panel, and on behalf
12 of Elexicon, we thank you for the opportunity to
13 provide an overview of our application.

14 This is a significant application for Elexicon.
15 Not only is this our first rebasing application as a
16 merged entity, but it is also a critical application
17 to ensure that Elexicon is positioned to deliver safe
18 and reliable power that meets the needs of customers
19 in the growing communities that we serve.

20 I am going to borrow a term from our CEO, who is
21 actually here today with us in the audience, to
22 describe this application. And when we talk about
23 this application at Elexicon, we talk about it as
24 existential to Elexicon and our future.

25 So before getting into the details, I want to
26 take a few minutes just to run through some of the
27 themes that you will be hearing about as we progress,
28 and these are shown on the screen before you.

1 As distributors, our infrastructure is critical
2 to enabling housing and economic development, and we
3 have mandatory obligations to plan for and connect
4 customers to our system. And Elexicon operates in a
5 fast-growing region, and this growth has accelerated.

6 In recent years, Elexicon has gone from being
7 one of the fastest-growing utilities in this province
8 to being forecast to be the fastest-growing utility.
9 Unprecedented housing and economic development is
10 driving growth in the scale of our business.

11 And at the same time as this growth has
12 accelerated, the available capacity within our system
13 has been increasingly utilized, leaving constraints
14 across the region served. And so Elexicon has urgent
15 capacity investments to address these existing
16 constraints, to ensure that it can meet demand and
17 prevent being a barrier to housing and economic
18 growth.

19 As well, electricity is critical to the daily
20 needs of households and businesses that we serve, and
21 reliable service is a top priority for customers.

22 Elexicon's reliability is trending in the wrong
23 direction with worsening trends in both the length
24 and number of outages. The current level of renewal
25 of investment in the renewal of assets is
26 insufficient to stop this trend, and an urgent
27 increase is required to restore reliability to the
28 historical levels of performance that customers are

1 accustomed to.

2 Customers increasingly expect seamless,
3 responsive, and modern service. They also
4 increasingly prefer more convenient and digital
5 channels of engagement. And this plan includes
6 investments that will provide access to information,
7 service delivery, and improve overall customer
8 experience.

9 Now, this application is critical to Elexicon's
10 financial viability. In the time since merger, our
11 business conditions have changed such that investment
12 requirements have outpaced the level of funding in
13 rates. In order to meet our obligations, Elexicon
14 has needed to invest at levels above what is funded
15 such that rates are no longer reflective of our
16 costs. This is no longer sustainable for our
17 business.

18 Now, the various factors I have described all
19 drive the need for urgent investment; however,
20 Elexicon is mindful of the impact on its customers.
21 And so over the course of this presentation, we are
22 going to discuss how Elexicon developed its
23 investment plan with customer inputs as well as with
24 customer impact at front of mind, and talk about some
25 of the mitigations that we have built directly into
26 the plan.

27 This investment plan represents the minimum
28 level investment to stabilize our deteriorating

1 reliability performance to build sufficient capacity
2 to serve our communities at the lowest customer
3 impact.

4 And so just to give a bit of an overview of what
5 you are going to hear today, we are going to provide
6 an overview of our business and some of the unique
7 characteristics that we have as a distributor. We
8 are going to give a few more details on the key
9 challenges that we are managing and then talk about
10 the planning process that we utilize to develop a
11 plan to respond to those challenges as well as how we
12 incorporated customer input into that process.

13 We are going to do a walkthrough of the
14 investments within our investment plan to give you a
15 sense of the capital expenditures that are being
16 planned over the period, the OM&A expenditures, as
17 well as some details on a foundational-critical IT
18 project that is going to allow us to scale our
19 business efficiently as well as address critical
20 cybersecurity risks.

21 Following that, we will show customer rate
22 impacts. We will show the impact of all these
23 investments as well as provide a description of the
24 rate framework that is going to fund this rate
25 period, including to ensure that we have appropriate
26 incentives and protections in place for customers.

27 So with that, if we could go to the next slide.
28 Thank you.

1 So Elexicon is a newly formed utility. We
2 formed in 2019 through the merger of Veridian
3 Corporation and Whitby Hydro. We are the fifth
4 largest distributor in this province, serving over
5 180,000 customers and growing.

6 Some of the unique operating challenges which
7 drive our operations. First, we have one of the
8 largest service territories in the province; however,
9 it is also non-contiguous in nature. We have a
10 significant rural service territory. 61 percent of
11 our service territory is rural, and that is third
12 highest amongst our peer group.

13 And you are going to hear me reference "peer
14 group" over the course of the presentation. The peer
15 group, when we say that, it is the largest
16 distributors in Ontario, excluding Hydro One, and it
17 is outlined in the benchmarking exhibit in our
18 application.

19 We also have among the lowest customer
20 densities, the third lowest of that same peer group.

21 And so these factors place upward pressures on
22 costs; however, Elexicon has had a history of strong
23 cost performance despite these challenges.

24 In 2024, our OM&A per customer was 2.5 percent
25 lower than the average of our peer group. And then
26 this cost performance is expected to continue in the
27 future.

28 And so if we take a look at the total cost

1 benchmarking analysis that underpins this
2 application, conducted by Clearspring Energy
3 Advisors, Elexicon is forecast to average -- its
4 actual costs are forecast to average 13.9 percent
5 below average over the rate period, indicating
6 continued strong performance, even with the increased
7 investment under the investment plan.

8 And so as you see here on the slide, you see a
9 map of our service territory. It shows the non-
10 contiguous nature. I did want to take some time to
11 actually talk about some of the diversity of our
12 customer base.

13 Elexicon serves many communities in the Durham
14 Region. In the bottom left, we have Pickering, Ajax,
15 and Whitby which are higher density urban
16 environments. Heading out east, we have Belleville,
17 where we have our largest customers in a significant
18 manufacturing base. Up north, we have Gravenhurst,
19 which includes many seasonal customers as well as
20 island customers and customers in remote areas. And
21 in between, you see lower density communities such as
22 Uxbridge, Port Perry, Bowmanville, et cetera.

23 And so the rural nature of our service territory
24 means more infrastructure near vegetation, longer
25 runs of equipment, as well as greater exposure to the
26 impact of storms.

27 That said, these regions also include -- are
28 among -- are the fastest growing in Ontario. And the

1 chart to the right here shows the load forecasts on
2 record to date of the largest utilities in this
3 province. And so based on the forecast of record,
4 Elexicon at 1.5 percent per year customer growth is
5 forecast to be the fast growing utility in this
6 province.

7 And so what is at the heart of that? Well,
8 housing and economic development. And, as you know,
9 our sector plays a key role in the enablement of
10 housing and economic development. It is an element,
11 legislative objective for the OEB. It is also a
12 significant element under the government's Integrated
13 Energy Plan, ensuring that we are delivering on the
14 commitments of the municipalities.

15 And so the communities we serve are expecting
16 significant population growth. Durham Region is
17 anticipating to double by 2051. Belleville will grow
18 by 60 percent by 2051. Muskoka Region is
19 anticipating to grow by 50 percent by 2051.

20 And so this map here shows projects all across
21 our service territory. These are documented
22 throughout our evidence. And what you see here in
23 this chart is that we are seeing all types of
24 investment. We are seeing industrial areas,
25 employment lands, housing development, transit.
26 Development is happening everywhere in our service
27 territory. And just to give you an idea, just adding
28 up some of the numbers that are here, on this slide

1 are plans for 1,100 acres of employment lands, 1,300
2 jobs 1,500 homes. So significant and -- significant
3 plans for growth in the future.

4 And so as I mentioned, Elexicon came as a result
5 of merger. And our business case was based off
6 efficiencies through avoided costs and labour
7 synergies. We are proud to say that we have
8 successfully achieved \$34.3 million in synergy
9 savings since 2019 this represents \$5 million in
10 annual savings that will persist over the period.
11 And what that does is it -- and that equates to
12 reducing the 2027 revenue requirement by
13 approximately 3.4 percent as to what it would
14 otherwise have been.

15 Worth noting is that our predecessor utilities
16 last rebased more than a decade ago. As you can see
17 on the screen, Whitby Hydro last rebased in 2011 and
18 2014. And there have been significant circumstances
19 that have changed since what's contemplated, not just
20 in the merger, but in the time that rates were
21 established.

22 And so while we have been successful at
23 delivering synergies, our business conditions have
24 dramatically changed since the merger. And you can
25 see the factors shown here on the screen.

26 The first is inflation. As a sector, we have
27 experienced sustained and increasing inflationary
28 pressures on the services and materials that we rely

1 upon to build our infrastructure. We talked earlier
2 about the amount of housing development and growth
3 and that has put pressure on -- these are all
4 mandatory investments for us, and that has put
5 pressure on us to connect customers, expand our
6 infrastructure, and relocate infrastructure to meet
7 those needs.

8 Equipment failures and increased weather events
9 have led to an increase in the number of reactive
10 replacements to restore power after outages as a
11 reflection of that deteriorating performance that we
12 have been talking about.

13 This has also been a time of unprecedented
14 change in our sector. The level of policy activity
15 and change has been substantial and has imposed
16 additional obligations on utilities. These include
17 pricing optionality, changes to rules regarding the
18 connection such as those for DERs and electric
19 vehicles, additional capacity and reliability
20 reporting, the OEB cybersecurity framework, et
21 cetera.

22 Finally, we have seen a transformation in our
23 business model with a shift to hybrid environment,
24 increase in cloud computing, and a general growth in
25 cyber risk as threats have evolved. And this had led
26 to additional investments to ensure tools and
27 processes are in place to protect our sensitive
28 information, ensure business continuity and mitigate

1 risk.

2 And so I am going to pass it over to Mr. Sheehy
3 who is going to give a bit more of a detail in some
4 of the key challenges that we have been discussing.

5 S. SHEEHY: Thank you, Mr. Vetsis.

6 The first key challenge I want to cover off is
7 capacity. This slide presents the OEB's centralized
8 capacity information map and highlights service areas
9 across Elexicon's service territory. The red colour
10 that you see on this slide represents locations where
11 there is limited capacity of zero to one MVA.

12 As we can see on this map, there is a lot of
13 red. This is certainly something not a system
14 planner or a customer would like to see. The fact is
15 these significant constraints have resulted from the
16 high-paced growth that Mr. Vetsis just covered off
17 across our service territory which leaves limited
18 remaining capacity available.

19 This has posed considerable challenges to the
20 planning team as we struggle on a near-daily basis to
21 find viable solution in these constrained areas to
22 meet our growing customer demand.

23 As demand for electricity continues to increase,
24 this has put considerable strain on Elexicon's
25 ability to support the new housing, the economic
26 development, and the future growth that we just saw.
27 Addressing these capacity challenges is a key driver
28 in this rate application, and it is critical to

1 supporting the communities we serve.

2 The next key challenge I will cover off is
3 reliability. Many of Elexicon's assets are aging.
4 Twenty-two percent are at or nearing the end of their
5 typical useful life, and 36 percent of assets are in
6 fair, poor, or very poor condition from our asset
7 condition assessment results.

8 As system assets age and the condition
9 deteriorates, they become more prone to failure,
10 increasing both the frequency and duration of
11 outages. Additionally, tree contracts and adverse
12 weather events have had a significant effect on
13 Elexicon's reliability performance.

14 As we can see within these graphs, SAIDI, which
15 is the duration of outages, and SAIFI, which is the
16 frequency of outages, have been trending upwards over
17 the last several years.

18 SAIDI has been particularly hard hit recently as
19 the frequency of outages increase and the type of
20 outages that we are seeing manifest, such as
21 underground primary cable faults. When coupled with
22 our limited grid automation that we have across our
23 service territory this has challenged our restoration
24 time and affected our system reliability.

25 In 2025, outage duration was 2.01 hours which
26 was significantly above the OEB target. An outage
27 frequency increased to 1.55 outages per customer.
28 The key objective of this application is to reverse

1 these trends. That will happen through targeted
2 asset replacements, grid modernization investment,
3 and enhanced maintenance programs to restore
4 reliability performance for our customers.

5 With that, I would like to pass it back to Mr.
6 Vetsis for financial viability.

7 PRESIDING COMMISSIONER MORAN: Just a quick
8 question, Mr. Sheehy. With respect to the key
9 challenges reliability slide where you indicate 22
10 percent of assets are at or nearing end of typical
11 useful life, and 36 percent of asset are in fair,
12 poor, or very poor condition, I am just trying to
13 understand what we take from that.

14 If 22 percent of the assets are at or nearing
15 end of typical useful life, are you saying, with the
16 36 number, it is actually worse than typical, or is
17 it two separate groups of assets we are talking
18 about?

19 S. SHEEHY: The way I would characterize that,
20 they are both data points for us. One is age, one is
21 condition. Certainly condition -- and when you zero
22 in on specific asset classes within condition, this
23 is just the overall totality of our asset classes.
24 But condition is certainly problematic for us, and
25 when you zero in on specific asset classes, it
26 becomes even more pronounced. So we have much higher
27 percentages than that in various asset classes.

28 And same with typical useful life. When we get

1 more specific in terms of cable, switches, poles,
2 things like that, that is when it becomes more
3 pronounced at an individual asset class basis. But
4 this is at the system level, both of these
5 percentages.

6 PRESIDING COMMISSIONER MORAN: Okay. I guess my
7 question is, really, is the 22 percent subsumed in
8 the 36, or are these sort of independent data points
9 based on the total system?

10 S. SHEEHY: That is correct. They are
11 independent data points, yeah.

12 PRESIDING COMMISSIONER MORAN: Commissioner
13 Dodds.

14 COMMISSIONER DODDS: Yeah, just a question on
15 your SAIDI. Is that because of the diversity of your
16 service territory, that it is hard to get to? Like,
17 your duration numbers are very high. Is that because
18 it is rural, because there is trees, because it is
19 spread out over large area?

20 S. SHEEHY: The non-contiguous service territory
21 would contribute to the duration effect. As you
22 mention, if we go up to Gravenhurst, where it is
23 heavily treed, remote locations such as islands,
24 things like that, it would take longer to restore.

25 The primary driver is defective equipment, and
26 then the effect of the lack of grid modernization to
27 be able to improve the restoration times would
28 definitely -- it is a contributing effect. The rural

1 service territory that Mr. Vetsis covered off as 61
2 percent poses those challenges too, so...

3 COMMISSIONER DODDS: Okay. Thank you.

4 S. VETSIS: So Elexicon has a need to realign
5 its rates with current cost structures to ensure we
6 can meet our investment needs and ensure financial
7 viability. So let me walk you through the chart that
8 is here.

9 On this chart, you see the two lines; the purple
10 line reflects the revenue through rates since 2020 --
11 since 2019, sorry, and the orange line reflects
12 Elexicon's actual cost. So that is the revenue
13 requirement.

14 As you can see, over time, as the investment
15 needs have intensified, we have had to invest at
16 levels above what is funded in rates, and that gap
17 has been -- between costs and rates has been growing
18 over time. These investments have been self-funded
19 through earnings and borrowing. And, now, as you
20 look before, what the compound effect of that self-
21 funding has been, it is manifesting itself through
22 the ROE, return on equity, value shown at the bottom
23 of this chart.

24 Since merger, Elexicon has been underearning
25 relative to its ROE due to the need to invest to meet
26 its mandatory obligations. And as of 2022, Elexicon
27 has crossed beyond the 300 basis points deadband that
28 the OEB has, and that is continuing and accelerating.

1 What that means is that customer rates are no
2 longer reflective of the current levels of service,
3 let alone sufficient to meet our future needs. And
4 so by 2026, the deficiency between rates results in a
5 \$25 million catch-up.

6 And I just want to take a moment to pause on the
7 term "catch up" because it appears in our evidence.
8 When we say "catch up," this is not trying to recover
9 costs that were incurred in the past. What we are
10 saying here is this is the revenue deficiency that is
11 related solely to realigning our rates to the current
12 cost structures before we layer on any future
13 investment requirements in the investment plan.

14 And so, by 2026, that will be 25 million. If we
15 were not to rebase, the level of self-funding that
16 would be required, just to give you a sense of
17 magnitude in 2027, would be about \$47 million of OM&A
18 and \$91 million in capital to meet our investment
19 plan needs. That is not sustainable, and it is why
20 Elexicon is seeking to rebase early in 2027.

21 And with that, that summary of the challenges
22 that we are facing, I am going to ask Ms. Romano to
23 talk a little bit about the process we used to
24 develop our investment plan to respond to these
25 challenges.

26 K. ROMANO: Thank you, Mr. Vetsis.

27 So the application was developed following a
28 four-stage planning process, and what we are showing

1 on the screen here is a road map of that process.
2 Over the next several slides, we are going to take a
3 deeper dive into first few stages; however, I wanted
4 to highlight each stage starting with the importance
5 with how we started the process overall.

6 We started with engaging with our customers and
7 ensuring that their needs and their priorities were a
8 critical input into and throughout the planning
9 process. We then moved into the development of the
10 draft plan. Once the draft plan was at a stage of
11 near completeness, we took it back to customers.
12 This was the second round of customer engagement, and
13 we term this "the validation stage," the
14 confirmation, did we did it right. And then the
15 final step being to refine the plan before the final
16 application was submitted.

17 So as we move to the next slide, this is an
18 overview of the first round of that customer
19 engagement and the feedback on what did we hear from
20 our customers.

21 Through this initial round, we connected with
22 approximately 5,000 customers through focus groups
23 and online surveys. This process included our
24 connection with residential, small business,
25 commercial, and industrial, seasonal, and key account
26 customers.

27 Before discussing investments, needs, or
28 budgets, we wanted to understand their priorities,

1 their concerns, and their expectations for the
2 future. And while these customer segments have
3 different needs and perspectives, the feedback was
4 consistent.

5 What we heard from customers was clear. They
6 want affordable rates, reliable service, and strong
7 system resilience. What we heard was affordability
8 is a key concern, particularly for residential and
9 small business customers, but not at the expense of
10 reliable service.

11 Customers also emphasize the importance of
12 system resilience. As severe weather events become
13 more frequent and disruptive, they expect us to
14 strengthen the system and reduce the impact of
15 outages.

16 The conversation wasn't about choosing
17 affordability over reliable service or reliable
18 service over affordability. What customers told us
19 was they were looking for balance.

20 The overall message that we received was invest
21 where it matters, manage risk responsibly, and keep
22 rates as affordable as possible.

23 As we move to the next stage, which is the
24 development of the plan, I will hand it over to Mr.
25 Vetsis to walk us through that process.

26 S. VETISIS: So leveraging the information
27 regarding customer needs and preferences, along with
28 the operational data such as asset condition and load

1 forecasts, Elexicon used an iterative scenario-based
2 approach to develop its investment plan.

3 Shown here, this process considered three
4 critical outcomes; reliability of service, capacity
5 to meet growth, as well as customer bill impacts.
6 The scenarios that you see on this slide reflect the
7 range of options that were presented to customers in
8 Phase II of the engagement.

9 Now, all three options have identical levels of
10 spending to ensure Elexicon meets its mandatory
11 obligations, connecting customers and ensuring --
12 this means connecting customers and ensuring there is
13 sufficient capacity to meet forecast demand.

14 As Mr. Sheehy is going to talk about when we go
15 through the details, all scenarios carry some
16 residual risk with capacity constraints that will
17 consist through the rate term in the lower growth
18 areas.

19 Now, where the plans differ is in the degree to
20 which they address asset condition and the way that
21 they impact reliability performance of the system.

22 In our process, we started first with the needs-
23 based approach. This was intended to address most,
24 but not all, identified system needs. This plan
25 increased the level of investment as well in grid
26 modernization to provide an overall improvement in
27 reliability performance. It would improve overall
28 asset condition, which would reduce asset failure

1 risk; however, this plan came at the highest cost to
2 customers.

3 We also had a low plan, which dramatically
4 reduced the level of investment to prioritize rate
5 impacts. Under this scenario, investment would
6 result in worsening asset condition and increasing
7 asset risk. It would continue the current trend of
8 declining reliability performance.

9 And then through iteration, Elexicon worked to
10 develop its balanced plan, and that's the plan that
11 underpins this application. The balanced plan
12 reflects a 23 percent reduction in the level of
13 capital investment relative to the needs-based plan,
14 showing the outcomes of Elexicon challenging itself
15 to find the minimum level of spend of investment that
16 does not worsen the performance of the system.

17 It targets the highest-risk assets to maintain
18 overall asset condition, even with declines in some
19 classes, and it is sufficient to restore reliability
20 to historical levels of performance.

21 And this approach aligns with what customers
22 told us during engagement; maintain reasonable rates
23 while continuing to invest in reliable service and
24 system resilience.

25 And so I will pass it over to Ms. Romano, who
26 will talk about what we heard from customers when
27 they were presented with these options.

28 K. ROMANO: Thank you. So once the investment

1 plan, the balance plan, was drafted, we took it back
2 to customers to make sure that we had the balance
3 right. This was the second round of customer
4 engagement.

5 We wanted to test whether the trade-offs that we
6 made aligned with what we heard from customers in the
7 first round of our engagement.

8 At this stage, we connected with almost 10,000
9 customers, providing a strong and representative
10 feedback on our draft investment plan.

11 As part of the process, customers were given a
12 workbook explaining the proposed investments, the
13 cost elements, benefits, and trade-offs. They were
14 able to interact with that workbook, adjusting
15 spending levels across different areas, and see the
16 impact that those choices would have on system
17 capacity, resilience, and their monthly bill.

18 This gave customers a clear understanding about
19 the value of the investment, the consequences of
20 deferring it or reducing the amount of investment.
21 They could see first-hand the connection between
22 cost, risk, and service outcomes.

23 This validated -- this -- this was critical, as
24 it validated the customer-first approach that we
25 took.

26 Overall, 79 percent of our customers supported
27 the balanced investment plan, recognizing the need to
28 address system challenges while maintaining a

1 measured approach to bill impacts.

2 Support was even stronger among larger,
3 commercial, and industrial customers with 85 percent
4 of general service customers over 50 kilowatts
5 supporting the plan.

6 These customers place high value on reliability
7 and system performance and recognize the importance
8 of continued investment to support growth.

9 This second round of customer engagement also
10 confirmed that customers understand the challenges
11 facing the system today. They understand that
12 maintaining reliable service, improving resilience,
13 and supporting future growth requires investment.

14 At the same time, they expect those investments
15 to be prioritized carefully and delivered
16 responsibly.

17 In short, what this highlights is the proposed
18 balanced plan was not only informed by customer
19 priority, but our plan was tested and validated
20 throughout the process by our customers themselves.

21 With that, I will hand it over to Mr. Sheehy to
22 further discuss our plan.

23 COMMISSIONER SIDLOFSKY: Sorry. Sorry to
24 interrupt, and maybe I should be waiting for Mr.
25 Sheehy, but I will ask you, Ms. Romano, or Mr.
26 Vetsis.

27 Maybe I could take you back to your slide
28 showing the three plans. That's it. Thanks.

1 So reliability to historical levels, but you
2 have already commented on the fact that your
3 reliability is suffering at this point. So when you
4 talk about maintaining reliability at historical
5 levels, is that at the already-degraded level that
6 your reliability seems to be at?

7 S. VETSI: The way we have defined historical
8 levels of performance is at the five-year average of
9 the most recent -- most recent five years.

10 And so what that does is as you look at --
11 because the trend has been going upwards, when you
12 average those values, you end up with an outcome that
13 is better than where we are today.

14 S. SHEEHY: That is correct. It is SAIDI and
15 SAIFI from -- it is SAIDI and SAIFI from 2021 to
16 2025, the five-year average, excluding major event
17 days and loss of supply.

18 COMMISSIONER SIDLOFSKY: So then the balanced
19 plan isn't just a scenario of treading water; it is
20 actually -- it actually does represent an improvement
21 over your current state?

22 S. SHEEHY: That is correct. Getting back to
23 the historical levels of performance, yes.

24 COMMISSIONER SIDLOFSKY: Okay. Thanks.

25 COMMISSIONER DODDS: I just had a question on
26 your customer engagement. Did any of that involve
27 community meetings, community halls, public
28 presentations?

1 K. ROMANO: It did include workshops that were
2 within each of our service territory areas where
3 customers were invited locally to participate in the
4 program.

5 COMMISSIONER DODDS: But there weren't any open
6 community meetings where, not just workshops, but the
7 public, in general, would attend, and town
8 councillors and everyone who is interested or might
9 have an interest? Did you have any of those types of
10 venues?

11 S. VETSI: No. It was -- it was direct focus
12 groups with our direct customers. We did conduct in
13 -- prior to the application stakeholder engagement,
14 in which we engaged with all the municipalities that
15 we served to inform them of the elements included in
16 our application, so they were engaged through that
17 process. But this customer engagement specifically
18 was tied to direct customers of Elexicon.

19 S. SHEEHY: This slide here provides a
20 historical and forecast overview of our net capital
21 expenditures over the 2020 to 2031 period. We will
22 review the four investment categories -- the system
23 access, system renewal, system service, and general
24 plant -- in greater detail in additional slides.

25 As you can see here from this graph, Elexicon's
26 capital spending is on an upward trajectory, given
27 our growth, our system renewal needs, and our
28 operational requirements.

1 When we compare the forecast period of 2027 to
2 2031 to the previous five-year period of 2022 to
3 2026, the net capital plan is more than doubling.

4 Historically, our investment reflected
5 constraints. Immediately after the merger, our
6 spending was focused on keeping up with connections
7 and the growth that Mr. Vetsis had covered off,
8 including getting our first municipal transformer
9 station online in Pickering to serve the growth in
10 the Durham Region.

11 Elexicon also responded to significant storms,
12 reliability events, and capacity investment needs
13 during this time.

14 During this historical period, as Mr. Vetsis
15 pointed out, the business conditions were also
16 changing, and the mandatory work that we faced
17 outpaced the pre-merger forecast expectations.

18 We invested where there was need, even when it
19 meant outspending what was funded within our rates.

20 The planned spending in the forecast period
21 addresses the urgent capacity issues, and it takes a
22 measured approach by pacing crucial asset renewal and
23 modernization investments while still addressing
24 critical asset reliability risks.

25 As we noted earlier, our balanced investment
26 plan targets the minimum level of investment needed
27 to meet our reliability targets and accommodate
28 growth. In fact, the system needs are actually far

1 greater.

2 PRESIDING COMMISSIONER MORAN: So I should have
3 mentioned this a little bit earlier, but just for the
4 clarity of the transcript, when you come to a new
5 slide, if you could just use the slide number,
6 because that will be easier to match when we are
7 reading the transcript down the road.

8 S. VETSIS: Okay. We are currently on Slide 21.

9 PRESIDING COMMISSIONER MORAN: Thank you.

10 S. SHEEHY: The System Access investment program
11 is comprised of externally initiated plant
12 relocations, customer and generation connections,
13 system expansion, and metering and AMI 2.0 investment
14 programs.

15 The externally initiated plant relocation, the
16 connections and system expansion programs are all
17 mandatory obligations. These are driven by external
18 factors, the growth that we are facing, and the
19 development that we must be ready for.

20 As noted on this slide and also earlier,
21 Elexicon is experiencing unprecedented economic
22 development and housing growth. Applications and
23 inquiries for connections over about 1 megawatt have
24 more than doubled from 2022 to 2024, from 15 to 36.
25 And total load requirements have increased from 28
26 megawatts in 2022 to 166 megawatts in 2024, which is
27 nearly a 500 percent increase.

28 Our forecast costs in this category are

1 consistent with our historical trends and reflect the
2 sustained growth and large customer connection
3 activity that we see, which is evidenced in our
4 increased connection inquiries and our offer to
5 connect activity.

6 Ongoing system expansion requirements all
7 further indicate a continued demand for larger
8 customer connections. We must ensure that these
9 programs are sufficiently funded to ensure that the
10 external pressures and our mandatory work do not
11 erode our other planned capital programs, which did
12 occur during our historical years.

13 Also, we need to address our meters, which
14 failure rates are trending upwards.

15 The vast majority of our meters at Elexicon are
16 at the end of their useful life or will be by the end
17 of 2031. Elexicon is also operating two incompatible
18 metering communication system, which is a relic of
19 our legacy utilities, and the status quo is simply
20 not sustainable.

21 Additionally, the AMI 2.0 program will upgrade
22 Elexicon's metering infrastructure and is
23 strategically paced over an eight-year period to
24 account for the financial impact on the overall
25 capital plan.

26 COMMISSIONER DODDS: Just a question on your
27 metering: When they get -- when they get old, do
28 they underread or overread, or is it a matter of

1 communication, like the ability?

2 K. ROMANO: It is a matter of the communication
3 with the [indiscernible] end system specifically, so
4 it is not a failure of accuracy; it is more a failure
5 of performance.

6 COMMISSIONER DODDS: Thank you.

7 S. SHEEHY: The system service investment
8 category is comprised of substation growth, grid
9 enhancements, and voltage and system conversion.

10 The substation growth program is aimed at
11 addressing the capacity constraints that were evident
12 on the OEB map that we reviewed earlier.

13 And to be clear, this is about addressing
14 today's constraints, the red that we saw on that map.
15 This is not trying to outpace the future.

16 The urgency is clear, and it is confirmed in the
17 numbers. 75 percent of transformer stations in the
18 Ajax, Pickering, and Whitby 44kV system have
19 significant overloads, and all the TS in the region
20 exceed a hundred percent utilization by 2030.

21 Downstream of these transformer stations, all 23
22 of the municipal substations in the area have limited
23 capacity of between zero to 1.0 MVA.

24 When we look more broadly across Elexicon's
25 service territory, the 76 percent of our municipal
26 substations have limited capacity of zero to 1.0 MVA.

27 We are planning to alleviate these constraints
28 by building six new stations, including one new

1 transformer station, and upgrading one new -- and
2 upgrading one station.

3 By the end of 2031, after these investments, we
4 will reduce these constraints to 35 percent of our
5 municipal substations. But it is important to note,
6 even with these investments, that capacity constraint
7 still will exist beyond this rate period.

8 Grid modernization is also a key pillar to
9 addressing reliability performance, and it is
10 expected to have a significant impact and improvement
11 on Elexicon's SAIDI performance by the end of 2031.
12 As noted on this slide, 72 percent of Elexicon's
13 feeder in our service territory -- and to put that in
14 perspective, that is 186 feeders out of 256 -- lack
15 any grid automation. This significantly impacts our
16 restoration times and our service reliability.

17 Our grid modernization plan between 2027 to 2031
18 is modest, it is targeted, it is paced. We are
19 investing in known improvement technology that will
20 help us manage our reliability and resiliency more
21 effectively. We will prioritize deployment on
22 feeders that serve a large customer base, deliver the
23 highest reliability benefit, focusing on worst
24 performing feeders and areas with elevated
25 reliability indicators.

26 Lastly, the voltage and system conversion
27 program targets capacity constraints in areas
28 operating at legacy 4.16 and 8.32 kV to a

1 standardized 13.8 and 27.6 kV. This enables the
2 decommissioning of aging substations and improves
3 long-term system operations, reliability, efficiency,
4 and enables growth within our service territory.

5 S. VETSIS: And so just for the record, that was
6 -- those discussions on system service were related
7 to Slide 21, and we are moving on to slide 23.

8 S. SHEEHY: The system renewal investment
9 program includes substation renewal, underground
10 system renewal, overhead system renewal, and reactive
11 capital.

12 As noted earlier, 36 percent of our total system
13 assets are in fair, poor, or very poor condition from
14 our ACA results, and 22 percent of our assets are at
15 or nearing the end of their typical useful life.

16 When we zero in on these results, the situation
17 is even more pronounced. 14 percent of our station
18 assets are already in poor or very poor condition,
19 and 28 percent already exceed typical useful life or
20 will be by the end of 2031.

21 Elexicon plans to fully or partially rebuild 12
22 stations in our balanced plan to address critical
23 infrastructure risks that have a high impact and
24 consequence of failure along with long lead time
25 materials to resolve.

26 Additionally, 44 percent of our approximately
27 2,600 kilometres of underground cable are in poor or
28 very poor condition, and 49 percent are past their

1 typical useful life or will be by the end of 2031.

2 Results like these have contributed to defective
3 equipment being the leading cause of outages at
4 Elexicon.

5 As we note in the table in the top right of this
6 slide, with the balance investment -- with the
7 balance planned investments, the station's areas
8 projected to see an improvement in asset condition by
9 the end of 2031 going from 32 percent in 2025 to 27
10 percent; however, the proportion of assets in the
11 overhead and underground asset classes in fair, poor,
12 and very poor condition will deteriorate further.

13 For example, if we look at underground assets,
14 the current state is 52 percent. And by the end of
15 2031, this is expected to grow to just over 62
16 percent.

17 The reality is we simply cannot improve the
18 results in these areas without severe bill impacts,
19 and it will take multiple rate periods of continued
20 planned system renewal investment to improve our
21 asset demographics. Rather, during the forecast
22 period, we will manage the most pressing of risks
23 that have the most significant reliability impact
24 through targeted asset replacement. This will put
25 further stress on our reactive capital program, which
26 has been modestly forecasted for the 2027 to 2031
27 period, but this represents a decision by the utility
28 to take on risk and challenge ourselves to control

1 costs across all of our programs. We know that we
2 will face extreme weather, and we must restore power
3 as quickly to our customer.

4 With that, I would like to pass it to Mr. Frost-
5 Hunt to review the general plant investment program.

6 I think we have a question.

7 COMMISSIONER DODDS: Just a question before we
8 leave the capital spending. I notice that a lot of
9 your capital spending is going to be System Access.
10 Are you getting a balance between the cost of System
11 Access and some of those costs not being passed on
12 back to the existing customers? Like, are you
13 satisfied you are getting enough contributions?

14 Like, in your planning, are you trying to
15 balance the fact that growth should not be sustained
16 by the existing customers; it should be sustained by
17 the new customers?

18 S. SHEEHY: What I would say to that is any of
19 the customer-driven work, we certainly follow the
20 Distribution System Code, and any of the expansions
21 and work triggered by the customer would have the
22 corresponding capital contributions paid for by those
23 customers. So we are confident in that, that we are
24 following that.

25 L. FROST-HUNT: Before I begin, I will note we
26 are at slide 24, general plant.

27 The general plant forecast represents the
28 infrastructure required to operate the utility and

1 deliver the capital maintenance work program. It is
2 a needs-based plan focused on sustaining existing
3 assets, accommodating the required workforce, and
4 avoiding unnecessary expansion.

5 For facilities, Elexicon will make use of its
6 existing Ajax and Whitby work centres, offices,
7 warehouses, and outdoor storage rather than construct
8 new facilities.

9 Investments focus on condition-driven repairs
10 and targeted renovations so these spaces remain safe,
11 secure, and functional, with sufficient room for
12 employees, materials, and vehicles.

13 Fleet investments are assessed using age,
14 mileage, condition, utilization, and mechanical
15 inspections. Existing vehicles will be retained
16 while it remains safe and practical, replaced when
17 necessary, and supplemented only where required to
18 support workforce growth, outage response, system
19 maintenance, and the expanding capital work program.

20 Technology is also a critical component of
21 general plant. Operational technology supports the
22 control centre, trouble dispatch, and service
23 restoration, including SCADA, ADMS, and grid
24 modernization capabilities that provide greater
25 visibility and ability to respond.

26 Information technology is the foundation of
27 Elexicon's continuous operations. Investments in
28 servers, networks, endpoint devices, and

1 cybersecurity hardware protect operational and
2 customer information and support systems across the
3 utility. Reliable data and secure digital
4 infrastructure enable automation, real-time
5 monitoring, faster decisions, effective outage
6 response, and efficient execution of the work
7 program.

8 Now I will hand it to Mr. Vetsis as we look at
9 the OM&A investments.

10 S. VETSIS: I will shift now to slide 26.

11 Before you is a table which shows OM&A over
12 Elexicon's history. Prior to getting into some of
13 the details of the drivers, we thought it would be
14 helpful just to give a high-level context on the
15 evolution of our OM&A expenditures over the period
16 before diving deeper.

17 And so, really, we see OM&A falling into kind of
18 three buckets. The first bucket is that 2020 to 2023
19 period. At that period, we started the -- we saw the
20 initial onset of some of the challenges that we
21 discussed, with the onset of the COVID pandemic, the
22 shift to the hybrid working environment, and the
23 start of some of those business pressures regarding
24 growth.

25 However, at same time, the two legacy utilities
26 had just come together, post merger, and were
27 beginning to achieve the synergies which were helping
28 to offset those pressures. And so in the early years

1 of the historical period, you see a slowed OM&A
2 growth as those synergies were helping to offset.

3 Then we shift into the next period, 2023,
4 roughly, to 2027. And that is really when we started
5 to see the acceleration of those business conditions
6 that we discussed and those increasing investment
7 requirements.

8 And so at Elexicon during that period, we needed
9 to scale to meet those needs, deal with evolving
10 risk, and start developing some of the foundational
11 capabilities that are going to position the utility
12 for future.

13 And then we shift to the rate period of this
14 application, 2027 to '31. With those foundation
15 investments, capabilities, functions in place,
16 Elexicon shifts to a period of paced growth where we
17 are able to leverage efficiencies from new technology
18 platforms, strategic partnerships, and a lean
19 workforce to deliver on a growing work program with
20 minimal OM&A growth.

21 And so let's shift now to slide 27. So in this
22 slide, we have provided a waterfall chart which shows
23 the growth in OM&A from 2023 actuals to 2027. We
24 have grouped the costs based on lines of business,
25 and we will speak to them each as they relate to our
26 day-to-day work. And, really, what you see here is,
27 as the business conditions begin to evolve, the types
28 of foundational investments that we needed to make.

1 So we start at the left here with an estimate of
2 what the inflationary increases were over that
3 period. So using the OEB's PCI, we have a -- roughly
4 growth of approximately 7.7 million of the \$34
5 million change can be attributed to just general
6 inflation. Although I do note there is evidence on
7 record of inflationary pressures that were higher
8 than the OEB's factor for some areas of our business.

9 Shifting next, we go to the common corporate
10 segment, excluding technology. And so this consists
11 of the many lines of business that provide that back-
12 office foundation that supports Elexicon's work
13 program both directly and indirectly. And so in this
14 segment are seven lines of business, including people
15 and culture, finance procurement, and services. So
16 these are necessarily foundation functions. They
17 provide effective governance, compliance,
18 administration, operations, safety, and financing of
19 Elexicon's day-to-day options. And the growth in
20 these segments has been driven by the factors that
21 are shown at the bottom of the table -- or the bottom
22 of the slide.

23 So I will give a few examples of some of those
24 drivers and how they have impacted the common
25 corporate function.

26 The first is the growing work programs and
27 workforce. Growing needs and investment tend to have
28 a knock-on effect on the resources necessary to

1 support and deliver those programs. For example, in
2 finance, as investment grows, the volume of
3 transactions grows with them, as does the necessary
4 support for business planning and reporting to
5 support decision making.

6 As your workforce grows, you need additional
7 recruitment, you need additional training, and that
8 has a knock-on effect on the people and culture
9 group.

10 From a facilities and procurement perspective,
11 more workforce means more vehicles and tools that
12 need to be maintained, as well as vendor management,
13 growing inventory management to deal with the growing
14 work program.

15 Legal, for example: More transactions, more
16 contracts, more review. And you can see how these
17 common corporate programs which aren't directly in
18 the field get impacted by the growing scale of the
19 work that is growing outside of the business.

20 Then we get to foundational capabilities. As
21 Elexicon grew, it needed to develop more
22 sophisticated capabilities and functions to
23 effectively execute on its operations and ensure
24 compliance with legal and regulatory obligations.

25 One example of that is in the regulatory
26 environment where we have much greater need for
27 engagement in our business than we ever had before.
28 Heightened policy activity and compliance needs means

1 greater interaction and greater need for
2 collaboration between the teams, as well as growing
3 investment means more complex applications which
4 require greater sophistication of the functions.

5 As you grow as an organization, governance is a
6 critical element of ensuring effective operations.
7 And so what that means is establishing the types of
8 functions that give the appropriate oversight for the
9 business. That includes risk management, privacy,
10 information management, which are all required under
11 the OEB's cybersecurity framework, as well as
12 examples such as health and safety functions to
13 ensure work is being completed in a manner that
14 ensures the safety of staff and the public.

15 And then finally, before I pass it off to Mr.
16 Frost-Hunt, we have seen growing risk and complexity
17 of our businesses, the challenges that we manage. We
18 have talked about growth, but other external factors
19 have had impacts on us as well.

20 For example, evolving cybersecurity threats and
21 increase in thefts have driven increasing premiums
22 for insurance and the need for us to change the
23 levels of coverage that we have to protect Elexicon
24 and its customers. From a security perspective,
25 those same patterns of thefts mean that we need to
26 invest in surveillance to minimize the amount of
27 theft that occurs to prevent loss of cost, but also
28 ensure that those resources are available so we can

1 deliver our investments on time. And those are a
2 summary of just examples of some of the drivers that
3 exist here in the common corporate segment.

4 I am going to pass it over now to Mr. Frost-Hunt
5 to talk about the technology segment.

6 L. FROST-HUNT: Thank you.

7 The technology increase over this period is not
8 simply a higher cost for the same services. The
9 scope of technology required to operate a modern
10 utility has expanded significantly. Elexicon must
11 now sustain critical information and operating
12 technology including SCADA, ADMS, field
13 communications, customer platforms, and the
14 integrated operation centres. These systems support
15 real-time grid visibility, outage response, and
16 customer service, and must remain secure and
17 continuously available.

18 As Mr. Vetsis noted, cybersecurity is also an
19 ongoing operating requirement. Privileged access
20 management, endpoint protection, threat monitoring,
21 identity management, network segmentation, patching
22 and incident response are now necessary to address
23 evolving threats and comply with the Ontario
24 cybersecurity framework.

25 Approximately half of the 2027 increase is
26 required to operate and sustain Dx NEXT following the
27 customer implementation of this year.

28 While the implementation costs themselves remain

1 in the deferral account, technology OM&A covers the
2 cloud subscriptions, licences, integrations, and
3 vendor support needed to keep our SAP and related
4 platforms secure, reliable, and operating
5 effectively.

6 Finally, this increase also reflects the broader
7 market shift from capitalized on-prem systems to
8 cloud services now recorded in OM&A.

9 With that, I will hand it to Mr. Sheehy to cover
10 operations and sustainment.

11 S. SHEEHY: Thank you. So for system operations
12 and system planning and design, this includes the
13 segments of our control centre, operations, asset
14 planning and system engineering, design services and
15 connections.

16 Elexicon needs a stable control room, and we are
17 faced with an unprecedented exodus of qualified
18 operators. We are putting forward a plan to secure
19 these skills and prevent recurrence of such an exodus
20 through the right investments in training, support
21 roles, and a sufficient number of qualified operators
22 to manage a steadily increasing work volume.

23 This investment is existential to our utility.
24 The reality is that it takes four to five years to
25 build this, and it is a rare high-demand skill set
26 that Elexicon will not have unless we build it
27 ourselves. And we have the internal training
28 apparatus and internal resources to get and keep

1 qualified operators.

2 For system planning and design, this includes
3 both the asset planning, the engineering, the design,
4 and connection staffing increases that are required
5 to support the growth that we described earlier in a
6 pace manner over the forecast period.

7 The sustainment program next at 4.4 million
8 includes the segments of maintenance of our
9 distribution and substations, restoration, vegetation
10 management, and locates.

11 This represents increased investments in
12 maintenance, primarily within our distribution
13 system, substations, and vegetation management areas.
14 These are needed to prevent further reliability
15 decline and address our aging and deteriorating asset
16 condition.

17 I also want to note that tree contacts are one
18 of the leading cause of outages at Elexicon, both in
19 terms of duration and frequency, and we need to
20 enhance our vegetation management program to improve
21 our reliability performance.

22 With that, I will pass it to Ms. Romano for
23 customer care.

24 K. ROMANO: Thank you, Mr. Sheehy.

25 As outlined on this slide, customer care segment
26 has experienced minimal increases in OM&A from 2023
27 to 2027. The increase that we do see is largely
28 attributed to external factors.

1 These external factors are specific to examples
2 of the Canada Post strike and the impact on our bad
3 debt, as well as the recent postage increases that
4 have impacted the cost of issuing our customers
5 bills.

6 If we set these costs aside, what it does
7 demonstrate is that we have been effective in
8 managing our costs over the historical period as
9 customer growth has increased. We have been able to
10 manage our operational costs as well as meeting
11 changing customer expectations and their needs
12 without relying solely on increasing headcount.

13 With that, I will hand it over to Mr. Vetsis,
14 who will talk about the forward-looking OM&A.

15 COMMISSIONER SIDLOFSKY: Sorry, Mr. Vetsis.
16 Just before you get into that, I just want to make
17 sure I understand what categories a couple of things
18 go into.

19 You had mentioned increased cyber threats
20 leading to higher insurance costs, and you made a
21 comment about more security being required. Is that
22 cybersecurity, or is that -- do you also have
23 physical security issues?

24 S. VETISIS: That reference was to physical
25 security for the location of our materials,
26 inventory.

27 COMMISSIONER SIDLOFSKY: Okay. And --

28 S. VETISIS: And I think maybe your next question

1 was about that cybersecurity reference. Included in
2 that one bucket for common corporate is the legal --
3 sorry -- the -- there is a segment of OM&A related to
4 governance, and that is where the privacy information
5 management and risk functions sit, which I had
6 mentioned.

7 COMMISSIONER SIDLOFSKY: And those are all in
8 the category of common corporate excluding
9 technology?

10 S. VETSIS: Yes.

11 COMMISSIONER SIDLOFSKY: Right? Okay.

12 Just one other question in the system operations
13 and system planning and design. So, first of all, I
14 take that physical security issues aren't addressed
15 in that category; they are being addressed in common
16 corporate technology?

17 S. VETSIS: Yeah, through the -- through the
18 facilities and procurement group that we have line of
19 business.

20 COMMISSIONER SIDLOFSKY: Okay.

21 And -- but in the system operations category,
22 you were commenting on how you were losing staff and
23 it takes several years to develop, for example,
24 qualified operators.

25 Just a question on that: Is -- are you losing
26 staff because they are -- because of demographics?
27 Are they aging out? Are they retiring, or are there
28 compensation issues that you are finding? You know,

1 are you losing people to other utilities? Just if
2 you could just give a bit more information on that.

3 S. SHEEHY: I think it is a little bit of all of
4 the above. It is all of those issues, right. It is
5 a highly competitive market. It is a scarce resource.
6 And it is a very competitive space across the
7 utilities.

8 So when we say we have seen an exodus, it has
9 been an exodus to other utilities, combined with
10 attrition through retirement. And it is a very
11 scarce resource that takes a long time to build, so -
12 - but there is a variety of reasons why people leave.
13 And this -- the plans that we have in place are to
14 address those reasons and sustain this going forward.

15 COMMISSIONER SIDLOFSKY: Okay. Thank you.

16 S. VETSIS: And so now we are on Slide 28. We
17 have exited the period where Elexicon has established
18 -- started scaling its business and established those
19 functional capabilities, and now we look forward to
20 the OM&A over the rate period.

21 And Elexicon took a unique approach to building
22 its OM&A forecasts over this rate period.

23 You know, earlier we discussed the catchup and
24 the magnitude of that revenue deficiency when rates
25 are realigned. So in contemplation of the impact on
26 our customers, Elexicon took an approach to pacing
27 its expenditures for OM&A, accepting some temporary
28 incremental risk in order to ease bill impacts to

1 customers.

2 And so what we did in our planning is we took
3 some costs that were necessary in '27 and pushed them
4 out over the rate period, about \$1 million in
5 maintenance expenses that were deferred to the next
6 year; about \$1.7 million related to necessary hiring,
7 which we are going to spread out over the couple
8 years, over the term; as well as the deferral of the
9 AMI 2.0 rollout, which means \$1.6 million lower in
10 metering expenses.

11 And so with this paced spending, that means that
12 our 2027 revenue requirement is \$4.3 million or 3
13 percent lower than what it would be otherwise.

14 And so for a typical residential customer, this
15 has the impact of lowering their bill by about \$1.41
16 impact.

17 And so as this all comes together, what it
18 shows, that 2027 is not really a typical rebasing
19 year for Elexicon. We have taken this unique
20 approach to pacing for reasons of rate impact.

21 However, following 2027, you see an easing on
22 the growth of OM&A over the period, and so the
23 compound annual growth rate here shown is 2.3 percent
24 following that initial year. And that is as we start
25 to see the benefits achieved through the efficiencies
26 of the technology investments that we are going to
27 talking about as we start -- and start more
28 efficiently delivering on a growing work program.

1 We shift now to Slide 29, and this figure
2 relates to our workforce. And, you know, Elexicon
3 has developed a workforce plan that is enabling
4 greater capital delivery despite modest, you know,
5 growth.

6 And at the top of this slide, you see a figure
7 which shows our FTE levels over time split into the
8 asset management distribution operations functions,
9 the customer experience, and then the remainder of
10 the business, which we call business support in this
11 slide.

12 And so while you see, like, the level of capital
13 spend in 2031 is approximately 350 percent relative
14 to 2020, the workforce has only grown 67 percent over
15 that same period. And so this has shown the way that
16 Elexicon has been able to scale effectively.

17 And if we focus more on the application term,
18 from 2026 to 2031, Elexicon is forecasting to add
19 approximately 60 positions -- this is a 17 percent
20 increase -- while it forecasts doubling of investment
21 in the system.

22 Sixty-five percent of those positions are in the
23 asset management and distribution operations areas
24 that directly deliver on these growing capital
25 programs.

26 The remainder of headcount growth is largely in
27 the support functions, whose work scales with
28 execution, as we discussed earlier.

1 What you can see, though, is a reflection of
2 what Ms. Romano discussed earlier, and that is the
3 stable size of staffing and the customer experience
4 group over time, as we are able to keep that
5 relatively flat in anticipation of the savings
6 through better tools. And so this leanness in our
7 workforce is shown through the benchmarking.

8 If you take a look at the table below, you see a
9 figure which shows the FTE per \$1 million of Capex,
10 so effectively a measure of the throughput of staff,
11 of work-plan delivery.

12 And as you follow that trend out from the
13 current period into the future, you will see that
14 over the rate period, Elexicon will be delivering a
15 growing work program at a lower level -- a
16 significantly lower level of staff than what you see
17 for the peer group or Ontario average, showing the
18 efficiencies that we -- that we have in our plan.

19 Now, from a compensation perspective, our
20 compensation benchmarking indicates that our total
21 compensation is below market. Now, we measure
22 relative to P50, which is a midpoint of the market in
23 which we compete for talent. And relative to P50,
24 our unionized staff are 95 percent, and our non-
25 unionized employees are at 93 percent.

26 And so as well over the period, Elexicon must
27 invest in competitive compensation in order to ensure
28 it can retain its workforce as well as attract the

1 employees that we need to deliver on the critical
2 work that we have been discussing throughout today.

3 And so with that, we would like to take some
4 time and discuss our critical IT project, and so I am
5 going to pass it over to Mr. Frost-Hunt.

6 L. FROST-HUNT: Thank you, Mr. Vetsis.

7 And I will note we are on Slide 31. We will
8 cover this in two slides. First, I will outline the
9 need here on Slide 31, and then Ms. Romano and I will
10 talk about the benefits in Slide 32.

11 Following the merger, Elexicon inherited a
12 fragmented technology environment that had evolved in
13 an ad hoc manner over many years. It included
14 multiple standalone applications, duplicated data,
15 and heavily customized manual processes with critical
16 customer billing workforce and asset systems at end
17 of life.

18 In 2023, before considering any technology
19 solution, Elexicon completed a comprehensive needs
20 analysis that started with the business. We reviewed
21 how work moved end to end across customer service,
22 operations, asset management, finance, procurement,
23 and the field.

24 The review confirmed that the issues were
25 multiple and interconnected. Replacing individual
26 standalone applications would not resolve the
27 underlying risk or provide the capacity needed for
28 future growth.

1 The operating risk was immediate. Unsupported
2 systems no longer received vendor security patches,
3 compliance updates, or reliable technical support.

4 The customer information and billing platform
5 experienced regular downtime and required customized
6 manual batch processing.

7 Those findings informed a competitive RFP in
8 2024 for an integrated holistic enterprise platform.

9 Implementation began in 2025 with the customer
10 system, which addressed the most urgent legacy risk
11 and successfully went live in April of this year.

12 Beyond the operating risk, the second issue was
13 scale. Elexicon serves one of Ontario's fastest
14 growing territories, but manual processes constrained
15 customer connections, capital planning, procurement,
16 materials management, and field scheduling.

17 Continuing this way would require
18 disproportionate increases in staffing and cost,
19 while making service levels increasingly difficult to
20 maintain.

21 Dx NEXT, therefore, represents the phase renewal
22 of Elexicon's operational foundation. It replaces
23 unsupported systems with standard vendor-supported
24 technology, connects critical customer asset
25 operational and financial information, and
26 establishes consistent processes across the utility.

27 This is essential to strengthening cybersecurity
28 and business continuity, improving the quality and

1 availability of information, and giving Elexicon the
2 capacity to deliver a growing work program without a
3 corresponding increase in manual effort and cost.

4 Next slide, please.

5 While the primary drivers for Dx NEXT are
6 addressing technology risk, cybersecurity, and
7 scalability, the program will also deliver
8 significant operational and customer benefits.

9 The savings expected from Dx NEXT are already
10 reflected in Elexicon's OM&A forecast. They will
11 come from avoiding future hiring in customer care and
12 finance, reducing printing and postage, and
13 decommissioning legacy applications.

14 The broader productivity benefit extends across
15 the utility. A single source of reliable information
16 and integrated work flows will connect capital
17 planning, asset management, finance procurement,
18 inventory, and fieldwork. This will reduce duplicate
19 data entry, paper-based work, manual reconciliations,
20 and repeated handoffs between departments.

21 Better planning, scheduling, and asset
22 visibility will help Elexicon deliver its growing
23 capital and meet programs without a proportionate
24 increase in staffing.

25 Improved procurement processes will strengthen
26 spending controls, sourcing compliance, and vendor
27 management. Finance will benefit from integrated
28 record-to-report processes, automated accounts

1 payable, and more accurate and timely reporting.

2 Retiring legacy applications will also reduce
3 technology complexity, support costs, business
4 continuity risk, and cybersecurity exposure.

5 Employees will have modern consistent tools that
6 will allow them to spend less time navigating
7 administrative processes and more time on the higher-
8 value work.

9 I will now invite Ms. Romano to speak
10 specifically to the enhanced customer experience.

11 K. ROMANO: Thank you.

12 So the benefits outlined on this slide will
13 really be delivered in two key areas; one directly to
14 customers, but also to our front line teams
15 internally.

16 For customers, Dx NEXT delivers a seamless user
17 experience. The core information system is
18 integrated seamlessly with modern digital services
19 and automated back office processes. Customers have
20 greater choice with how they interact with us. We
21 have improved upon our customer portal, as well as
22 expanded our interaction tools and functions
23 associated with that portal, and we have improved
24 upon our e-billing program.

25 Customers now interact with us independently and
26 more efficiently, with fewer manual interventions and
27 less reliance on our front line team.

28 If we focus on our internal staff, the

1 integration of our core systems provides a complete
2 and seamless customer information, creating
3 consistent customer interactions and improving the
4 quality and the timeliness of our services to those
5 customers.

6 What does this mean? This means the
7 capabilities delivered through the Dx NEXT program
8 will allow customer care to support a rapidly growing
9 customer base and responding to evolving customer
10 expectations without materially increasing staffing
11 over the forecast period. This can be achieved while
12 at the same time managing the demands of front line
13 contacts and mitigating the financial risk of
14 increasing pressures, most notably from rising
15 postage costs.

16 So I think it is back to Mr. Vetsis to further
17 explain bill impacts.

18 S. VETSI: And so we have covered the
19 investments and the need for the investments in our
20 plan, and now we come to what is the impact to
21 customers.

22 And so shown here is a table which shows the
23 five-year average annual change on a monthly bill.
24 These are the latest values that include the updates
25 throughout the process. And when looking at this, it
26 is important to consider that the -- there is two
27 elements to this. There is -- it is the bill impacts
28 that fund the investment plan but also reflect the

1 need to align rates with current cost structures.

2 And so what we have done here on the chart is we
3 have split these columns into two areas. The more
4 thickly filled in area at the bottom reflects the
5 bill impact associated with the catch up that we have
6 discussed. The remaining elements above are the bill
7 impacts associated with the investments in our
8 investment plan.

9 What you can see when you look across -- across
10 the classes, is that roughly speaking, the catch up
11 accounts for about a third of the change that is
12 occurring over the period.

13 As well, I would note, just for the sake of
14 simplicity, the amounts that we have provided here
15 are weighted averages. In reality, there will be
16 minor differences between the Whitby and Veridian
17 rate classes. This is driven by two factors. Our
18 plan to harmonize rates in 2027, as well as the fact
19 that the recovery of historical balances in certain
20 deferral accounts which were accrued separately by
21 rate zone and will also be recovered or refunded
22 separately by rate zone as appropriate.

23 So we have talked about our investments. We
24 have talked about the impact. I want to take a
25 moment to discuss how we are going to be recovering
26 costs over this period.

27 And so Elexicon is proposing a Custom IR
28 framework as it is necessary to meet our investment

1 needs. The proposed framework is a custom revenue
2 cap index. We relied upon past precedence, economic
3 theory, external benchmarking, and some proposals to
4 reflect our unique circumstances in the development.
5 And so let's walk through some of those parameters.

6 The first, of course, is the inflation factor.
7 This is designed to track inflationary changes over
8 time. We are proposing the use of the OEB's standard
9 inflation factor. And this is the only factor in the
10 formula that will be changing annually.

11 Next, we have a productivity factor which is
12 intended to incent productivity by giving customers
13 an upfront benefit of a reduction. This consists of
14 two elements; an industry productivity trend of zero
15 percent in alignment with OEB past policy precedents,
16 as well as a stretch factor of 0.115 percent.

17 This stretch factor is based off of the
18 econometric analysis done by Clearspring, the total
19 cost benchmarking study, in which, as we discussed
20 earlier, Elexicon, when including all of the proposed
21 investments in our investment plan, is positioned to
22 average being 13.9 percent below benchmark costs over
23 the rate period. And that aligns with a stretch
24 factor of 0.15 percent.

25 Included in this formula is a growth factor.
26 The growth factor is designed to reflect changes in
27 growth -- changes arising from growth and scale. And
28 scale in this instance refers to customer growth as

1 well as growth in peak overtime. And this factor is
2 calibrated and connected to the elasticities that are
3 built into the total cost benchmarking model.

4 Next, we have a factor called the input price
5 differential. Now, this is designed to ensure that
6 inflationary changes for OM&A align with Elexicon's
7 cost structures. As you know, the OEB's inflation
8 factor has a certain baked-in assumption of the level
9 of labour and non-labour costs. It is 70 percent
10 non-labour, 30 percent labour. This IPD realigns --
11 realigns the OEB inflation factor with that -- with
12 Elexicon's structure to allow for better tracking of
13 inflationary changes over time.

14 The last element is the revenue growth factor,
15 and that is something that is a little bit unique in
16 Elexicon's circumstances. The OEB is familiar with
17 typical capital factors. Elexicon is proposing a
18 revenue growth factor which will apply to both
19 capital and OM&A and which is designed to recover the
20 necessary and urgent investments above status quo
21 levels of investment as well as above the growth
22 captured in the formula.

23 And why this is important for us is, if you
24 recall earlier, we talked about the unique way in we
25 built up our OM&A plan over the period, and this
26 factor is what allows us to reflect that in cost
27 recovery.

28 Due to the deferral of those OM&A expenses, if

1 we were to take the rest of the elements of this
2 formula, excluding the RGF, and apply it to 2027 for
3 indexing purchases, we would under-recover OM&A by \$3
4 million in 2028 and about one-and-a-half million in
5 2029. That would make our ability to achieve --
6 virtually removing the structural ability for us to
7 achieve our -- ROE.

8 Now, including this factor has twofold benefits;
9 it allows for the incorporation of that pacing, but
10 it also allows us to give customers the full benefit
11 of the slow down in the OM&A forecast, the growth,
12 that occurs in the latter years of the plan.

13 And so that formula allows us to help recover
14 the resources we need with appropriate cost
15 containment incentives. Included as well are a suite
16 of deferral accounts which form part of our overall
17 framework.

18 PRESIDING COMMISSIONER MORAN: Just if I could -
19 -

20 S. VETSIS: Oh, sure. Sorry. Yeah, go ahead.

21 PRESIDING COMMISSIONER MORAN: If we can go back
22 to slide 36, you indicated the inflation factor is
23 the only factor that would change on an annual basis.
24 And I am looking at the RGF factor, which is a range,
25 so I am trying to --

26 S. VETSIS: Oh, sorry. My apologies. Yeah.

27 So the idea would be that we would calculate and
28 set the remaining parameters X onwards in this

1 application, and they would not change subsequently;
2 however, the RGF does vary year over year depending
3 on our cost forecasts.

4 And so, yeah, I apologize for that confusion.

5 So it will -- in approving this application and
6 approving this framework, it would involve approving
7 four RGF values which would be locked in over the
8 five-year period and applied in the rate adjustments
9 in future years.

10 PRESIDING COMMISSIONER MORAN: Okay. And how
11 does the growth factor work if that has never changed
12 through the IRM period? How do you --

13 S. VETISIS: The growth factor is also held
14 constant over that period.

15 PRESIDING COMMISSIONER MORAN: So what happens
16 if it doesn't reflect a change as it is purported to
17 affect from year to year? How do you track that and
18 manage that?

19 S. VETISIS: I am sorry. Could you reframe what
20 you mean, if it doesn't track a change?

21 PRESIDING COMMISSIONER MORAN: The growth factor
22 is meant to reflect a change in cost that arise from
23 growth in scale, right. But if that growth doesn't
24 happen, how does that justify fixing the growth
25 factor permanently through the IRM period?

26 S. VETISIS: I think the reality is that some of
27 the immediate investments won't -- they won't all
28 necessary shift immediately time -- over time.

1 So what this does is this provides the economic
2 value of what you would expect for certain growth
3 values. It reduces the amount of supplemental
4 revenue needed through the RGF. And so, yeah, the
5 two work in concert together.

6 And I think in the near term, we wouldn't
7 anticipate -- given the severity of our capacity
8 constraints, as well as some of the other drivers of
9 investment we wouldn't anticipate that minor slow
10 downs in growth here and there would materially
11 impact the majority of the investment portfolio that
12 we have.

13 PRESIDING COMMISSIONER MORAN: Thank you.

14 S. VETSIS: And so as I mentioned, we have a
15 suite of deferral accounts. And we can kind of
16 include it to provide protections for customers,
17 ensure appropriate incentives -- and ensure
18 appropriate mechanisms and incentives to support
19 policy objectives. And we can group these into a few
20 categories.

21 So the first category is that of customer
22 protections. So you see the proposal of an earning
23 sharing mechanism in which any overearnings above 100
24 basis points would be shared with customers on a
25 50/50 basis. As well as the capital in-service
26 additions variance account in which -- which would
27 protect customers in the event that Elexicon does not
28 materially deliver on its capital program.

1 In our proposal, this is evaluated cumulatively
2 over the term, and we have proposed a 2 percent dead
3 band to ensure incentives remain to pursue capital-
4 related productivity.

5 The next bucket is two variance accounts that
6 are related to managing externally driven
7 investments. And so these ensure that we can support
8 growth in our service territory without impacting our
9 ability to renew the system.

10 The first is the capital connection cost
11 recovery variance account. This is related to
12 variances in capital contributions to Hydro One,
13 which can vary due to factors outside of Elexicon's
14 control, as well as the customer demand related
15 variance account, which tracks variances in those
16 externally driven mandatory customer programs in the
17 system access bucket. So that is customer
18 connections, asset relocation, system expansion.

19 Next, we have two accounts that provide a
20 mechanism to allow us to respond to emerging needs.
21 Now, we discussed the pace of growth in Elexicon's
22 service territory. We have also discussed the risk-
23 based approach and how we will still have some
24 capacity constraints that persist. And including
25 these mechanisms allows us the ability to evolve in
26 the event that some localized unforecast growth
27 materializes.

28 So the first mechanism is a stations account

1 which will allow us to recover the costs of a station
2 that is not forecast and included in this plan should
3 the need materialize over the plan.

4 And the next is a non-wires solution account.
5 At the moment -- which would allow us to fund non-
6 wires solutions should those opportunities -- should
7 those arise as a viable opportunity for some emerging
8 need.

9 The last account that I want to chat about is
10 the -- yes?

11 COMMISSIONER DODDS: Just a question on your new
12 stations deferral account. Why would that not be in
13 your Distribution System Plan? Like, why would that
14 be unforeseen that you need a DVA?

15 S. SHEEHY: What I would say, within our
16 Distribution System Plan, we have all of the planned
17 station investments that we foresee now with our
18 growth in our service territory. This account would
19 capture anything that arises above and beyond what is
20 anticipated.

21 So we don't have any stations planned right now
22 above and beyond what is in our distribution system
23 plan, but that could change. Large loads come
24 onboard, investments and growth take place at an even
25 faster pace than what is anticipated.

26 But what we have within our Distribution System
27 Plan does capture all of our stations currently.
28 That is in our forecast.

1 COMMISSIONER DODDS: But if your Distribution
2 System Plan captures all that, I just -- I can't see
3 a need for a deferral account. But, anyway, that is
4 just a comment, not looking for -- to be
5 argumentative.

6 S. VETISIS: I think it is more a reflection --
7 you saw the historical trends that we have
8 experienced as a utility and how much we have seen
9 our business conditions change in such a short period
10 of time.

11 And so a mechanism like this, it is really for
12 rare highly intensified circumstances. You know, the
13 nature of loads is changing now too. You have things
14 like data centres, which -- as well as
15 electrification of traditional processes that used to
16 be based on fossil fuels. Like, businesses are
17 converting -- it just means more intensification of
18 load.

19 COMMISSIONER SIDLOFSKY: Sorry. Just one
20 question about the earning sharing mechanism: How
21 would that be paid out? Are you planning to accrue
22 that over the five years and then deal with a balance
23 at the end or pay it out annually?

24 S. VETISIS: I wish you had asked me that when I
25 was on the stand for the technical conference. I
26 think this is one -- subject to check in evidence, I
27 do believe that this is one that we can clear -- I
28 can't recall if this one is cumulative offhand.

1 COMMISSIONER SIDLOFSKY: Okay.

2 S. VETSIS: I don't want to misspeak. We have -

3 -

4 COMMISSIONER SIDLOFSKY: It wasn't a test.

5 S. VETSIS: Yeah.

6 COMMISSIONER SIDLOFSKY: I am just curious.

7 S. VETSIS: Yeah.

8 D. COBAN: Do we want to take that away and --

9 S. VETSIS: I am happy to take that away and
10 confirm and provide the appropriate reference, if you
11 think it would be helpful.

12 COMMISSIONER SIDLOFSKY: Sure. I guess we will
13 take an undertaking.

14 Could we mark that as an undertaking, Mr.
15 Hobbins?

16 B. ARMSTRONG: Yeah, Mr. Hobbins had to leave.
17 It would be JT-1.1.

18 COMMISSIONER SIDLOFSKY: I think we are using P
19 today. So JP1.1 will be the undertaking.

20 **UNDERTAKING JP1.1: EXPLAIN WHETHER ELEXICON**
21 **PLANS TO PAY OUT ANY AMOUNTS ACCRUED IN THE**
22 **EARNING SHARING MECHANISM ON AN ANNUAL BASIS OR**
23 **THE END OF THE RATE TERM**

24 COMMISSIONER SIDLOFSKY: "K" was for evidence.
25 "J" is for undertakings.

26 S. VETSIS: Okay. I learned something today.

27 PRESIDING COMMISSIONER MORAN: Part of the
28 alphabet soup of the OEB.

1 I have a question on the non-wires solution DVA.
2 I am just trying to understand what is being tracked
3 there. It is described as funding non-wires
4 solutions when opportunities come up to implement
5 cost-effective solutions.

6 But, as I understand it, non-wires solutions are
7 an offset to other capital expenditures as a way of
8 deferring or avoiding capital expenditures, so I am
9 curious as to what the intention is behind this DVA?

10 S. VETISIS: I mean, I think to the first point,
11 we have an interrogatory that talks about this a
12 little bit. So it is not necessarily true that --
13 and because we are talking about emergent needs, it
14 is not necessarily a hundred percent the case that we
15 will -- we would have an emerging need appear that
16 would offset existing expenditures and risks that are
17 already in the plan. So it is possible it could be
18 an additive expense depending on the specific
19 circumstances.

20 What is contemplated here -- I think it is
21 described in a lot more detail in Exhibit 9 of our
22 application -- it is the detailed development cost
23 associated with getting these programs as well as any
24 payments that would be made for third-party assets,
25 for example. So there is a suite of both the
26 development implementation of the program that will
27 be tracked here.

28 At the moment, there are no such programs built

1 into our forecast costs. And so this ensures that we
2 have a mechanism that will allow us to pursue those
3 should some emergent need arrive.

4 PRESIDING COMMISSIONER MORAN: Thank you.

5 S. VETSIS: So we were at large load variance
6 account, I think. So in building our load forecast
7 in this application, we have made some manual
8 adjustments to account for some of the anticipated
9 large loads.

10 However, in doing so, we have included loads
11 which are not yet fully committed. And so this has a
12 benefit in that it yields higher charge determinants,
13 which ultimately drive lower rates for customers.

14 However, it does bring with it some degree of
15 risk. And so what we are including in here is a
16 variance account that for customers of large
17 magnitude, so above 3 megawatts, we would -- would
18 capture any variances in revenue from new connections
19 should there be any delays in the onset of those
20 loads should they not materialize.

21 And so our last slide here is Slide -- I can't
22 see the number -- 35.

23 So in addition to our framework, as well as the
24 associated deferral accounts, Elexicon is also
25 including a custom scorecard which provides
26 transparent reporting and holds us accountable
27 against the outcomes of our plan.

28 Now, I do note this scorecard is complementary

1 of the OEB's annual scorecard, which has additional
2 metrics which are applied each year. The metrics
3 here are intended to align with the key objectives
4 and outcome of the investment plan that has been
5 developed.

6 As a utility, safety is our highest priority,
7 and so we have included metrics reflecting that
8 commitment to conduct our work safely.

9 We have discussed the capacity challenges that
10 we have, and so we have included some capacity-
11 related measures that show our progress towards
12 addressing the constraints on our system.

13 We have included asset measures to monitor
14 demographics and ensure progress towards system
15 renewal, as well as reliability measures to ensure we
16 are delivering on those performance objectives of
17 restoring reliability to historical levels of
18 performance.

19 Finally, we have some customer measures to
20 ensure that we are leveraging the improved digital
21 service tools and delivering an experience that
22 customers value and provide satisfaction.

23 And so with that, that concludes the summary of
24 our application. And so we have talked about today
25 the unprecedented economic growth that is occurring
26 in Elexicon's service territory and how we are
27 forecast to be the fastest growing utility in this
28 province.

1 And we have talked about our challenges, the
2 capacity constraints that exist, as well as the
3 reliability trends and how our plan -- sorry -- the
4 reliability trends are declining and how our plan
5 addresses those particular challenges.

6 We have talked about the fact that our rates are
7 no longer aligned with our costs, and we can no
8 longer continue to self-fund investment the way we
9 have been over the past years and how this leaves us
10 with a catchup that needs to be mitigated.

11 And so we have also talked about how through the
12 way that we have built this plan, we have kept
13 customers at front of mind in terms of the pacing of
14 the investments.

15 And so the plan before you today reflects the
16 minimum level of spend to restore reliability,
17 improve capacity, and ensure that we can continue to
18 serve the growing communities that we serve.

19 And so I, once again, thank you very much for
20 the opportunity to provide an overview of our
21 application, and I welcome any questions that you may
22 have.

23 PRESIDING COMMISSIONER MORAN: Thank you, Mr.
24 Vetsis.

25 Commissioner Dodds, do you have any further
26 questions?

27 COMMISSIONER DODDS: No questions, but good
28 presentation. Thank you.

1 COMMISSIONER SIDLOFSKY: No, I am fine. Thanks
2 for the presentation, though.

3 PRESIDING COMMISSIONER MORAN: I also have no
4 further questions. And thank you for your assistance
5 in understanding your objectives in this application.

6 Ms. Coban, is there anything else you wanted to
7 address at this point?

8 D. COBAN: No. I think we covered all the
9 preliminary matters. So barring any other questions,
10 I think that concludes.

11 PRESIDING COMMISSIONER MORAN: Okay.

12 And speaking to the intervenors who have
13 participated today, any questions or comments you
14 want to make at this point?

15 M. RUBENSTEIN: No. I will wait.

16 PRESIDING COMMISSIONER MORAN: Fair enough.

17 All right. I understand the next stage of this
18 proceeding is the settlement conference, so waiting
19 for that to happen, we will adjourn the process.

20 Commissioner Sidlofsky?

21 COMMISSIONER SIDLOFSKY: Sorry. Just before we
22 adjourn, I take it, Mr. Vetsis, you understand the
23 undertaking, what I am looking for -- what I am --
24 what it turns out I am looking for in your
25 undertaking, which is simply to explain whether you
26 plan to pay out any amounts accrued in the earning
27 sharing mechanism on an annual basis or the end of
28 the rate term?

1 S. VETSIS: I will double-check and get back to
2 you on that one.

3 COMMISSIONER SIDLOFSKY: Thank you. It was also
4 for the benefit of the reporter, just so the
5 transcript is clearer, too.

6 S. VETSIS: I appreciate that.

7 COMMISSIONER SIDLOFSKY: Thank you.

8 PRESIDING COMMISSIONER MORAN: And with that, I
9 think we are adjourned. Thank you very much.

10 --- Whereupon the proceeding concluded at 11:11

11 a.m.

12