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BY EMAIL

September 29, 2022

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Marconi:

Re: EB-2022-0024 Application for 2023 Rates

In accordance with Procedural Order #1, please find attached the Ontario Energy Board (OEB) staff interrogatories in the above proceeding. The applicant and intervenors have been copied on this filing.

Elexicon Energy Inc.'s responses to interrogatories are due by October 13, 2022.

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

Yours truly,

B. M. Armstrong

Birgit Armstrong
Incentive Rate Setting & Regulatory Accounting

Encl.

*Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's Rules of Practice and Procedure.

OEB Staff Interrogatories
Elexicon Energy Inc.
2023 Incentive Rate-setting Mechanism Application

General

1-Staff-1

Ref 1: 2023 IRM Rate Generator for the Whitby Rate Zone

Ref 2: 2023 IRM Rate Generator for the Veridian Rate Zone

The Rate Generator model was updated to reflect the most current Uniform Transmission Rates and Hydro One Sub-Transmission Rates on Tab 11 as well as the updated Smart Meter Entity charge on Tab 17.

- a) Please confirm the accuracy of the Rate Generator for each rate zone, as well as the accuracy of the Retail Transmission Service Rates, following these updates.

Incremental Capital Module (ICM) – Whitby Smart Grid

1-Staff-2

Ref 1: Appendix B – Incremental Capital Module Whitby Smart Grid, p. 6

Ref 2: Whitby Smart Grid ACM/ICM model_WRZ

The ICM model for the WSG project in the Whitby RZ shows a project cost of \$36.74M. On page 6 of Appendix B, Elexicon notes the incremental funding request of \$43.171MM for the WSG project for the Whitby RZ.

- a) Please confirm that the requested amount for the Whitby Smart Grid project for the Whitby RZ is \$36.74M, not \$43.171M.
- b) Please explain if this amount and the ensuing rate rider are requested on an interim basis or if Elexicon will be providing updated project costs with the 2025 IRM application, which is the year the project will be used and useful and the rate rider will be effective.

1-Staff-3

Whitby Smart Grid - ACM

Ref 1: Appendix B-1 – Whitby Smart Grid Business Case, p.45

Ref 2: Whitby Smart Grid ACM/ICM model

Elexicon Energy stated that it will place the Whitby Smart Grid into service in 2025. Elexicon Energy proposed to update and finalize 2025 rate riders and bill impacts relating to the Whitby Smart Grid within its 2025 IRM application.

- a) Please confirm if Elexicon Energy is seeking ACM-like treatment of the Whitby Smart Grid in this application. If so, why?
- b) In reference 2, the Whitby Smart Grid costs are shown in 2023. Please explain why these costs are shown in 2023 if the rate riders and the Whitby Smart Grid won't be in-service till 2025.

1-Staff-4

Distribution System Plan

Ref 1: Appendix B-1 Whitby Smart Grid Business Case, p. 24

- a) Please file a copy of Elexicon Energy's 2021 Distribution System Plan on the record of this proceeding.
- b) Please provide a detailed list of all projects in the DSP that will be altered, amended, rescheduled, or canceled as a result of the Whitby Smart Grid proposal. For each such project, please provide details of any changes in timing, cost, and other relevant factors.

1-Staff-5

2023 Capital Budget

Ref 1: Appendix B-1, Whitby Smart Grid Business Case, p. 57

- a) Please provide five years of historical capital expenditures by capital projects under the categories of General Plant, System Access, System Renewal, and System Service, including forecasted capital expenditures for 2022.
- b) Please provide an additional column showing the year-to-date capital expenditures for 2022 capital projects.
- c) Please provide a list of Elexicon Energy's capital projects for 2023 and their associated costs.

1-Staff-6

Ref 2: WRZ_SB_2023 ACM_ICM Model, Tab 9b

Ref 3: WRZ_WSG_2023 ACM_ICM Model, Tab 9b

- a) On tab 9b of the SB_ICM model, Elexicon Energy provides a total DSP CapEx of \$39.7M for the Whitby rate zone. On tab 9b of the WSG_ICM model, Elexicon

Energy shows a DSP CapEx of \$48.5M for 2023, and on p. 57 of Appendix B-1, Elexicon Energy forecasts capital spending of \$40.5M. Please reconcile and explain the differences.

1-Staff-7

METSCO Feasibility Study – Volt/Var Optimization

Ref 1: Appendix B-1 – Whitby Smart Grid Business Case, pp. 12 and 45

Ref 2: Appendix B-5 – METSCO Feasibility Study Whitby SmartGrid VVO and DA

Elexicon Energy proposed \$39.1 million in VVO/CVR and FLISR/DA field hardware.

This is intended to reduce losses and improve reliability. Elexicon Energy provided two alternatives, one was to complete the project in 2025 and the other was to complete the project in 2028.

- a) Please provide how much of the \$39.1 million is related to Volt/Var Optimization.
- b) One of the benefits of Volt/Var Optimization is energy savings. In reference 1 table 17, Elexicon Energy showed the maximum energy savings for 4 potential feeders. Please provide the expected yearly cost savings for the feeders included in the Whitby Smart Grid project over the next 20 years and provide the net present value.
- c) Compare the net present value in part b) with the Volt/Var Optimization project costs. If the net savings is below the project cost, please explain why Elexicon Energy has continued to pursue Volt/Var Optimization.
- d) The benefits of Volt/Var Optimization and equipment needed are per feeder. Please explain why the implementation of Volt/Var Optimization cannot be better paced over a longer timeline if the benefits can be realized one feeder at a time.
- e) Does Elexicon Energy intend to track and report on the reduction of losses and improvements to its reliability metrics? If yes, please provide the metric Elexicon Energy proposes to track. If not, why not.
- f) Please provide the NPV calculations Elexicon Energy used to justify that option 2 (2028 completion date) would be greater than option 1 (2025 completion date). Please omit the NRCan funding on both options and provide the assumptions used.

1-Staff-8

METSCO Feasibility Study – Distribution Automation

Ref 1: Appendix B-1 – Whitby Smart Grid Business Case, p. 12

Ref 2: Appendix B-5 – METSCO Feasibility Study Whitby SmartGrid VVO and DA

Elexicon Energy proposed \$39.1 million in VVO/CVR and FLISR/DA field hardware.

This is intended to reduce losses and improve reliability. Reference 2 stated that the Whitby Rate Zone has been active in the development of the initial stages of SmartGrid

and has piloted DA on 6 feeders and 5 stations and as well as procured centralized controlling software under previous and ongoing projects.

- a) Please provide how much of the \$39.1 million is related to Distribution Automation.
- b) Please confirm if the cost of these 5 stations and 6 feeders are included in the Whitby Smart Grid cost.
- c) Please provide any findings Elexicon Energy has learned from this pilot, including any metrics Elexicon used to track and measure performance improvement.
- d) Please provide the costs Elexicon Energy incurred for this pilot.
- e) Part of distribution automation is sectionalizing and automated backfeed. Please confirm if the benefits of distribution automation can be realized either by feeder or pair of feeders.
- f) If confirmed in part e), please explain why the implementation of Distribution Automation cannot be better paced over a longer timeline if the benefits can be realized one feeder or pair of feeders at a time.

1-Staff-9

Whitby Smart Grid - NRCan

Ref 1: Appendix B-1 – Whitby Smart Grid Business Case, p.12

Elexicon Energy is proposing a \$47.2 million Whitby Smart Grid project that includes an Advance Distribution Management System (AMDS), Volt/Var optimization, and distribution automation. The project is expected to be in service in 2025. Elexicon Energy has been granted \$4.04 million from NRCan for the AMDS element of this project and stated that there is a delivery date of March 31, 2025, or the funding would be withdrawn.

- a) Please provide the agreement Elexicon Energy has with NRCan to secure the grant. In a table format, please compare the items Elexicon Energy has to meet in the NRCan agreement and the scope of work on the AMDS portion of the project.
- b) Please explain if the NRCan funding would be withdrawn if Elexicon Energy only completes the AMDS portion (\$8.08 million) of the Whitby Smart Grid project.

1-Staff-10

Whitby Smart Grid – Cost Allocation

Ref 1: Appendix B – Incremental Capital Module Whitby Smart Grid, p. 36

Ref 2: EB-2021-0015 – Distribution System Plan – Overview of Assets Managed

For the Whitby Smart Grid, \$36.7 million was allocated to Whitby Rate Zone, and \$6.43 million was allocated to Veridian Rate Zone. The Whitby Smart Grid involves the installation of a suite of proven smart grid technologies on Elexicon Energy's distribution

system in the Whitby Rate Zone and Veridian Rate Zone. In reference 2, it shows that the Whitby Rate Zone has about one-third the number of customers as compared to the Veridian Rate Zone.

- a) Please provide the allocation method of costs and calculations for the AMDS and SCADA between the Whitby Rate Zone and the Veridian Rate Zone.
- b) Please confirm if the same smart grid technologies are installed in the Whitby and Veridian Rate Zones and whether both rate zones will have the same functionality. If so, please explain why the Whitby Rate Zone bears most of the costs.
- c) If only the Whitby Rate Zone will see certain smart grid benefits as compared to the Veridian Rate Zone, please provide a list of differences.
- d) Please provide a list of benefits the Veridian Rate Zone can expect from AMDS and SCADA.

1-Staff-11

DER Enabling Program and Local Capacity Market

Ref 1: Appendix B-3 DER Enabling Program and Local Capacity Market

Elexicon Energy stated that in connection with the projects, Elexicon Energy is considering two programs to incent DER capacity: 1) CDM marketing, incentives, and on-bill financing (DER Enabling Program) and 2) Creating local capacity and energy market (Local Capacity Market). Elexicon Energy stated it is still considering whether to file an application with the OEB and has provided only preliminary details on the program.

- a) Please provide the impact on the Whitby Smart Grid project if these proposed programs are not approved.
- b) If the success of the Whitby Smart Grid is dependent on the approval of these programs how does Elexicon Energy justify approval of the Whitby Smart Grid without the details and cost of the proposed programs?
- c) When would Elexicon Energy be in a position to provide specifics for each of these programs?
- d) Please provide additional information on the York Region Non-Wires Alternatives Demonstration Project.

Incremental Capital Module – Sustainable Brooklin

1-Staff-12

North Brooklin Development Feeder Expansion - Feeders

Ref 1: Appendix B-2 – Sustainable Brooklin Business Case

Ref 2: EB-2021-0015 – Distribution System Plan – A3 – Feeder Expansion

Ref 3: EB-2021-0015 – Distribution System Plan – Figure 5.3-9 Municipal Station in the Whitby Area

Elexicon Energy stated that the first phase of this project requires Elexicon Energy to construct two new 27.6kV feeders connecting the North Brooklin development to Whitby TS. It is anticipated that the Brooklin Developers will construct 10,000 energy-efficient homes in the North Brooklin area over the next 20 years. The Brooklin Developers are proposing to build 700 DER/EV-ready homes per year for the next 20 years.

- a) Please provide any additional information Elexicon Energy has for future phases for this development and Elexicon Energy's future system plans for the Brooklin area.
- b) Please provide the regular estimated loading per home Elexicon Energy uses for planning purposes and the estimated loading per home from the Brooklin Developers (ie. Including DER, EV, and solar). If the net loading per home is higher for the homes proposed by Brooklin Developers, please provide support on how they are energy efficient.
- c) With recent economic developments, has this affected Brooklin Developers' forecast to construct 700 DER/EV-ready homes per year? Please provide any communications between Elexicon Energy and the developer on updated load forecasts.

Figure 1 in reference 1 shows the location of Whitby TS and the two feeders proposed to supply the Brooklin area.

- d) Please add to the figure the approximate boundary of the subdivisions proposed by the Brooklin Developers along with the phase and year the subdivision is anticipated to be constructed.
- e) Based on the notes attached in the figure it appears that there is an existing pole line for portions of these two new feeders. Please highlight sections that are rebuilds of the existing line and sections that are greenfield. For the green field sections please provide the distribution map of feeders in the surrounding area.
- f) Please explain Elexicon Energy's decision to construct two separate pole lines for two circuits now in an ICM instead of one line double circuit to minimize cost.
- g) In reference 3, MS9, MS11, and MS14 are in the surrounding area. Please add the location of these MSs and associated feeders to figure 1.
- h) Please provide the station and feeder loading on MS9, MS11, and MS14.
- i) Please confirm if the station transformer or the insulation on the poles is suitable for voltage conversion to 27.6kV. If not please explain why (i.e., provide the current rating of transformer and insulator insulation rating).

Elexicon Energy provided three levels of DER penetration which could be used to defer station upgrades.

- j) Please provide the current thermal and short circuit capacity of upstream equipment in the Brooklin area.
- k) Please provide any upstream equipment that would need to be upgraded to allow for each level of DER penetration, if any.

1-Staff-13

North Brooklin Development Feeder Expansion - Costs

Ref 1: Appendix B-2 – Sustainable Brooklin Business Case

In table 1 of reference 1, Elexicon Energy estimated a cost of \$10.3 million for the underground portion and \$16.4 million for the overhead portion of the project.

- a) Please provide the number of kilometers of overhead/underground line construction for each section provided in table 1 and show the average cost per kilometer.
- b) Please compare the cost per kilometer in part A to Elexicon Energy's typical cost per kilometer. For higher unit costs, please explain.

1-Staff-14

North Brooklin Development Feeder Expansion – Voltage Conversion

Ref 1: Appendix B-2 – Sustainable Brooklin Business Case

Ref 2: EB-2021-0015 – Distribution System Plan – A3 – Feeder Expansion

Ref 3: EB-2021-0015 – Distribution System Plan – Figure 5.3-9 Municipal Station in the Whitby Area

Elexicon Energy plans to install two new 27.6kV feeders from Whitby TS to supply the Brooklin area.

- a) Please explain Elexicon Energy's decision to supply the Brooklin area with 27.6kV instead of 13.6kV, which appears to be the standard voltage in the area. If the plan is to evolve the distribution system to 27.6kV in the long run, please explain why Elexicon Energy has not started with voltage-converting existing stations.
- b) Please provide the additional capacity that will be supplied to the area if all the existing 13.6kV supply was converted to 27.6kV.
- c) Does Elexicon Energy have plans to transfer 13.6kV loads on this new 27.6kV feeder over the next five years? If so, how much 13.6kV load would be transferred?

- d) In Elexicon Energy's list of project alternatives, it does not discuss the possible alternative of voltage conversion. Did Elexicon Energy consider this option and provide a high-level cost estimate if this option was considered.

1-Staff-15

North Brooklin Development Feeder Expansion – New TS

Ref 1: Appendix B-2 – Sustainable Brooklin Business Case

One of the alternatives considered and rejected was to build a new TS. Elexicon Energy stated that Whitby TS has a 90MW LTR and to construct a new TS it would take a minimum of 5 years.

- a) Please provide the current loading on Whitby TS and the forecasted load to when the station LTR is anticipated to be exceeded.
- b) Please confirm if the 90MW LTR is the 10-day LTR for one of the station transformers.
- c) When was Elexicon Energy first aware of the Brooklin Developers' plans for the North Brooklin subdivision development?

1-Staff-16

North Brooklin Development Feeder Expansion – Base Rates

Ref 1: Appendix B-2 – Sustainable Brooklin Business Case

Ref 2: EB-2009-0274 – Exhibit 2 – Capital Expenditures by Projects

Ref 3: EB-2021-0015 – Distribution System Plan – A3 – Feeder Expansion

In reference 2, in 2010, Whitby Hydro Electric Corporation had capital additions of \$1.12 million (10% of the total capital additions) for customer demand, \$1.91 million (17% of the total capital additions) in subdivision development, and total capital additions of \$11.0 million. The customer demand investments include projects for line extensions and investments in subdivision development include projects for secondary services.

- a) For the Brooklin Feeder expansion, please separate the scope and costs that would be considered expansion and subdivision development.
- b) Please explain why Elexicon Energy believes that this project cannot be funded through the existing rate base.

1-Staff-17

North Brooklin Development Feeder Expansion – Capital Contribution

Ref 1: Appendix B-2 – Sustainable Brooklin Business Case

Ref 2: Elexicon Energy Energy's Condition of Service

Elexicon Energy stated that the Brooklin Developers would no longer be willing to commit to investing in building DER and EV-ready homes in North Brooklin if they were required to pay a capital contribution. Elexicon Energy also stated that if the Brooklin

Developers do not install a DER and EV-ready home they would be required to pay a capital contribution of \$2,260 per home.

- a) Please provide the discounted cash flow used to calculate the capital contribution required by Brooklin Developers and include an explanation of all assumptions.
- b) Please provide the calculation for the \$2,260 capital contribution per home, including all assumptions upon which the calculation is based.
- c) Elexicon Energy stated that the Brooklin Developers would commit through a binding agreement or conditions in related regulatory approvals. Please provide all communications, including any binding agreement, discussed with the Brooklin Developers.
- d) How can Elexicon Energy be certain that the cost of installing DER/EV-ready homes will not be passed to the future homeowners (i.e., included in the cost of the home)? Please explain why it would be reasonable for Elexicon Energy ratepayers to subsidize the cost of capital contributions to the Brooklin Developers.
- e) In the event that Brooklin Developers are required to provide a capital contribution to Elexicon Energy, does Elexicon Energy have any information as to whether the DER/EV rough-ins will be provided an optional upgrade?
- f) Please state if construction of the subdivision has commenced and confirm that Elexicon Energy expects to energize the project in Q3 of 2023.

1-Staff-18

North Brooklin Development Feeder Expansion – Capital Contribution

Ref 1: Appendix B-2 – Sustainable Brooklin Business Case, pp. 4 and 11

Elexicon Energy noted that the Developer estimated a cost of \$23M to install standard rough-ins.

- a) Please provide a breakdown of the \$23M between rough-ins for rooftop solar, battery storage, and EV charging.
- b) Please provide the developer's cost for the rough-ins per home.
- c) Please state if developers are required or incented to provide these DER/EV rough-ins for new construction under any other regulatory instruments (e.g. Ontario building code etc.).
- d) Please confirm if there are any differences in scope for the feeders with and without DER/EV-ready homes.
- e) Please confirm if the breakers installed in the homes are suitable for bi-directional power flow.

1-Staff-19

METSCO Load Forecast

Ref 1: Appendix B-4 METSCO Elexicon Energy 2022-2041 Peak Load Forecast, p. 29

In reference 1, it states that based on the load forecast the 27.6kV and 44kV systems for Brooklin are expected to reach capacity constraints in either 2031 or 2037, depending if the load could be balanced between the 27.6kV and 44kV systems.

- a) Please provide the econometric model used for the load forecast in reference 1.
- b) Please confirm whether the Brooklin Feeders are required to balance the load between the 27.6kV and 44kV systems. If so, please provide the capacity that will be moved between the two systems.
- c) Reference 1 states that the capacity constraint would require the construction of a new TS for \$40 million and by deferring this investment it would have a benefit of \$0.39 to \$9.94 million. Please provide the net present value calculation for the expected benefit.
- d) Please provide the expected scope of work used to estimate \$40 million for the new TS (i.e., number/size of transformers, auxiliary equipment, and number of feeders).
- e) Please provide the expected scope of work and costs for rooftop solar, 50-50 mixed infrastructure, and rooftop solar with battery energy storage system (i.e., number of solar panels, number of batteries, and auxiliary equipment).
- f) Please provide the following information for the transformer and distribution stations in the Brooklin area. The station name, station capacity, station voltage, number of transformers, age of transformers, and asset condition assessment of transformers.

Distribution System Code Exemption

1-Staff-20

North Brooklin Development Feeder Expansion – Exemption from s. 3.2 of the Distribution System Code

If the exemption from section 3.2 of the DSC is granted and the Brooklin Landowners Group Inc. is not required to make capital contributions, please provide the following:

- a) Does this provide an economic advantage to the members of the Brooklin Landowners Group Inc. relative to developers that are not members and may be building or planning to build developments elsewhere in Elexicon Energy's service territory, or even elsewhere in Ontario? If not, please explain why not?
- b) Does Elexicon Energy propose that it would seek similar arrangements with other developers, and with other requests for similar funding treatment as it is proposing here?

1-Staff-21

Ref. 1: Appendix B Incremental Capital Module: Whitby Smart Grid & Sustainable Brooklin, p. 8 of 56

Elexicon Energy “requests that a condition of the OEB’s approval of the DSC Exemption be that all developers that may stand to benefit from the Brooklin Line will construct DER and EV-ready homes or buildings as specified in Appendix B-2 of this Application. Should a developer fail to deliver on the construction of DER-and-EV-Ready homes or buildings, that developer or property owner will be required to pay an appropriate capital contribution to Elexicon in support of the Brooklin Line.”

- a) Is it Elexicon Energy’s position that the OEB has jurisdiction to impose a condition on all developers that may stand to benefit from the Brooklin Line construct DER and EV-ready homes or buildings? If so, please explain the basis for that position?
- b) In the event that the OEB does not have the jurisdiction to impose the condition sought in part a, what measure has, or will, Elexicon Energy take to ensure that all developers follow through on the construction of DER-and-EV-Ready homes or buildings?

1-Staff-22

Leveraging Private Capital

Ref. 1: Appendix B Incremental Capital Module: Whitby Smart Grid & Sustainable Brooklin, p. 10 of 56

On page 10, Elexicon Energy states that “the commitment by the Developers to invest approximately \$30.4 million over a 20-year period in DER and EV-enabling infrastructure in newly constructed homes in North Brooklin will lower barriers to entry for customers wishing to install DER and EV infrastructure in their newly purchased homes. ICM funding for the Sustainable Brooklin Project will guarantee this investment of private sector capital.”

- a) To whom and in what form have the Brooklin Developers made the referenced “commitment”?
- b) Please explain, including whether the dollar figures are expressed in nominal (dollars of the day) or constant (e.g.; 2021 dollars) terms the relationship between the requested ICM funding of \$26.7 million dollars and the Brooklin Developers’ “investment” of \$30.4 million dollars spread over 20 years.
- c) Please explain exactly how Elexicon’s funding of the project will “guarantee” the Brooklin Developers’ investment.

- d) Please explain how, if at all, the “commitment” will be kept if, in future, the Brooklin Landowners Group Inc. is wound up.
- e) Please explain how Elexicon plans to monitor compliance with the “commitment”.
- f) Please indicate whether it is Elexicon’s expectation that the expenditure of \$2,260 per home, described as the Developers’ “capital contribution” and “investment” on p. 8 and p. 44 of Appendix B respectively, will not be recouped by the Developers from the sale proceeds of each home.
- g) Please explain why the expenditure is described as both a “capital contribution” and an “investment”.

1-Staff-23

Customer-Specific Benefits

Ref. 1: Appendix B Incremental Capital Module: Whitby Smart Grid & Sustainable Brooklin, p. 10 of 56

Elexicon Energy states that “greater access to DERs and EVs will create customer-specific benefits including opportunities for rate arbitrage, reduced electricity consumption at the meter, provision of back-up power and a buffer against the volatility of gasoline prices;... .”

- a) To clarify, will the customer-specific benefits mentioned above accrue to individuals who purchase a DER and EV-ready home built by the Brooklin Developers only if they invest in solar/batteries and an EV?
- b) What percentage of Sustainable Brooklin homebuyers does Elexicon expect to invest in solar/batteries and an EV?

Also on page 10, Elexicon Energy lists the following as one of the benefits of the WSG and Sustainable Brooklin projects:

“GHG Reductions: Reduced electricity consumption will decrease the use of natural gas-fired generation for marginal electricity generation, resulting in GHG reductions of approximately [202,977] T CO₂e over the next twenty years.”

The footnote to this statement refers to p. 9 of Appendix B-1, which is entitled ‘Whitby Smart Grid Business Case’.

- c) Are the GHG reductions claimed on p. 10 of Appendix B those referred to in the entry on ‘Table 1 – Expected Benefits’ at the location mentioned in the footnote, which are ascribed to the VVO/CVR component of the WSG project? Staff notes that the number of T CO₂e referenced on p. 10 is derived on Table 16 of Appendix B-1 (p. 34).

1-Staff-24

Customer-Specific Benefits

Ref. 1: Appendix B, s, 4.1.2. Sustainable Brooklin, pp. 41-50 of 56

“Elexicon Energy identified 4 alternatives with respect to the Sustainable Brooklin Project:

1. Extend feeders from Whitby TS DESN 1 to serve the North Brooklin area, with funding through this ICM, and with the WSG enabling DER integration capability (**preferred**);
2. Proceed with system enhancement by extending the feeders from Whitby TS DESN 1 to serve the North Brooklin area with developers paying a capital contribution as per the DSC, with the extension of the duration of capital contribution period from 5 years to 15 years....”
 - a) Please confirm that the phrase “capital contribution period” used in the above sentence refers to the “customer connection horizon” parameter described on p. 4 of Appendix B of the DSC. If otherwise, please explain by reference to one of the parameters described in the DSC, Appendix B.

“Option 1 is the preferred option for Sustainable Brooklin. Participation by the Developers in the design of Elexicon Energy’s distribution system to facilitate the development of a DER-and-EV-Ready community is a highly innovative and unique opportunity. Electing this option would result in over 10,000 concentrated residential units which could have been future-proofed for DERs and EVs, being constructed status quo; meaning future uptake of these technologies would require costly retrofits paid for by customers.” (p. 41 of 56)

- b) Please confirm that “this option” in the sentence that begins “Electing this option...” refers to Option 2 and not Option 1.
- c) Regarding the “costly retrofits” mentioned above, please confirm that this refers to the estimated \$20K - \$30K retrofit cost per home referenced on p. 10 of Appendix B-2, and explain what is included in a typical retrofit and the particulars of the previous experience on which this estimate is based, according to the footnote provided.

On page 42, Elexicon Energy states that “Option 2 was rejected as suboptimal for two reasons. First, absent the DSC section 3.2 exemption, the Developers would otherwise be required to pay a capital contribution for the construction of the Brooklin Line and the developers would no longer be willing to commit to invest in building DER and EV-ready homes across all of North Brooklin. This will likely result in lower DER and EV penetration rates and may be a lost opportunity for Elexicon Energy, the OEB and other LDCs to observe and gather information about the ICM Projects to defer or avoid future material capital expenditures through greater uptake of DERs.”

- d) Please confirm that, as presented above, Option 2 was rejected for only one reason, that is: "...the developers would...be required to pay a capital contribution for the construction of the Brooklin Line and developers would no longer be willing to commit to invest in building DER and EV-ready homes across all of North Brooklin.
- e) Please confirm that under Option 2, the developer will build homes identical in design and construction in every way to those built under Option 1, save those elements described in the application as making the homes "DER and EV-ready".
- f) Given the "parameters of DER and EV-ready homes" described on p. 46 of Appendix B, and Elexicon Energy's statement on p. 47 of the same document that "Absent the DSC Exemption, ... the Developers would no longer be willing to commit to invest in building DER and EV ready homes across all of North Brooklin", please provide the basis of the statement and confirm Staff's understanding that this means the Developers will build homes in North Brooklin that will NOT include:
- "two spare breaker slots" that could be used for a DER
 - "sufficient space on the wall next to the circuit panel" to install solar controls and an inverter"
 - "room on the wall for the [EV] charger", and
 - "appropriate room in the circuit panel for a breaker" that could be used for an EV charger

On page 46, Elexicon Energy states that where "the roof size and orientation is suitable, developers will offer customers the option to purchase and install solar panels and related inverter and controls."

- g) Please confirm Elexicon Energy's understanding that not all of the homes the Developers will build in North Brooklin will be suitable for solar panels.
- h) Please provide any information that Elexicon Energy has as to the percentage of the 10,000 to 11,200 homes in North Brooklin that will not be suitable for solar panels.
- i) Please confirm that where a home is not suitable for solar panels, the home will not be made 'DER-ready' by the Brooklin Developers and whether those homeowners will receive a discount for their home not being made 'DER-ready'?

On page 47, Elexicon Energy states that absent "the DSC Exemption, the Developers would otherwise be required to pay a capital contribution for the construction of the Brooklin Line and the Developers would no longer be willing to commit to invest in building DER and EV-ready homes across all of North Brooklin. This would be a lost opportunity for WRZ customers to save on electricity costs, for Elexicon Energy's operations and engineering teams to learn from the mass deployment of innovative technologies, and for Ontario's electricity sector to gain from the learnings achieved by the Sustainable Brooklin Project."

- j) OEB Staff understands from the above that, absent the DSC exemption sought, Whitby Rate Zone customers will lose an opportunity “to save on electricity costs”. Please explain the nature and quantum of electricity cost savings that would otherwise accrue if the exemption is approved, and if not evident from that explanation, why none of these savings would be available if the exemption is not approved.
- k) Please explain how approving the exemption will ensure the “mass deployment of innovative technologies” mentioned above, and whom Elexicon Energy expects will be deploying those technologies.

On page 50, Elexicon Energy states that the “size and upstream nature of the Brooklin Line creates further issues of basic fairness. The Developers, being a first mover, will pay all the costs of the Brooklin Line and unforecasted customers connected after 5 years can avoid any contributions due to the limitations found in Section 3.2.27 of the DSC.”

- l) Please confirm that the phrase “all the costs of the Brooklin Line” in the above statement refers to the capital contribution calculated by Elexicon Energy according to Appendix B of the DSC. If the phrase refers to some other costs, please explain.

1-Staff-25

Ref. 1: Appendix B-2 Sustainable Brooklin Business Case, p. 4 of 37

On page 4, Elexicon Energy refers to “the fairness principle”, and states that this principle “justifies this quid-pro-quo treatment to exempt the Brooklin Developers from paying a capital contribution to construct the Sustainable Brooklin project”.

- a) Please explain what Elexicon means by “the fairness principle” and indicate who and under what circumstances this principle should be applied.

1-Staff-26

Ref. 1: Appendix B-2 Sustainable Brooklin Business Case, p. 5 of 37

On page 5, Elexicon Energy states that over the next twenty years, “the Brooklin Developers have plans to provide affordable and energy-efficient homes to approximately 10,000 homes in a new residential community in the North Brooklin area.”

- a) On what basis does Elexicon Energy believe it can rely on the Brooklin Developers' plans? For example, has Elexicon Energy confirmed that the Brooklin Developers have the required the necessary permitting to continuously build homes in the above-mentioned area for 20 years at the rate described?
- b) Over the last five years, has Elexicon Energy extended offers to connect to other developers who planned or built DER and EV-ready homes?
- c) Is Elexicon Energy aware of any other developers, other than the Brooklin Developers, who are planning to DER and EV-ready homes?

1-Staff-27

Ref. 1: Appendix B-2 Sustainable Brooklin Business Case, p. 6 of 37

"It is expected that the Brooklin Developers will incur a capital expenditure of around \$23 MM to install standard rough-ins to make the homes DER and EV-ready. If a capital contribution is required, this would be the equivalent of the proposed capital expenditure requested in this ICM (\$26.6 MM)."

- a) Please provide a numerical comparison of the net present value of the capital expenditure to install standard rough-ins to make the homes DER and EV-ready versus the proposed \$26.6 MM capital expenditure.

1-Staff-28

Ref. 1: Appendix B-2 Sustainable Brooklin Business Case, p. 14 of 37

On page 14, Elexicon Energy states that the Brooklin Developers "will invest their own capital in the creation of a new, innovative community wherein DER and EV uptake can significantly exceed business-as-usual; with resulting benefits for both the residents of North Brooklin and the broader Whitby rate zone customer base."

- a) Please define "business-as-usual" DER and EV uptake and describe the difference between that level of uptake and the expected level of uptake with DER and EV rough-ins.
- b) Please describe and compare the benefits for the broader Whitby rate zone customer base of the expected level of uptake versus the business as usual level.

1-Staff-29

Ref. 1: Appendix B-2 Sustainable Brooklin Business Case, p. 15 of 37

On page 15, Elexicon Energy states that “investments made by the Brooklin Developers to create a DER and EV-ready community will incur capital costs on their part, for which recovery at the time of home sale is highly uncertain. Given the high and increasing cost of residential development and construction, the Brooklin Developers would be otherwise unlikely to assume the business risk of constructing DER and EV-ready homes in North Brooklin. This outcome is highly sub-optimal, as the costs and challenges of DER and EV retrofits are significantly greater than the inclusion of these technologies in the design and construction phases. All else equal, failing to incorporate these technologies into front-end development will result in a community of North Brooklin that has low or average levels of DER and EV uptake.”

- a) Regarding the first sentence in the above passage, please confirm that the “capital costs” incurred by the Brooklin Developers the recovery of which is “highly uncertain” is the estimated \$2,260 cost of making each home “DER and EV-ready”.
- b) Please confirm that where the term “rough-ins” is used in the application, Elexicon Energy is referring to one or more of the “parameters of DER and EV-ready homes” listed on p. 46 of Appendix B.
- c) Regarding the last sentence in the above passage, please explain why Elexicon Energy expects that homes in North Brooklin that are not “DER and EV-ready” would be expected to engender “low” and not “average” levels of DER and EV uptake compared to other new homes not so equipped.

1-Staff-30

Ref. 1: Appendix B-2 Sustainable Brooklin Business Case, pp. 15-16 of 37

“Elexicon [Energy] intends to build the new distribution assets servicing Sustainable Brooklin to incorporate innovative functions and features such as VVO, FLISR/DA, and a supporting ADMS. On the back of these technologies, Elexicon [Energy]’s assets in North Brooklin will be capable of automatically monitoring and managing the distribution system. The end-state will be the promotion and wide adoption of DERs while maintaining the service and reliability of the distribution system expected by customers.”

- a) Regarding the last sentence in the passage above, is it Elexcon Energy’s expectation that a distribution system capable of “automatically monitoring and managing the distribution system” will cause the “wide adoption of DERs” in North Brooklin as distinct from facilitating the adoption of DERs?
- b) Either way, please provide a quantitative analysis showing the predicted incremental increase in homeowner purchases of solar panels/batteries and EV chargers where the purchaser has an “DER and EV-ready” home vs. an identical home that does not have the standard rough-ins described on p. 46 of Appendix B.

1-Staff-31

Distribution System Code Exemption

Ref. 1: Appendix B-2 Sustainable Brooklin Business Case, p. 16 of 37

“Elexicon and the developers are seeking a temporary exemption from Section 3.2 of the DSC.”

- a) Please explain the meaning of the word “temporary” in relation to the scope of the requested relief.
- b) Elexicon has requested an exemption from Section 3.2 of the DSC in its entirety. Please provide a list of each subsection in section 3.2 and explain why an exemption from that section is required.

1-Staff-32

Distribution System Code Exemption

Ref. 1: Appendix B-2 Sustainable Brooklin Business Case, pp. 18-25 of 37

On p. 19 of Appendix B-2 Elexicon describes the same “Project Scope” for the Brooklin Line under Option 1 (DSC exemption) and Option 2 (no DSC exemption), i.e., “...two new 27.6kV feeders and the associated assets that will connect the Brooklin development to the Whitby TS”. On p. 20 of Appendix B-2, Elexicon identifies the “Total Gross Capex” of the Brooklin Line as \$26.6 million for Option 1 and \$35.5 million for Option 2.

- a) Section 3.2.4 of the DSC states that a customer’s contribution “shall be equal to that customer’s share of the difference between the present value of the projected capital costs and on-going maintenance costs for the facilities and the present value of the projected revenue for distribution services provided by those facilities”. Please explain why ‘Total Gross Capex’ is higher for Option 2 than for Option 1.

On p. 25 of Appendix B-2, Elexicon states in relation to Option 2 (no DSC exemption) that “Approval of a change to capital contributions would have to be sought, which has typically been rejected in the past by the OEB.”

- b) Please confirm that the “change” referred to is “the extension of the duration of Capital Contribution period from 5 years to 15 years” as stated under ‘Option 2’ on pp. 18-19 of Appendix B-2.

Lost Revenue Adjustment Mechanism

1-Staff-33

LRAMVA

Ref 1: LRAMVA Workform, Tab 2 – LRAMVA Threshold (Table 2-a)

Ref 2: 2023 IRM Rate Application, Page 41 of 474, Table 15 & 16

Values per Table 2-a LRAMVA threshold of the LRAMVA Workform agrees with values per Table 16: LRAMVA Threshold-VRZ of the IRM application with the exception of the following rate classes where kW savings matched the CDM load forecast adjustment – VRZ in Table 15 of the IRM application:

- GS 50 to 2,999 kW – VRZ
- GS 3,000 to 4,999 kW – VRZ
- Large Use – VRZ

- a) Please clarify why the LRAMVA threshold for the 3 aforementioned classes reflects the CDM load forecast adjustment for VRZ in Table 15 as opposed to the LRAMVA threshold in Table 16 of the IRM application. Where applicable, please update the LRAMVA workform accordingly.

1-Staff-34

LRAMVA

Ref 1: LRAMVA Workform, Tab 3 – Distribution Rates (2019 and 2020 VRZ)

Ref 2: Draft Rate Order EB-2018-0079 & EB-2019-0252

Values reported per Tab 3 Distribution Rates of the LRAMVA Workform can be reconciled to the corresponding Draft Rate Order for VRZ and WRZ for 2021 and 2022 and 2020 for WRZ only.

- a) Please clarify why the values reported for 2019 and 2020 do not correspond with the Draft Rate Order under EB-2018-0079 and EB-2019-0252 for VRZ. If this was done in error, please update the LRAMVA form accordingly. If it was not, please provide the calculation and/or reference support for the reported values.

1-Staff-35

LRAMVA

Ref 1: LRAMVA Workform, Tab 4 – 2011-2014 LRAM

2012

- a) Please provide the calculation support and/or verify which report, tabs and cell references Elexicon Energy is able to tie the savings reported under Table 4-b. 2012 Lost Revenues Workform from 2022 onwards for the Veridian Rate Zone for the following programs:
- HVAC Incentives (verified and true-up savings)

- Conservation Instant Coupon Booklet
 - Bi-Annual Retailer Event
 - Retrofit (verified and true up savings)
 - Direct Install Lighting
 - New Construction
 - Home Assistance Program (verified and true up savings)
 - High Performance New Construction
- b) Please confirm the savings in VRZ for the New Construction program from 2016 to 2021. The values reported do not coincide with the savings reported in prior year LRAMVA workforms. Please provide the calculation support and/or the report, tabs and cell references to reconcile the savings reported.

2013

- c) Please provide the calculation support and/or verify which report, tabs and cell references Elexicon Energy is able to tie the savings reported under Table 4-c. 2013 Lost Revenues Workform from 2023 onwards for the Veridian Rate Zone for the following programs:
- HVAC Incentives (true-up savings)
 - Conservation Instant Coupon Booklet (true up savings)
 - Bi-Annual Retailer Event
 - Residential New Construction (true up savings)
 - Retrofit (true up savings)
 - Direct Install Lighting
 - New Construction (true up savings)
 - Energy Manager (true up savings)
 - Home Assistance Program (verified and true-up savings)
 - High Performance New Construction (true up savings)

2014

- d) Please provide the calculation support and/or verify which report, tabs and cell references Elexicon Energy is able to tie the savings reported under Table 4-d. 2014 Lost Revenues Workform from 2024 onwards for the Veridian Rate Zone for the following programs:
- HVAC Incentives
 - Conservation Instant Coupon Booklet
 - Bi-Annual Retailer Event
 - Residential New Construction
 - Retrofit (verified)
 - Retrofit (streetlights)
 - New Construction
 - Home Assistance Program (verified and true-up savings)

- e) Please confirm the savings in VRZ for the Energy Manager program from 2015 to 2023. The values reported do not coincide with the savings reported in prior year LRAMVA Workforms. Please provide the calculation support and/or the report, tabs and cell references to reconcile the savings reported.

1-Staff-36

LRAMVA

Ref 1: LRAMVA Workform, Tab 5 – 2015-2027 LRAM

2015 (VRZ) - Table 5-a

- a) Please provide the supporting calculations and/or methodology used in arriving at the unverified adjustment to 2015 savings post P&C for the Save on Energy Retrofit program. Please also provide the rationale as to why the values slightly differ from those reported in prior year LRAMVA workform.
- b) Please provide the supporting calculations and/or methodology used in arriving at the unverified adjustment to 2015 savings in P&C for the Save on Energy High Performance New Construction program from 2021 to 2028. Savings reported from 2015 to 2020 agrees with prior year's LRAMVA workform.

2016 (VRZ) - Table 5-b

- c) Please provide the supporting calculations and/or methodology used in arriving at the unverified adjustment to 2016 savings in April 2019 P&C for the Save on Energy Heating and Cooling program.
- d) Please provide the supporting calculations and/or methodology used in arriving at the following values for the Save on Energy Retrofit program – Excluding SL:
- unverified adjustment to 2016 savings in P&C
 - unverified adjustment to 2016 savings Post P&C
- Please also provide the rationale as to why the values slightly differ from those reported in the prior year's LRAMVA workform.

2016 (WRZ) - Table 5-b

- e) Please provide the supporting calculations and/or methodology used in arriving at the following values for the Save on Energy Retrofit program – Excluding SL:
- unverified adjustment to 2016 savings in P&C
 - unverified adjustment to 2016 savings Post P&C
- Please also provide the rationale as to why the values slightly differ from those reported in prior year LRAMVA workform.

2017 (VRZ) - Table 5-c

- f) Please provide the supporting calculations and/or methodology in arriving at the true up savings for the following programs:

- Save on Energy Coupon Program
- Save on Energy Heating and Cooling Program
- Save on Energy Retrofit Program – Excluding Streetlights
- Save on Energy Small Business Lighting Program
- Save on Energy Energy Manager Program

2017 (WRZ) - Table 5-c

- g) Please provide the supporting calculations and/or methodology used in arriving at the following values for the Save on Energy Retrofit program – Excluding Streetlights:
- adjustment to 2017 savings in P&C
 - adjustment to 2017 savings Post P&C
- h) Please provide the supporting calculations and/or methodology used in arriving at the adjustment to 2017 savings P&C values for the Save on Energy Retrofit program –Streetlights (row 571)

2018 (VRZ) – Table 5-d

- i) Please provide the supporting calculations and/or methodology used in arriving at the unverified and true up savings (where applicable) for the following programs:
- Save on Energy Instant Discount
 - Save on Energy Heating and Cooling
 - Save on Energy New Construction
 - Save on Energy Smart Thermostat
 - Save on Energy Retrofit
 - Save on Energy Small Business Lighting
 - Save on Energy High-Performance New Construction
 - Save on Energy Energy Manager
 - Business Refrigeration Local
 - Swimming Pool Efficiency

2018 (WRZ) – Table 5-d

- j) Please provide the supporting calculations and/or methodology used in arriving at the unverified and true-up savings (where applicable) for the following programs:
- Save on Energy Retrofit (excluding SL)
 - Save on Energy Retrofit (SL)
 - Save on Energy Small Business Lighting

2019 (VRZ) – Table 5-e

- k) Please provide the methodology and supporting calculations in arriving at the unverified and true-up savings (where applicable) for the following programs:
- Save on Energy Heating and Cooling
 - Save on Energy New Construction
 - Save on Energy Retrofit (excluding SL)
 - Save on Energy Small Business Lighting
 - Business Refrigeration Local

2019 (WRZ) – Table 5-e

- l) Please provide the supporting calculations and/or methodology used in arriving at the unverified and true-up savings (where applicable) for the following programs:
- Save on Energy Heating and Cooling
 - Save on Energy New Construction
 - Save on Energy Retrofit (excluding SL)
 - Save on Energy Retrofit (SL)
 - Save on Energy Small Business Lighting
 - Save on Energy High Performance New Construction
 - Save on Energy Process & Systems Upgrade

2020 (VRZ) – Table 5-f

- m) Please provide the supporting calculations and/or methodology used in arriving at the verified savings for the following programs:
- Save on Energy New Construction
 - Save on Energy Retrofit

2020 (WRZ) – Table 5-f

- n) Please provide the supporting calculations and/or methodology used in arriving at the savings for the following programs:
- Save on Energy Retrofit

2021 (VRZ) – Table 5-g

- o) Please provide the supporting calculations and/or methodology used in arriving at the verified savings for the following programs:
- Save on Energy Retrofit
 - Save on Energy Process & Systems Upgrade

2021 (WRZ) – Table 5-g

- p) Please provide the supporting calculations and/or methodology used in arriving at the verified savings for the following programs:

- Save on Energy Process & Systems Upgrades

1-Staff-37

LRAMVA

Ref 1: LRAMVA Workform, Tab 5 – 2015-2027 LRAM, Prospective Disposition of Persisting CDM Savings

To comply with OEB’s guidance on prospective disposition of LRAM-eligible amounts for future years until the next rebasing period, Elexicon Energy has applied for “approval of the 2023 to 2028 LRAM-eligible amounts” and has correctly kept this separate from the LRAMVA amounts through 2022, which are proposed for disposition. However, it appears that Elexicon Energy has not proposed disposition of the LRAM-eligible 2023 amount calculated at: (2023 LRAM-eligible amount shown in Table 1-C of LRAMVA workform) * (2023 OEB-approved inflation minus X- factor).

- a) Please confirm if Elexicon Energy is applying for disposition of the LRAM-eligible 2023 amount. If not, please provide the reasoning as to why Elexicon Energy is not seeking disposition of the LRAM-eligible 2023 amount.

1-Staff-38

LRAMVA

Ref 1: IRM Rate Application, Section 3.2.6, Table 18: LRAMVA Rate Riders – WRZ

- a) As noted per Elexicon Energy’s IRM Application, Elexicon proposes a 3 year recovery for LRAMVA Rate Riders in WRZ for rate mitigation purposes. Please provide the rationale as to why a period of 3 years was chosen.

1-Staff-39

Veridian RZ Account 1589

Ref 1: Manager’s Summary, p.16

Elexicon Energy indicated that there was an error relating to the Veridian RZ’s 2019 Account 1589 balance that was previously disposed on an interim basis, and Account 1595 (2019) which is proposed for disposition in the current rate application. Elexicon Energy indicated that the impact of the error is that 16 transition customers were undercharged in the 2022 rate application and 10 transition customers will be under-credited in the current rate application. Elexicon Energy proposes that it will conduct a manual adjustment to refund the 10 transitioning customers the \$5,914 if the OEB so orders.

- a) Please confirm that the refund will not affect the related deferral and variance account balances and that the amount will be funded from Elexicon Energy’s

return on equity. If not confirmed, please clarify how the refund will be accounted for.

1-Staff-40

Veridian RZ Account 1589

Ref 1: Manager's Summary, p. 15-16

Ref 2: 2023 VRZ IRM Rate Generator Model – Tab 3

Ref 3: 2023 VRZ GA Analysis Workform – Principal Adjustments tab

Ref 4: EB-2018-0072, Decision and Rate Order, March 28, 2019

Elexicon Energy indicated that there was an error relating to Veridian RZ's 2019 Account 1589 balance and Account 1595 (2019), where \$220,827 was incorrectly posted to a GA revenues account instead of Account 1595 (2019).

- a) Please confirm that the incorrect journal entry referred to was the journal entry to record the rate riders collected. If not confirmed, please clarify the nature of the incorrect journal entry and provide the incorrect journal entry.
- b) Please confirm that the correcting journal entry and the principal adjustments made to the DVA Continuity Schedule (Tab 3 Rate Generator Model) is as shown below. If not confirmed, please provide the correcting journal entry and associated principal adjustments.

Dr. Account 1589	\$220,827	
Cr. Account 1595 (2019)		\$220,827

1-Staff-41

Veridian and Whitby RZ Account 1589

Ref 1: 2023 Veridian GA Analysis Workform

Ref 2: 2023 Whitby GA Analysis Workform

In the Veridian RZ's and Whitby RZ's GA 2021 tabs of the GA Analysis Workforms, the difference between the calculated loss factor and the approved loss factor for secondary metered customers is greater than 1%. For both rate zones, Elexicon Energy indicated that the difference is due to unbilled to actual revenue differences (reconciling item 2).

The calculated loss factor is calculated as the Non-RPP Class B including loss adjusted consumption (cell F53) divided by the Non-RPP Class B consumption excluding loss adjusted consumption (cell D18). Under Note 4a, for both rate zones, the Non-RPP Class B including loss-adjusted consumption (cell F53) is actual consumption by calendar month.

- a) Please confirm that the Non-RPP Class B consumption excluding loss-adjusted consumption (cell D18) does not reflect the actual calendar year consumption, but includes estimated unbilled consumption. If not, please explain how the unbilled to actual revenue reconciling item results in the difference between loss factors.
- b) If confirmed, please indicate the difference in loss factors after the Non-RPP Class B consumption excluding loss-adjusted consumption (cell D18) is trued up to reflect actual calendar year consumption.
 - i. If the difference after the adjustment in part b is still above 1%, please explain why.

1-Staff-42

Veridian RZ Account 1595 (2019)

Ref 1: Manager's Summary, p. 33

Ref 2: Chapter 3 Filing Requirements – 2022 Edition for 2023 Rate Applications, May 24, 2022 p.13-14

Per the Chapter 3 Filing Requirements, distributors only become eligible to seek disposition of Account 1595 residual balances two years after the expiry of the rate rider. Elexicon Energy is requesting Veridian RZ's Account 1595 (2019) for disposition. The rate riders associated with this sub-account expired on April 30, 2020. Therefore, Account 1595 (2019) would be eligible for disposition when 2022 account balances are requested for disposition in the 2024 rate application.

- a) Please confirm that Elexicon Energy is still proposing to dispose Account 1595 (2019) in the current rate application.
- b) If confirmed, please confirm that no further transactions have been recorded in the sub-account in 2022 as of now and no further transactions are expected to be recorded in the sub-account for the rest of 2022.
- c) If not confirmed, please revise the DVA Continuity Schedule to remove the disposition request.

1-Staff-43

Veridian RZ Accounting Guidance

Ref 1: Manager's Summary, p. 20-23

Ref 2: EB-2021-0015 Decision and Rate Order, December 16, 2021

Ref 3: EB-2021-0015 Interrogatory Response – OEB Staff 18, November 8, 2021

As noted in Elexicon Energy's 2021 decision and rate order, the Veridian RZ's 2018 to 2020 Group 1 balances were requested for disposition on an interim basis as Elexicon Energy was undertaking a review of Veridian RZ's Accounts 1588 and 1589. Elexicon Energy identified an issue with the unaccounted for energy (UFE) used for Veridian RZ's settlement in 2020 and included principal adjustments in the 2020 balances accordingly. Elexicon Energy stated that the UFE issue was not expected to materially impact the 2018 and 2019 Account 1588 and Account 1589 balances.

- a) In response to interrogatory noted in reference 3, Elexicon Energy indicated that an estimated adjustment for the UFE issue was made to the 2020 balances. Please explain whether any further changes were made to finalize the adjustment.
 - i) If yes, please indicate the additional adjustment and indicate whether the adjustment has been included in the 2021 Account 1588 and Account 1589 balances.
 - ii) If the additional adjustment has not been included in the 2021 Account 1588 and Account 1589 balances, please revise the DVA Continuity Schedule to include the adjustment in 2021 and explain why it was not initially included.
- b) On page 21 of the Manager's Summary, it states that the UFE issue did not materially impact 2019 principal adjustments amounts for Account 1588 and 1589. The impact was \$25,860 for Account 1588 and \$11,460 for Account 1589. Please explain whether the 2019 impact was included as principal adjustments in the 2018 to 2020 balances that were approved for disposition in Elexicon Energy's 2021 rate proceeding or included in the 2021 balances requested for disposition in this proceeding.
 - i) If not included, please revise the DVA Continuity Schedule to include the adjustment in 2021 and explain why it was not initially included.

1-Staff-44

Veridian RZ Accounting Guidance

Ref 1: Manager's Summary, p. 20-23

Elexicon Energy undertook a final review of Account 1588 and Account 1589 prior to requesting final disposition of 2018 to 2021 balances in this rate application. Elexicon Energy indicate that has made one further refinement as of August 2021, Elexicon is now receiving revised SM Tiered & TOU reports from Elexicon's Operational Data Store provider on the 10th business day. This allows for any missing data (due to communication issues/edits/estimates/etc.) at the time of initial preparation to be updated.

- a) Please confirm that the refinement did not result in any adjustments to the Account 1588 and 1589 balances for 2018 to 2021, as the refinement improved the accuracy of the initial recording of Account 1588 and 1589 journal entries.
- b) If not confirmed, please explain the implication of the refinement on the Account 1588 and 1589 balances and confirm that any resulting adjustments have been included in the 2021 balances requested for disposition.
 - a. If any resulting adjustments to Account 1588 and 1589 balances have not been included in the 2021 balances requested for disposition in this proceeding, please revise the DVA Continuity Schedule to include the adjustment in 2021 and explain why it was not initially included.

1-Staff-45

Veridian and Whitby RZ Accounting Guidance

Ref 1: Manager's Summary, p.22-23, 27-28

Ref 2: EE_VRZ_2023_Acctg Guidance_2021 Analysis_20220727

Ref 3: EE_WRZ_2023_Acctg Guidance_2021 Analysis_20220727

Elexicon Energy indicated that the Veridian RZ and Whitby RZ's Account 1588 and 1589 transactions have been reviewed for reasonability and comparability against the regulatory accounting guidance in excel files noted in references 2 and 3.

- a) For the Veridian RZ, please confirm that even though the Veridian RZ is in compliance with the Account 1588 and Account 1589 Accounting Guidance,¹ the excel is intended to be a reasonability test that compares the expected account balance computed based on annual data, to the actual account balance.
- b) For the Whitby RZ, please confirm that the excel is intended to be a reasonability test that compares the expected account balance computed based on annual data, to the actual account balance that has been recorded using Whitby RZ's modified approach for the Accounts 1588 and 1589.
- c) If parts a or b above is not confirmed, please explain the purpose of the excel files.
- d) In Table 7 of reference 1, principal adjustment for the Veridian RZ Account 1589 is \$57,963. In the Veridian RZ DVA Continuity Schedule and GA Analysis Workform, the principal adjustment for Account 1589 is \$278,790. Please confirm that the principal adjustment in Table 7 should be \$278,790.
 - i) If not confirmed, please explain and revise the GA Analysis Workform and DVA Continuity Schedule as needed.

¹ Accounting Procedures Handbook Update - Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589, February 21, 2019

- ii) If confirmed, the difference in table 7 is (\$324,316). Please explain whether there are additional drivers causing the difference and comment on the materiality of this difference.

1-Staff-46

Whitby RZ Accounts 1588 and 1589

Ref 1: Manager's Summary, p. 23-31

Ref 2: EB-2020-0012, Supplemental Evidence, Appendix J, p.7, Aug 11, 2020

Ref 3: EE_WRZ_2023_Acctg Guidance_2021 Analysis_20220727

Ref 4: EE_WRZ_2023_Acctg Guidance_2020 Analysis_20220727

Elexicon Energy indicated that in its 2020 to 2022 rate applications, it confirmed that for the Whitby RZ, the modified approach was used for Accounts 1588 and 1589.

It appears that some of the modifications were addressed in Elexicon Energy's 2021 rate application for the Whitby RZ as noted in reference 3, Elexicon Energy indicated it has adjusted the Whitby RZ process to incorporate a split of actual GA costs (CT 148) to reflect the proportional split of UFE so that they reflect the costs at a Wholesale kWh level for both RPP and Non-RPP. Elexicon Energy also indicated that it would complete a true-up review of the Whitby RZ methodology results as compared to the OEB methodology results based on actuals. Each review will result in a single journal entry to align the Whitby RZ methodology outcome with the OEB accounting guidance outcome.

Furthermore, in the current proceeding, Elexicon Energy requested an extension to the implementation of the Accounting Guidance for Accounts 1588 and 1589, noting that the extension will not impact customers, nor the outcome of account balances. The implementation is strictly process-driven changes.

- a) Please confirm that a modified approach for Accounts 1588 and 1589 was also used for the 2021 balances requested for disposition in this proceeding. If not confirmed, please explain.
- b) Regarding the modifications, please confirm that
 - i) the process change to split GA costs (CT 148) means that the balance recorded in Accounts 1588 and 1589 does not require a top-down journal entry to adjust the GA costs to be split based on wholesale consumption.
 - ii) The 2020 single journal entry for Account 1588, resulting from the "true-up review" is reflected in the excel noted in reference 4 as cell F14 "OEB Acctg (UFE)" in the WRZ Settlement Comparison tab.
 - iii) The 2021 single journal entry for Account 1588, resulting from the "true-up review" was completed but not filed as part of the excel noted in reference 3

- iv) If parts I, ii and iii above are not confirmed, please explain and clarify how the adjustments to reflect the proration of GA costs and calculation of RPP settlement based on wholesale consumption has been accounted for.
- c) Please confirm that adjustments to align to the OEB’s Accounting Guidance for Accounts 1588 and 1589 have been already incorporated in the balances requested for disposition, and therefore, reconciling items in the GA Analysis Workform and principal adjustments to the account balances are not required. If not confirmed, please explain.
- d) Please confirm that the implementation of the Accounting Guidance is strictly process-driven as adjustments to align to the OEB’s Accounting Guidance for Accounts 1588 and 1589 have been already incorporated in the balances requested for disposition. If not confirmed, please explain.

1-Staff-47

Whitby RZ’s Account 1595 (2018), (2019)

Ref 1: 2023 Whitby RZ IRM Rate Generator Model – Tab 3

Ref 2: EB-2018-0079 Decision and Rate Order, December 20, 2018

Ref 3: EB-2017-0085/EB-2017-0292 Decision and Rate Order, December 15, 2017

For the Whitby RZ, the amounts in “OEB-Approved Disposition” during 2018 for Account 1595 (2018) (cell AA33) and during 2019 for Account 1595 (2019) (cell AK34) do not appear to agree to the principal amounts approved for disposition in the applicable decision and rate orders, which would have been transferred to the applicable Account 1595 sub-accounts. The differences are shown in the tables below.

Account 1595 (2018)	Approved for Disposition	Amount
2018 Decision and Rate Order	Group 1 DVAs	(\$1,706,481)
	Tax Sharing	(\$50,174)
	Group 2 DVAs	\$804,664
	Total to transfer to 1595 (2019)	(\$951,991)
2023 IRM Rate Generator Model		\$901,817*
Difference		(\$50,174)

*expected to be opposite sign as approved amount

Account 1595 (2019)	Approved for Disposition	Amount
2019 Decision and Rate Order	Tax sharing	(\$50,174)
	Transition Customers’ portion of GA	\$70,331
	LRAMVA	\$336,327
	Total to transfer to 1595 (2019)	\$356,484
2023 IRM Rate Generator Model		(\$336,627)*
Difference		\$19,857

(equal to sum of tax sharing and transition customer portion of GA)

*expected to be opposite sign as approved amount

- a) In the 2018 and 2019 decision and rate orders for the Whitby RZ, the approved settlement agreement noted that the tax sharing amount would be refunded to ratepayers, and that it would be recorded in Account 1595 for future disposition. From the tables above, it does not appear that the tax sharing amounts have been included in Account 1595 (2018) and (2019). Please explain how the tax sharing amount has been treated.
- b) It does not appear the transition customers' portion of Account 1589 - Global Adjustment was included in Account 1595 (2019). Please explain how the amount was treated upon disposition and confirm that the amount has been removed from Account 1589.
- c) Please explain and reconcile the differences in the above tables, and revise the evidence as needed.

1-Staff-48

Whitby RZ's Account 1595 (2018), (2019)

Ref 1: 2023 Whitby RZ IRM Rate Generator Model – Tab 3

Ref 2: 2021 Whitby RZ IRM Rate Generator Model – Tab 3 (EB-2020-0012)

Ellexicon Energy was last approved disposition of its Whitby RZ's 2019 Group 1 balances in its 2021 rate proceeding. In the 2021 proceeding, the Account 1595 (2018) and (2019) closing balances as at December 31, 2019 were provided even though the sub-accounts were not yet eligible for disposition. The closing principal and interest balances in the 2021 DVA Continuity Schedule differ from that provided in the current 2023 DVA Continuity Schedule. The differences are as follows:

	1595 (2018) Principal	1595 (2018) Carrying Charges	1595 (2019) Principal	1595 (2019) Carrying Charges
2023 DVA Continuity Schedule	(\$12,421)	(\$25,708)	(\$71,423)	\$12,012
2021 DVA Continuity Schedule	(\$62,595)	(\$26,731)	(\$21,249)	\$13,035
Diff	\$50,174	\$1,023	(\$50,174)	(\$1,023)

- a) The differences appear to relate to the tax sharing amounts that were approved in Whitby RZ's 2018 and 2019 decision and rate orders. Please explain and reconcile the differences.

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Whitby RZ Account 1584

Ref 1: 2023 Whitby RZ IRM Rate Generator Model – Tab 3

Transactions in Whitby RZ’s Account 1584 for 2020 and 2021 were \$94,645 and \$1,439,360, respectively, resulting in a balance of \$1,560,000 for disposition.

- a) Please explain the significant increase in transactions in 2021 as compared to the transactions in 2020.
- b) Please confirm that there was no prior-period adjustments recorded in 2021 transactions of \$1,439,360 in Account 1584. If not confirmed, please provide the details of such adjustments.

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ICM Accounting

Ref 1: Appendix B, p.54

Ref 2: Appendix B-1, p.11

In reference 1, Elexicon Energy requested to record amounts relating to the ICM in the applicable 1508 sub-accounts for the Whitby and Veridian RZs.

In reference 2, it states

The implementation of the Whitby Smart Grid will be accompanied by a subsequent application to the OEB proposing efficient participant incentives funded through a Deferral or Variance account, that are expected to be paired with streams of funding from Natural Resources Canada (“NRCan”), the IESO, and potentially other entities.

Also, reference 2 notes that Elexicon Energy has been granted \$4M of NRCan funding for Advanced Distribution Management System (ADMS) portion of the Whitby Smart Grid project.

- a) In the quote referenced above, please explain how the Whitby Smart Grid will be funded through a deferral or variance account (DVA), the nature of this DVA, the estimated quantum of the funding and when Elexicon Energy will file the application for this DVA.
 - i) Please explain how this DVA will interact with the generic 1508 sub-accounts
- b) Please explain how Elexicon Energy intends to account for the \$4M of NRCan funding in its general ledger.

- i) Please explain whether any new accounts would be needed to track the NRCan funding.
- ii) If yes, please discuss the causation, materiality and prudence of any proposed account(s) and provide a draft accounting order.

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ICM Accounting

Ref 1: Appendix B, p.52

Ref 2: EE_WRZ WSG_2023_ACM_ICM_Model_1.0_20220727

Ref 3: EE_WRZ WSG_2023_ACM_ICM_Model_1.0_20220727

Ref 4: EE_VRZ_2023_ACM_ICM_Model_1.0_20220727

Ref 5: Chapter 3 Filing Requirements for Electricity Distribution Rate Applications -2022 Edition for 2023 Rate Applications, May 24, 2022, Pages 29-30

Elexicon Energy indicated that the half-year rule is not applicable as neither the 2023 nor 2025 ICM requests coincide with the final year prior to rebasing.

The Accelerated Investment Incentive Program (AIIP) provides for a first-year increase in capital cost allowance (CCA). Under the AIIP, in 2023, accelerated CCA will be calculated by applying the CCA rate at 1.5 times for the additions in the year. From 2024 to 2027, accelerated CCA is being phased out, and accelerated CCA will be calculated by applying the CCA rate at one time for the additions in the year.

- a) Please confirm that for the Sustainable Brooklin Project in 2023, accelerated CCA has not been reflected in the ICM PILs and that any accelerated CCA impacts will be reflected in Account 1592, Sub-account CCA Changes. If not confirmed, please explain.
- b) Please confirm that for Whitby Smart Grid Project in 2025, no amounts are expected to be recorded in Account 1592, Sub-account CCA Changes as the calculation of CCA in the ICM PILs and actual CCA expected to be claimed are aligned. If not confirmed, please explain.
- c) In the ICM models noted in references 2, 3 and 4, it appears that a CCA rate of 8% has been used for all asset classes, which appears to correspond to Class 47 for Distribution System assets.
 - i. If not confirmed, please provide a table showing the asset categories, asset classes and CCA rates.
 - ii. If confirmed, please explain why all assets use a CCA rate of 8%. Please also include an explanation on why the CCA classes 8, 12, 45, 46 have not been used for communication equipment, SCADA, computer software and computer equipment.

- iii. Please revise the CCA amount with the appropriate CCA rates as necessary. Please provide a table showing the asset categories, asset classes, and CCA rates.
- d) The Chapter 3 Filing Requirements indicate that the OEB may take accelerated CCA into consideration in assessing the impact of the proposed capital projects on the operations of the distributor in determining if ICM funding is warranted.
 - i. Please provide the calculation of the incremental revenue requirement if accelerated CCA is reflected for the Sustainable Brooklin Project ICM in 2023. Please also provide this calculation for the 2025 Whitby Smart Grid ICMs if accelerated CCA has not already been reflected in the ICM PILs.
 - ii. Please comment on whether the ICMs have a significant influence on the operation of the distributor and whether ICM funding is warranted after taking accelerated CCA into account for the ICMs.