

Elexicon Energy Inc.

Answer to Interrogatory from

Consumers Council of Canada

Interrogatory CCC-01:

Appendix B

- a) Please provide all materials provided to Elexicon's Board of Directors regarding the two Incremental Capital Module (ICM) projects.
- b) Please provide a complete list of all studies and reports produced in relation to these two ICM projects. Please file those reports and studies that have not been produced as a part of the pre-filed evidence.
- c) Please provide a detailed explanation of the genesis of these two projects. What entity/entities initiated the projects and when? (e.g. Whitby Hydro Electric Corporation, Veridian Corporation, Elexicon, external parties etc.)
- d) Please provide a complete list of all external consultants and lawyers/law firms that have been, or are still involved with the development of these projects. Please provide their respective roles and their potential financial interest in the projects.

Response:

- a) Please see response to SEC-01.
- b) Elexicon has included in its pre-filed evidence all of the studies and reports relating to the two ICM projects.
- c) Please see CCMBC-10.
- d) The following consulting firms and law firms have supported Elexicon with its development of pre-filed evidence and the are expected to provide support throughout the OEB proceeding.

Borden Ladner Gervais LLP: Acting counsel for Elexicon at the OEB, and providing management support throughout the development of pre-filed evidence and OEB proceeding

Utilis Consulting Inc.: Providing regulatory consulting support to Elexicon specific to case management for the development of pre-filed evidence and support throughout the OEB proceeding.

METSCO Inc.: Engineering consulting support to Elexicon's planning and asset management teams for the development of specialized reports, load forecast and technology assessment for the pre-filed evidence and support throughout the OEB proceeding.

Elexicon Energy Inc.
Answer to Interrogatory from
Consumers Council of Canada

Interrogatory CCC-02:

Appendix B

Please provide all correspondence between the Ontario Government and Elexicon regarding the ICM projects.

Response:

Please see response to CCMBC-10 part c.

Elexicon Energy Inc.

Answer to Interrogatory from

Consumers Council of Canada

Interrogatory CCC-03:

Appendix B, p. 7

Please provide a list of the developers included in the Brooklin Landowners Group Inc. Please explain how Elexicon determined which developers would be participants in the Sustainable Brooklin Project. Will other developers within Elexicon's franchise area have access to the same conditions? If not, why not? Please quantify the financial benefit each of those chosen developers is receiving from the project and who is providing that benefit (ratepayers, shareholders, NRCan?)

Response:

Please see Attachment 1 of the letter of intervention for the Brooklin Landowner's Group to find a list of developers included within Brooklin Landowner's Group.

Elexicon has requested a condition of the OEB's approval of the Distribution System Code exemption be that all developers that may stand to benefit from the Brooklin Line construct DER and EV ready homes or buildings. This condition would apply to all developers in the area affected, regardless of whether or not they are members of the Brooklin Landowner's Group. Elexicon did not determine or select developers who would be participants in the Sustainable Brooklin Project, nor did Elexicon have a hand in determining what developers would or could join the Brooklin Landowners Group.

The Brooklin Developers have committed to incur a cost estimated at \$2,260 per DER and EV constructed home, and they forecast to build between 10,000 and 11,200 homes, resulting in a total financial investment of approximately \$20MM to \$30MM. The total estimated cost of the Brooklin Line is \$26.6MM. In Elexicon's assessment, it is uncertain whether there would be a financial benefit to developers, and to which developers it would accrue.

Elexicon Energy Inc.

Answer to Interrogatory from

Consumers Council of Canada

Interrogatory CCC-04:

Appendix B, pp. 7/8

The evidence states that Elexicon will provide capacity to a group of residential developers represented by the Brooklin Landowners Group Inc. (BLGI)

- a) What exactly is Elexicon providing the BLGI in terms of capacity?
- b) Please provide copies of all of the contracts between the Elexicon and the BLGI;
- c) Please provide a list of all of the participating developers and the number of homes each developer will construct in Brooklin.

Response:

- a) Elexicon is building two new 27.6kV feeders which will supply 15MW capacity on each feeder.
- b) No contracts have been signed between Elexicon and BLGI.
- c) See response CCMBC-2 part b for a list of all members of BLGI. Elexicon does not have information on the number of homes each specific developer will construct in Brooklin.

Elexicon Energy Inc.

Answer to Interrogatory from

Consumers Council of Canada

Interrogatory CCC-05:

Appendix B, p. 8

In the event a developer fails 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. The amount of the capital contribution would be approximately \$2,260 per home or building before Elexicon supplies power. How was this amount determined? What constitutes a “DER and EV-Ready home or building” under the contractual arrangements between Elexicon and the developers?

Response:

The definition of a DER-and-EV-Ready homes is described in Appendix B-2 pages 14 to 15. For the remainder of this response, please see STAFF-17 b).

Elexicon Energy Inc.

Answer to Interrogatory from

Consumers Council of Canada

Interrogatory CCC-06:

Appendix B, p. 9

“The WSG and Sustainable Brooklin Projects are anticipated to provide an annual benefit to WRZ customers of \$0.6733 MM which is comprised of energy savings and customer reliability improvements”

- a) What are the implications and the impacts on the business cases if the benefits are not realized as promised?
- b) Please explain which WRZ customers will benefit from these projects.

Response:

- a) As with any business case, variances in outcomes or benefits may increase or decrease the net benefit realized by customers. Elexicon has identified both customer monetary benefits (i.e. annual net benefit of \$0.6733M) and customer non-monetary benefits, which it expects to achieve with the proven technologies being deployed in the WSG and Sustainable Brooklin projects.
- b) All WRZ customers will realize the benefits from these projects.

Elexicon Energy Inc.

Answer to Interrogatory from

Consumers Council of Canada

Interrogatory CCC-07:

Appendix B, p. 10

“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) Please explain how the \$30.4 million was calculated;
- b) Please explain why developers would not invest in DER and EV-enabling in the absence of the ICM funding.

Response:

- a) As per Figure 2 in Appendix B p. 45, \$30.4 million is calculated based on the developers' cost estimate of \$2,260 per home multiplied by a high-unit estimate of 11,217, and a 20% increase to account for future increases in material costs and inflation.
- b) Section 5 of Appendix B, “Distribution System Code Exemption Request” details the reasons for why the Brooklin Developers would not invest in DER-and-EV enabling homes absent OEB approval of an exemption to the Distribution System Code.

Elexicon Energy Inc.

Answer to Interrogatory from
Consumers Council of Canada

Interrogatory CCC-08:

Appendix B, p. 12

“The proposed ICM Projects will serve to modernize Elexicon’s distribution system to better accommodate DERs and other technology and deliver important learnings to benefit other utilities in Ontario, particularly other suburban and high growth utilities.”

- a) To what extent will Elexicon’s customers be compensated for funding projects that will deliver “important learnings to benefit other utilities in Ontario”?
- b) Did Elexicon consider partnering with other utilities to undertake these types of projects? If so, please explain. If not, why not?

Response:

- a) Elexicon’s customers in the Whitby Rate Zone will receive an estimated net benefit of \$673K.¹
- b) Elexicon did not investigate partnering with other utilities. While the learnings resulting from the Projects may benefit other entities in Ontario, the circumstances and benefits associated with the Sustainable Brooklin and Whitby Smart Grid projects are specific to Elexicon customers.

¹ Appendix B – Incremental Capital Module Whitby Smart Grid & Sustainable Brooklin, Page 11 of 56

Elexicon Energy Inc.

Answer to Interrogatory from

Consumers Council of Canada

Interrogatory CCC-09:

Appendix B, p. 13

Elexicon refers to the Minister of Energy's November mandate letter to the OEB that articulated the prioritization of innovation and non-wires alternative. Elexicon's evidence is that its ICM Projects identify Elexicon's efforts to be responsive to several priorities highlighted in the mandate letter. Did Elexicon seek funding from either the Government of Ontario or the Independent Electricity System Operator to support these ICM projects? If not, why not?

Response:

Elexicon did not seek funding from the Government of Ontario or the Independent Electricity System Operator ("IESO") to support these ICM projects. Elexicon has however, secured approximately \$4MM in funding from NRCan. Elexicon plans to approach the Ministry of Energy and the IESO for funding to support its DER Enabling Program and Local Capacity Market application, contingent on OEB approval of the Whitby Smart Grid project and guidance provided in the OEB's Decision and Order.

Elexicon Energy Inc.

Answer to Interrogatory from

Consumers Council of Canada

Interrogatory CCC-10:

Appendix B, p. 16

Please file the most current Elexicon DSP. When does Elexicon intend to file its next DSP? Did Elexicon consider applying to rebase its rates for 2023 or 2024 allowing the OEB to consider these projects in the context of other system needs and priorities? If not, why not?

Response:

Please see response to STAFF-4(a) Attachment 1, wherein Elexicon provides its most current DSP.

Elexicon did not consider applying to rebase its rates for 2023 or 2024. Elexicon determined that 2023 and 2025 for the Sustainable Brooklin and Whitby Smart Grid projects respectively, were the opportune times to pursue the Projects, and that ICM requests were the most appropriate means to facilitate cost recovery within these timelines.

Elexicon Energy Inc.
Answer to Interrogatory from
Consumers Council of Canada

Interrogatory CCC-11:

Appendix B, p. 20

“Elexicon is proposing to significantly modernize its distribution system in the WRZ by 2025 so as to facilitate the integration of high-levels of DERs with sufficient lead time to enable consideration of these resources to defer or avoid a future material upstream capacity investment that could be needed as early as 2030.” Please provide a current forecast of DER integration in the WRZ for the period 2023-2028.

Response:

Elexicon does not have a detailed forecast of DER integration in the Whitby Rate Zone (“WRZ”), aside from the logical assessment that the Projects and a DER Enabling Program will result in greater DER uptake than would otherwise materialize. Elexicon has been informed by the Brooklin Landowner’s Group that they forecast to build approximately 700+ DER and EV ready homes per year starting in Q4, 2023.¹ Elexicon plans to develop a forecast of DER installation as part of its DER Enabling Program application.

¹ Appendix B – Incremental Capital Module Whitby Smart Grid & Sustainable Brooklin, Page 24 of 56

Elexicon Energy Inc.

Answer to Interrogatory from

Consumers Council of Canada

Interrogatory CCC-12:

Appendix B, p. 24

The estimated cost of the WSG less NRCAN funding is \$43.172 million. The estimated total capital cost of the Sustainable Brooklin Project is \$26.6 million. Please provide the total annual capital spending - actual and budget (as set out in the current DSP) for the WRZ for the years 2015-2025. What is the current status of the NRCAN funding? Please specify all conditions for that funding.

Response:

Elexicon has provided the annual Whitby Rate Zone ("WRZ") capital program actuals and budget for each of the years 2018 to 2021, and Year To Date as of September 30, 2022 in its response to STAFF-5.

Please see Table 1 below for the budgeted amounts from Elexicon's 2021 Distribution System Plan ("DSP") for years 2023 to 2026.

b) The NRCAN funding was approved in April 2022. This funding is valid until March 31, 2025. Please see STAFF-9 for the NRCAN Agreement and associated conditions.



Table 1 – Elexicon 2021 DSP Budget for Whitby and Veridian Rate Zones

(\$000s)	2023			2024			2025			2026		
	Elexicon	Whitby RZ	Veridian RZ	Elexicon	Whitby RZ	Veridian RZ	Elexicon	Whitby RZ	Veridian RZ	Elexicon	Whitby RZ	Veridian RZ
GENERAL PLANT	5,183	1,110	4,073	4,605	1,575	3,029	4,205	511	3,693	4,135	580	3,555
SYSTEM ACCESS	9,434	2,421	7,014	10,188	2,430	7,759	9,628	2,430	7,199	12,568	2,430	10,139
SYSTEM RENEWAL	19,865	4,203	15,663	19,879	5,848	14,030	17,787	2,140	15,647	17,506	2,252	15,254
SYSTEM SERVICE	1,348	216	1,132	1,353	216	1,137	1,053	168	885	1,053	168	885
TOTAL	35,831	7,949	27,882	36,024	10,069	25,955	32,673	5,249	27,424	35,262	5,430	29,832

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Interrogatory CCC-13:

Appendix B, p. 25

The evidence states that the Developers commit (secured by binding agreement or conditions in related regulated approvals) to constructing all new residential homes as DER and EV-Ready homes including rough-ins and conduit within walls, electrical panels, garages and elsewhere needed to accommodate roof-mounted solar photovoltaic installations, battery storage and EV charging. The Developers estimate construction of 10,000 to 11,200 homes to this standard.

a) It states that the Developers commit to the construction – secured by binding agreement or conditions in related regulated approvals. What is Elexicon’s preferred proposal to secure the developers’ commitments?

b) Please confirm that the cost of the Sustainable Brooklin Project (\$26.6 million) will be to prepare between 10,000 and 11,200 homes for DERs, but there is no guarantee the homeowners will incorporate DERs into the new homes.

c) Which Elexicon customers are funding the \$26.6 million?

Response:

a) Please see response to STAFF-17 c).

b) Not confirmed. The cost of the Sustainable Brooklin Project (\$26.6 million) relates to the cost to construct two new 27.6 kV feeders connecting the North Brooklin development to Whitby TS DESN 1. The cost of building the DER-and EV-ready homes will be funded by developers.

c) Whitby Rate Zone customers.

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Answer to Interrogatory from

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Interrogatory CCC-14:

Appendix B, p. 26

Elexicon is considering a DER Enabling Program that would facilitate on-bill financing. Please provide all studies and reports related to this potential initiative. Please provide any legal opinions provided to Elexicon regarding the implementation of on-bill financing.

Response:

- a) Elexicon does not have any studies or reports, or legal opinions related to on-bill financing. Elexicon expects to file its DER Enabling Program in the first quarter of 2023 subject to the OEB's Decision and Order in this proceeding.

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Answer to Interrogatory from

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Interrogatory CCC-15:

Appendix B, p. 29

In the context of its Customer Engagement to what extent did Elexicon ask its customers if they were prepared to fund the specific projects associated with its ICM Application? Did Elexicon ask its customers to what extent they were prepared to accept bill increases to prepare the grid for new types of uses such as EVs and renewable generation? Were customers asked whether they would support rate increases to fund a select group of customers that would be provided DER and EV-Ready homes at no extra expense? If not, why not?

Response:

Please see response to SEC-20.

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Answer to Interrogatory from

Consumers Council of Canada

Interrogatory CCC-16:

Appendix B, p. 29

The evidence refers to a 3% decrease in energy bills related to conservation-based voltage reductions that would persist past 2029. Please provide all calculations to support the 3% decrease. Please include all assumptions.

Response:

Please see Appendix B5 p. 12 -13. Elexicon has leveraged general studies which identify a 3% decrease as reasonable. The figure of 3% is within the standard range of tolerance widely accepted amongst technical experts as representative of Volt-VAR Optimization implementation.

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Interrogatory CCC-17:

Appendix B, p. 37

Please explain why Elexicon's ROE was 6.87% in 2021 (relative to a deemed rate of 9.43%)

Response:

Elexicon's 2021 regulated ROE has been determined as per the OEB's Reporting and Record Keeping Requirements ("RRR") form RRR 2.1.5.6. The difference between Elexicon's regulated ROE of 6.87% versus the OEB deemed rate of 9.43% is primarily driven by an interest adjustment made for deemed debt, which acts as an offset of approximately \$5,796K to Elexicon's 2021 Net Income. The sum of other adjustments made in form RRR 2.1.5.6 net out to a non-material impact on Elexicon's regulated ROE.

The interest adjustment made for deemed debt is a prescribed calculation of the OEB which requires that in reporting the regulated return on equity earned in the preceding fiscal year, a distributor is to calculate it on the same basis as was used in establishing the distributor's base rates¹.

¹ OEB Electricity Reporting & Record Keeping Requirements Effective March 31, 2020 ([LINK](#))