

April 12, 2023

via RESS

Ms. Nancy Marconi  
Registrar  
Ontario Energy Board  
2300 Yonge Street  
P.O. Box 2319  
Suite 2700  
Toronto, ON M4P 1E4  
Email: [Boardsec@oeb.ca](mailto:Boardsec@oeb.ca)

Dear Ms. Marconi:

**Re: EB-2022-0024 – Elexicon Energy Inc. (“Elexicon”) ICM  
Application (the “Application”): Oral Hearing Undertaking Responses**

Elexicon is filing its responses to thirteen Undertakings received during the Oral Hearing held on March 31, 2023 and April 3, 2023.

All Undertakings have been filed through the OEB’s web portal (“RESS”) and include the following files:

- J2-1\_Att1\_Contribution Estimate 20210913.xlsx
- J2-5b\_ATT1\_EE\_VRZ\_2023\_ACM\_ICM\_Model\_ADMS\_04122023.xlsm
- EE\_J2-11 Att.1\_Whitby Smart Grid NPV - Elexicon Update to Staff NPV - 04112023.xlsx



Stephen Vetsis  
Vice President Regulatory Affairs and Stakeholder Relations  
Elexicon Energy Inc.

cc: John Vellone

Elexicon Energy Inc.

Answer to Undertaking from

School Energy Coalition

Undertaking J1.1:

UNDERTAKING NO. J1.1: TO REFILE THE UPDATED ATTACHMENT TO JT2.1 WITH THE CORRECT NUMBERS.

Response:

Please see Table 1 below for an updated capital expenditures table filed in its evidence update of March 27, 2023. The evidence updated Undertaking JT2.1 from the Technical Conference. Elexicon inadvertently submitted an earlier incomplete draft of the table as part of its evidence update, which School Energy Coalition noted at the beginning of their cross-examination on day 1 of the Oral Hearing. The updates reflect a correction to appropriately allocate the NRCan contribution between the Whitby Rate Zone and Veridian Rate Zone. Below is a list of the corrections:

Table 1 Corrections:

1. Increased 2025 ICM (WRZ) value from \$63,396 to \$64,484
2. Updated 2025 ICM Contribution (WRZ) from -\$825 to \$1,088
3. Inserted a Total ICM Net line for WRZ
4. Updated Total Including ICM (WRZ) to \$75,239 to reflect sum of Total Net (WRZ) and Total ICM Net

Table 2 Corrections:

1. Increased 2025 ICM (VRZ) value from \$6,432 to \$9,385
2. Updated 2025 ICM Contribution (VRZ) from -\$3,216 to \$2,953
3. Inserted a Total ICM Net line for VRZ
4. Updated Total Including ICM (VRZ) to \$43,762 to reflect sum of Total Net (VRZ) and Total ICM Net

Table 3 Corrections:

1. Increased 2025 ICM (VRZ) value from \$6,432 to \$9,385
2. Increased 2025 ICM (WRZ) value from \$63,396 to \$64,484
3. Inserted a Total ICM Net line for Elexicon
4. Updated Total Including ICM (Elexicon) to \$119,001 to reflect sum of Total Net (Elexicon) and Total ICM Net



Table 1 – Whitby Rate Zone Capital Expenditures Including ICM

Whitby Rate Zone																			
Category	2018	2018	2019	2019	2020	2020	2021	2021	Sept 2021 YTD	2022	Sept 2022 YTD	2023	2023	2024	2024	2025	2025	2026	2026
Plan	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual
System Access (WRZ)	\$ 6,930	\$ 2,132	\$ 14,276	\$ 14,794	\$ 10,087	\$ 10,694	\$ 11,380	\$ 8,857	\$ 617	\$ 13,929	\$ 735	\$ 2,037	\$ -	\$ 2,605	\$ -	\$ 2,955	\$ -	\$ 2,354	\$ -
System Renewal (WRZ)	\$ 7,347	\$ 7,032	\$ 3,275	\$ 9,189	\$ 4,865	\$ 3,249	\$ 8,264	\$ 5,669	\$ 1,343	\$ 2,998	\$ 483	\$ 2,441	\$ -	\$ 3,321	\$ -	\$ 6,040	\$ -	\$ 4,338	\$ -
System Service (WRZ)	\$ 2,840	\$ 476	\$ 152	\$ 1,035	\$ 784	\$ 199	\$ 227	\$ 3,740	\$ -	\$ 3,916	\$ 611	\$ 6,087	\$ -	\$ 1,089	\$ -	\$ 1,724	\$ -	\$ 374	\$ -
General Plant (WRZ)	\$ 3,124	\$ 1,309	\$ 1,309	\$ 205	\$ 1,849	\$ 1,809	\$ 1,597	\$ 1,844	\$ 359	\$ 2,379	\$ 215	\$ 2,490	\$ -	\$ 1,310	\$ -	\$ 1,124	\$ -	\$ 1,364	\$ -
Total Gross (WRZ)	\$ 20,241	\$ 10,949	\$ 19,012	\$ 25,223	\$ 17,585	\$ 15,951	\$ 21,468	\$ 20,110	\$ 2,319	\$ 23,222	\$ 2,044	\$ 13,055	\$ -	\$ 8,325	\$ -	\$ 11,843	\$ -	\$ 8,430	\$ -
Contributed Capital (WRZ)	\$ 3,671	\$ 1,786	\$ 5,853	\$ 11,438	\$ 4,051	\$ 3,486	\$ 7,417	\$ 5,049	\$ 578	\$ 13,265	\$ 648	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Net (WRZ)	\$ 16,570	\$ 9,163	\$ 13,159	\$ 13,785	\$ 13,534	\$ 12,465	\$ 14,051	\$ 15,061	\$ 1,741	\$ 9,957	\$ 1,396	\$ 13,055	\$ -	\$ 8,325	\$ -	\$ 11,843	\$ -	\$ 8,430	\$ -
ICM (WRZ)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,484	\$ -	\$ -	\$ -
ICM Contribution (WRZ)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,088	\$ -	\$ -	\$ -
Total ICM Net	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,396	\$ -	\$ -	\$ -
Total Net Including ICM (WRZ)	\$ 16,570	\$ 9,163	\$ 13,159	\$ 13,785	\$ 13,534	\$ 12,465	\$ 14,051	\$ 15,061	\$ 1,741	\$ 9,957	\$ 1,396	\$ 13,055	\$ -	\$ 8,325	\$ -	\$ 75,239	\$ -	\$ 8,430	\$ -



Table 2 – Veridian Rate Zone Capital Expenditures Including ICM

Veridian Rate Zone																			
Category	2018	2018	2019	2019	2020	2020	2021	2021	Sept 2021 YTD	2022	Sept 2022 YTD	2023	2023	2024	2024	2025	2025	2026	2026
Plan	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual
System Access (VRZ)	\$ 34,018	\$ 13,223	\$ 28,891	\$ 11,586	\$ 11,860	\$ 13,595	\$ 33,301	\$ 17,156	\$ 1,623	\$ 44,914	\$ 2,303	\$ 7,334	\$ -	\$ 6,078	\$ -	\$ 7,244	\$ -	\$ 8,784	\$ -
System Renewal (VRZ)	\$ 10,117	\$ 10,846	\$ 9,885	\$ 17,810	\$ 8,298	\$ 9,917	\$ 11,404	\$ 14,912	\$ 1,523	\$ 11,418	\$ 1,689	\$ 12,286	\$ -	\$ 13,499	\$ -	\$ 24,154	\$ -	\$ 15,136	\$ -
System Service (VRZ)	\$ -	\$ 21	\$ 354	\$ 63	\$ 536	\$ 2,972	\$ 1,191	\$ 5,383	\$ 225	\$ 2,000	\$ 1,043	\$ 1,721	\$ -	\$ 8,067	\$ -	\$ 3,309	\$ -	\$ 10,349	\$ -
General Plant (VRZ)	\$ 2,650	\$ 4,857	\$ 3,051	\$ 5,611	\$ 4,315	\$ 4,221	\$ 10,467	\$ 4,830	\$ 839	\$ 10,752	\$ 733	\$ 6,171	\$ -	\$ 3,056	\$ -	\$ 2,623	\$ -	\$ 3,182	\$ -
Total Gross (VRZ)	\$ 46,785	\$ 28,947	\$ 42,181	\$ 35,070	\$ 25,009	\$ 30,705	\$ 56,363	\$ 42,281	\$ 4,210	\$ 69,084	\$ 5,768	\$ 27,512	\$ -	\$ 30,700	\$ -	\$ 37,330	\$ -	\$ 37,451	\$ -
Contributed Capital (VRZ)	\$ 4,053	\$ 6,345	\$ 13,657	\$ 5,369	\$ 9,451	\$ 12,855	\$ 25,059	\$ 10,616	\$ 1,039	\$ 33,241	\$ 1,550	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Net (VRZ)	\$ 42,732	\$ 22,602	\$ 28,524	\$ 29,701	\$ 15,558	\$ 17,850	\$ 31,304	\$ 31,665	\$ 3,171	\$ 35,843	\$ 4,218	\$ 27,512	\$ -	\$ 30,700	\$ -	\$ 37,330	\$ -	\$ 37,451	\$ -
ICM (VRZ)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,667	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,385	\$ -	\$ -	\$ -
ICM Contribution (VRZ)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,953	\$ -	\$ -	\$ -
Total ICM Net	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,432	\$ -	\$ -	\$ -
Total Net Including ICM (VRZ)	\$ 42,732	\$ 22,602	\$ 28,524	\$ 29,701	\$ 15,558	\$ 17,850	\$ 31,304	\$ 31,665	\$ 3,171	\$ 82,510	\$ 4,218	\$ 27,512	\$ -	\$ 30,700	\$ -	\$ 43,762	\$ -	\$ 37,451	\$ -



Table 3 – Elexicon Total Capital Expenditures Including ICM

ELEXICON																			
Category	2018	2018	2019	2019	2020	2020	2021	2021	Sept 2021 YTD	2022	Sept 2022 YTD	2023	2023	2024	2024	2025	2025	2026	2026
Plan	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual
System Access (Elexicon)	\$ 40,948	\$ 15,355	\$ 43,167	\$ 26,380	\$ 21,947	\$ 24,289	\$ 44,681	\$ 26,013	\$ 2,240	\$ 58,843	\$ 3,038	\$ 9,371	\$ -	\$ 8,683	\$ -	\$ 10,199	\$ -	\$ 11,138	\$ -
System Renewal (Elexicon)	\$ 17,464	\$ 17,878	\$ 13,160	\$ 26,999	\$ 13,163	\$ 13,166	\$ 19,668	\$ 20,581	\$ 2,866	\$ 14,416	\$ 14,727	\$ -	\$ 16,820	\$ -	\$ 30,194	\$ -	\$ 19,474	\$ -	\$ -
System Service (Elexicon)	\$ 2,840	\$ 497	\$ 506	\$ 1,098	\$ 1,320	\$ 3,171	\$ 1,418	\$ 9,123	\$ 225	\$ 5,916	\$ 1,654	\$ 7,808	\$ -	\$ 9,156	\$ -	\$ 5,033	\$ -	\$ 10,723	\$ -
General Plant (Elexicon)	\$ 5,774	\$ 6,166	\$ 4,360	\$ 5,816	\$ 6,164	\$ 6,030	\$ 12,064	\$ 6,674	\$ 1,198	\$ 13,131	\$ 948	\$ 8,661	\$ -	\$ 4,366	\$ -	\$ 3,747	\$ -	\$ 4,546	\$ -
Total Gross (Elexicon)	\$ 67,026	\$ 39,896	\$ 61,193	\$ 60,293	\$ 42,594	\$ 46,856	\$ 77,831	\$ 62,391	\$ 6,529	\$ 92,306	\$ 7,812	\$ 40,567	\$ -	\$ 39,025	\$ -	\$ 49,173	\$ -	\$ 45,881	\$ -
Contributed Capital (Elexicon)	\$ 7,724	\$ 8,131	\$ 19,510	\$ 16,807	\$ 13,502	\$ 16,341	\$ 32,476	\$ 15,665	\$ 1,617	\$ 46,506	\$ 2,198	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Net (Elexicon)	\$ 59,302	\$ 31,765	\$ 41,683	\$ 43,486	\$ 29,092	\$ 30,315	\$ 45,355	\$ 46,726	\$ 4,912	\$ 45,800	\$ 5,614	\$ 40,567	\$ -	\$ 39,025	\$ -	\$ 49,173	\$ -	\$ 45,881	\$ -
ICM (VRZ)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,667	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,385	\$ -	\$ -	\$ -
ICM (WRZ)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,484	\$ -	\$ -	\$ -
ICM Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,041	\$ -	\$ -	\$ -
Total ICM Net	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,828	\$ -	\$ -	\$ -
Total Net Including ICM (Elexicon)	\$ 59,302	\$ 31,765	\$ 41,683	\$ 43,486	\$ 29,092	\$ 30,315	\$ 45,355	\$ 46,726	\$ 4,912	\$ 92,467	\$ 5,614	\$ 40,567	\$ -	\$ 39,025	\$ -	\$ 119,001	\$ -	\$ 45,881	\$ -



Elexicon Energy Inc.

Answer to Undertaking from

Coalition of Concerned Manufacturers of Canada

Undertaking J2.1:

UNDERTAKING NO. J2.1: TO ADD ANY COMMENTARY REGARDING THE USEFULNESS AND ACCURACY OF THE MODEL<sup>1</sup> AND TO PROVIDE ANY CONFIDENTIALITY REQUESTS FOR THE OEB TO CONSIDER.

Response:

Elexicon has filed the Shepherd Rubenstein Microsoft Excel model (“Shepherd Model”) as requested in this Undertaking, and included the covering email (Figure 1), along with the two worksheets (Figure 2 and Figure 3) that encompass the Shepherd Model below in this response.

Elexicon highlights that the Discounted Cash Flow (“DCF”) model used by Elexicon and filed in this application is based on one that was originally created by the Municipal Electricity Association (“MEA”) and is commonly used by electricity distributors across Ontario when implementing Appendix B of the Distribution System Code (“DSC”).

The context and concept of the Shepherd Model is described in Figure 1 below, where the author noted that provided an

“analysis of revenue requirement and revenues for a typical subdivision over a 25 year period”

The author also noted that

“this is not structured as an economic evaluation. Rather, it is a comparison of the reasonably expected incremental revenues from a subdivision relative to the reasonably expected regulatory revenue requirement from that subdivision. This is to help my clients understand whether there is likely to be any money left over to fund from revenues the backbone feeder that is currently under discussion.”

The Shepherd Model was not used by Elexicon primarily because it incorporates calculations and assumptions that are substantively different from the OEB’s prescribed Economic Evaluation model as set out in Appendix B of the DSC. Some of these differences that make this model unusable are:

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<sup>1</sup> The Model is referencing the Shepherd Rubenstein Microsoft Excel file that was provided under privilege to Elexicon’s Counsel, BLG.

1. The Shepherd-Model assumes more than 800 new residential units are being added each year (Row 5). It also assumes 20 new small commercial and 10 new GS>50 customers will be added each year (Rows 6 and 7). These were not forecasts that the Brooklin Landowners Group (“BLGI”) ultimately set out as their development plan.
2. The Shepherd-Model assumed that revenues per customer will increase by a 2% inflationary factor per year (Row 10 and Row 33). It also assumed that OM&A costs will increase by the same inflationary factor each year (Row 34). Elexicon’s Economic Model, and its understanding of Appendix B of the DSC is that it does not incorporate inflationary increases of rates or of OM&A costs.
3. The Shepherd-Model assumed that Elexicon’s cost of capital is 6.2% (Row 11). Elexicon’s cost of capital is set out in the Economic Evaluation model from its last approved rebasing applications. The use of Elexicon’s last approved cost of capital is stated in Appendix B of the DSC<sup>2</sup>.
4. The Shepherd-Model assumed a 4% depreciation rate for the new subdivision connection assets (Row 12 and 23). This is not what is used in the Elexicon’s Economic Evaluation Model.
5. The Shepherd-Model has calculated a different OM&A per customer by rate class (Rows 5-7 at column D), which we believe is calculated using the output of Whitby Hydro’s last cost allocation model. This deviates from Appendix B of the DSC, which states that any incremental attributable costs directly associated with the addition of new customers to the system would be included in the operating and maintenance expenditures.
6. The Shepherd-Model uses the above noted (item 5) OM&A per customer to calculate total OM&A costs per year (Rows 5-7 at column I). Elexicon’s Economic Evaluation model uses Elexicon’s OM&A per customer as set out in worksheet named “New OM&A Calc”
7. The Shepherd-Model calculates the total revenue collected per year by rate class (Row 33), subtracts the OM&A costs per year by rate class (Row 34) to arrive at an apportionment of revenue remaining to pay for the capital costs (Row 35). Elexicon believes there is flawed logic in this calculation. The flaw is that the difference is available capital that could be applied to the construction of the Brooklin extension.
8. It is unclear if there is a Net Present Value (“NPV”) calculation in the Shepherd-Model. The basis of the Elexicon’s Economic Evaluation model is an NPV calculation.

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<sup>2</sup> Appendix B Distribution System Code, page 4 part (c)

## Figure 1 – Covering Letter from Shepherd Rubenstein

**Subject:** Brooklin Landowners Group

[External / Externe]

To assist with our discussion, I am attaching a spreadsheet I prepared for my clients a few weeks ago. It is an analysis of revenue requirement and revenues for a typical subdivision over a 25 year period, using assumptions specific to Elexicon.

Note that this is not structured as an economic evaluation. Rather, it is a comparison of the reasonably expected incremental revenues from a subdivision relative to the reasonably expected regulatory revenue requirement from that subdivision. This is to help my clients understand whether there is likely to be any money left over to fund from revenues the backbone feeder that is currently under discussion.

You should also note that this is not exactly incremental, nor is it fully allocated.

It is fully allocated with respect to OM&A, since I used Elexicon's OM&A per customer for each rate class. This actually creates an incremental subsidy to the existing customers, since the actual incremental OM&A is, as we know from previous studies, less than 40% of the fully allocated OM&A.

It is incremental with respect to capital revenue requirement, since I have not assumed the new customers are paying for any share of the existing rate base. It is possible to model the capital revenue requirement of Elexicon with and without any particular new customers, but that is a much more complicated process.

I should also note that the assumed connection capital per customer is the Elexicon assumptions, which appear quite high to me. I don't think it will cost \$5,000 per residential customer to connect them from the main street, through the local subdivision streets, to the houses, but I used that figure to simplify the analysis.

What this shows, with all its warts, is that there is a good chance there will be some incremental revenues available from these new customers that can cover some of the cost of the backbone feeder. If your client agrees to extend the connection period to 20 years, for example, my best guess is that more than half of the cost of the backbone feeder, including the second phase in 10 years, will be covered by incremental revenues.

Of course, you will see that this is a forecast, not an economic evaluation. As such, it includes things like the declining annual revenue requirement from incremental capital, and the normal increases in both revenues and operating costs each year.

My purpose with this was to assess whether it is really reasonable for Elexicon to ask my clients to pay all of the costs of the backbone feeder, and then further capital contributions when each individual subdivision is connected. The answer appears to be a clear no (by quite a large margin), but we can certainly discuss this.

I will speak to you at 2.

Jay



Figure 2 - Worksheet Labelled: Basic Calc

Capital Contributions Based on Revenue Requirement																												
Customer Class	Connection Cost	Revenue at 2021 Rates	OM&A at 2021 Costs	Capital Margin	Units per Year	Capital Cost per Year	Revenue per Year	OM&A per Year	Available for Capital	Escalated Revenue	Escalated OM&A	Esc. Cap. Margin	Amortized Capital	Shortfall/Overage														
Residential	\$5,000	\$390.36	\$135.96	\$254.40	800	\$4,000,000	\$312,288	\$108,768	\$203,520	\$10,002,678	\$3,483,872	\$6,518,807	\$7,102,388	-\$583,581														
Small Commercial (3,000 kwh)	\$8,000	\$1,058.88	\$329.77	\$729.11	20	\$160,000	\$21,178	\$6,595	\$14,582	\$678,325	\$211,253	\$467,072	\$284,096	\$182,977														
GS>50 (125 kW)	\$20,000	\$8,738.22	\$4,882.45	\$3,855.77	10	\$200,000	\$87,382	\$48,825	\$38,558	\$2,798,878	\$1,563,863	\$1,235,015	\$355,119	\$879,895														
Annual Total						\$4,360,000	\$420,848	\$164,188	\$256,660	\$13,479,881	\$5,258,988	\$8,220,894	\$7,741,603	\$479,291														
Revenue/Cost Inflation	2.00%																											
Rate of Return on Capital (+tax)	6.20%																											
Depreciation Rate	4.00%																											
<b>Calculation of Return</b>																												
	Percent	Rate	Net																									
Long Term Debt	56.00%	2.85%	1.60%																									
Short Term Debt	4.00%	1.75%	0.07%																									
Equity	40.00%	8.34%	3.34%																									
Tax Gross Up	26.50%		1.20%																									
Total Cost			6.20%																									
<b>Amortization of Capital</b>																												
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25			
Opening Rate Base	\$5,000.00	\$4,800.00	\$4,600.00	\$4,400.00	\$4,200.00	\$4,000.00	\$3,800.00	\$3,600.00	\$3,400.00	\$3,200.00	\$3,000.00	\$2,800.00	\$2,600.00	\$2,400.00	\$2,200.00	\$2,000.00	\$1,800.00	\$1,600.00	\$1,400.00	\$1,200.00	\$1,000.00	\$800.00	\$600.00	\$400.00	\$200.00			
Depreciation	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00	\$200.00			
Closing Rate Base	\$4,800.00	\$4,600.00	\$4,400.00	\$4,200.00	\$4,000.00	\$3,800.00	\$3,600.00	\$3,400.00	\$3,200.00	\$3,000.00	\$2,800.00	\$2,600.00	\$2,400.00	\$2,200.00	\$2,000.00	\$1,800.00	\$1,600.00	\$1,400.00	\$1,200.00	\$1,000.00	\$800.00	\$600.00	\$400.00	\$200.00	\$0.00			
Average Rate Base	\$4,900.00	\$4,700.00	\$4,500.00	\$4,300.00	\$4,100.00	\$3,900.00	\$3,700.00	\$3,500.00	\$3,300.00	\$3,100.00	\$2,900.00	\$2,700.00	\$2,500.00	\$2,300.00	\$2,100.00	\$1,900.00	\$1,700.00	\$1,500.00	\$1,300.00	\$1,100.00	\$900.00	\$700.00	\$500.00	\$300.00	\$100.00			
Return on Capital	\$304.03	\$291.62	\$279.21	\$266.81	\$254.40	\$241.99	\$229.58	\$217.17	\$204.76	\$192.35	\$179.94	\$167.53	\$155.12	\$142.71	\$130.30	\$117.89	\$105.48	\$93.07	\$80.66	\$68.25	\$55.84	\$43.43	\$31.02	\$18.61	\$6.20			
Total Capital Rev. Req.	\$504.03	\$491.62	\$479.21	\$466.81	\$454.40	\$441.99	\$429.58	\$417.17	\$404.76	\$392.35	\$379.94	\$367.53	\$355.12	\$342.71	\$330.30	\$317.89	\$305.48	\$293.07	\$280.66	\$268.25	\$255.84	\$243.43	\$231.02	\$218.61	\$206.20			
Cumulative Return		\$595.66	\$874.87	\$1,141.68	\$1,396.07	\$1,638.06	\$1,867.64	\$2,084.80	\$2,289.56	\$2,481.91	\$2,661.85	\$2,829.38	\$2,984.50	\$3,127.21	\$3,257.51	\$3,375.40	\$3,480.88	\$3,573.95	\$3,654.61	\$3,722.87	\$3,778.71	\$3,822.14	\$3,853.17	\$3,871.78	\$3,877.98			
Cumulative Depreciation		\$400.00	\$600.00	\$800.00	\$1,000.00	\$1,200.00	\$1,400.00	\$1,600.00	\$1,800.00	\$2,000.00	\$2,200.00	\$2,400.00	\$2,600.00	\$2,800.00	\$3,000.00	\$3,200.00	\$3,400.00	\$3,600.00	\$3,800.00	\$4,000.00	\$4,200.00	\$4,400.00	\$4,600.00	\$4,800.00	\$5,000.00			
Cumulative Revenue Req.		\$995.66	\$1,474.87	\$1,941.68	\$2,396.07	\$2,838.06	\$3,267.64	\$3,684.80	\$4,089.56	\$4,481.91	\$4,861.85	\$5,229.38	\$5,584.50	\$5,927.21	\$6,257.51	\$6,575.40	\$6,880.88	\$7,173.95	\$7,454.61	\$7,722.87	\$7,978.71	\$8,222.14	\$8,453.17	\$8,671.78	\$8,877.98			
<b>Revenue and Cost Escalation Residential</b>																												
																									Residential	Small Comm	GS>50	
Revenue	\$312,288	\$318,534	\$324,904	\$331,403	\$338,031	\$344,791	\$351,687	\$358,721	\$365,895	\$373,213	\$380,677	\$388,291	\$396,057	\$403,978	\$412,057	\$420,299	\$428,705	\$437,279	\$446,024	\$454,945	\$464,044	\$473,324	\$482,791	\$492,447	\$502,296	\$10,002,678	\$678,325	\$2,798,878
OM&A Costs	\$108,768	\$110,943	\$113,162	\$115,425	\$117,734	\$120,089	\$122,490	\$124,940	\$127,439	\$129,988	\$132,588	\$135,239	\$137,944	\$140,703	\$143,517	\$146,387	\$149,315	\$152,301	\$155,347	\$158,454	\$161,624	\$164,856	\$168,153	\$171,516	\$174,947	\$3,483,872	\$211,253	\$1,563,863
Capital Margin	\$256,660	\$261,793	\$267,029	\$272,370	\$277,817	\$283,373	\$289,041	\$294,822	\$300,718	\$306,732	\$312,867	\$319,124	\$325,507	\$332,017	\$338,657	\$345,430	\$352,339	\$359,386	\$366,574	\$373,905	\$381,383	\$389,011	\$396,791	\$404,727	\$412,821	\$8,220,894	\$467,072	\$1,235,015



Figure 3 - Worksheet Labelled: Annual Net

Annual Revenue Requirement																										
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25 Totals	
<b>Residential</b>																										
Depreciation	\$160,000	\$160,000	\$160,000	\$160,000	\$160,000	\$160,000	\$160,000	\$160,000	\$160,000	\$160,000	\$160,000	\$160,000	\$160,000	\$160,000	\$160,000	\$160,000	\$160,000	\$160,000	\$160,000	\$160,000	\$160,000	\$160,000	\$160,000	\$160,000	\$4,000,000	
Return on Capital (+tax)	\$243,227	\$233,300	\$223,372	\$213,444	\$203,517	\$193,589	\$183,661	\$173,734	\$163,806	\$153,878	\$143,951	\$134,023	\$124,096	\$114,168	\$104,240	\$94,313	\$84,385	\$74,457	\$64,530	\$54,602	\$44,674	\$34,747	\$24,819	\$14,891	\$4,964	\$3,102,388
OM&A	\$108,768	\$110,943	\$113,162	\$115,425	\$117,734	\$120,089	\$122,490	\$124,940	\$127,439	\$129,988	\$132,588	\$135,239	\$137,944	\$140,703	\$143,517	\$146,387	\$149,315	\$152,301	\$155,347	\$158,454	\$161,624	\$164,856	\$168,153	\$171,516	\$174,947	\$3,483,872
Total Revenue Requirement	\$511,995	\$504,243	\$496,534	\$488,870	\$481,251	\$473,678	\$466,152	\$458,674	\$451,245	\$443,866	\$436,538	\$429,262	\$422,040	\$414,871	\$407,757	\$400,700	\$393,700	\$386,759	\$379,877	\$373,056	\$366,298	\$359,603	\$352,972	\$346,408	\$339,910	\$10,586,259
Revenues	\$312,288	\$318,534	\$324,904	\$331,403	\$338,031	\$344,791	\$351,687	\$358,721	\$365,895	\$373,213	\$380,677	\$388,291	\$396,057	\$403,978	\$412,057	\$420,299	\$428,705	\$437,279	\$446,024	\$454,945	\$464,044	\$473,324	\$482,791	\$492,447	\$502,296	\$10,002,678
Net Annual +/-	-\$199,707	-\$185,709	-\$171,630	-\$157,467	-\$143,220	-\$128,886	-\$114,465	-\$99,953	-\$85,350	-\$70,653	-\$55,861	-\$40,972	-\$25,983	-\$10,893	\$4,300	\$19,599	\$35,004	\$50,520	\$66,147	\$81,888	\$97,746	\$113,722	\$129,819	\$146,039	\$162,385	-\$583,581
Cumulative +/-	-\$199,707	-\$385,416	-\$557,046	-\$714,513	-\$857,733	-\$986,620	-\$1,101,085	-\$1,201,038	-\$1,286,388	-\$1,357,041	-\$1,412,902	-\$1,453,874	-\$1,479,857	-\$1,490,750	-\$1,486,450	-\$1,466,851	-\$1,431,847	-\$1,381,327	-\$1,315,180	-\$1,233,292	-\$1,135,546	-\$1,021,824	-\$892,006	-\$745,966	-\$583,581	
<b>Small Commercial</b>																										
Depreciation	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400	\$6,400	\$160,000
Return on Capital (+tax)	\$9,729	\$9,332	\$8,935	\$8,538	\$8,141	\$7,744	\$7,346	\$6,949	\$6,552	\$6,155	\$5,758	\$5,361	\$4,964	\$4,567	\$4,170	\$3,773	\$3,375	\$2,978	\$2,581	\$2,184	\$1,787	\$1,390	\$993	\$596	\$199	\$124,096
OM&A	\$6,595	\$6,727	\$6,862	\$6,999	\$7,139	\$7,282	\$7,427	\$7,576	\$7,728	\$7,882	\$8,040	\$8,201	\$8,365	\$8,532	\$8,702	\$8,877	\$9,054	\$9,235	\$9,420	\$9,608	\$9,800	\$9,996	\$10,196	\$10,400	\$10,608	\$211,253
Total Revenue Requirement	\$22,724	\$22,459	\$22,197	\$21,937	\$21,680	\$21,425	\$21,174	\$20,925	\$20,680	\$20,437	\$20,198	\$19,961	\$19,728	\$19,499	\$19,272	\$19,049	\$18,829	\$18,613	\$18,401	\$18,192	\$17,987	\$17,786	\$17,589	\$17,396	\$17,207	\$495,348
Revenues	\$21,178	\$21,601	\$22,033	\$22,474	\$22,923	\$23,382	\$23,849	\$24,326	\$24,813	\$25,309	\$25,815	\$26,332	\$26,858	\$27,395	\$27,943	\$28,502	\$29,072	\$29,654	\$30,247	\$30,852	\$31,469	\$32,098	\$32,740	\$33,395	\$34,063	\$678,325
Net Annual +/-	-\$1,547	-\$858	-\$164	\$537	\$1,244	\$1,956	\$2,675	\$3,401	\$4,133	\$4,872	\$5,618	\$6,370	\$7,130	\$7,897	\$8,671	\$9,453	\$10,243	\$11,040	\$11,846	\$12,659	\$13,481	\$14,312	\$15,151	\$15,999	\$16,856	\$182,977
Cumulative +/-	-\$1,547	-\$2,405	-\$2,569	-\$2,032	-\$788	\$1,168	\$3,844	\$7,245	\$11,378	\$16,250	\$21,867	\$28,238	\$35,368	\$43,265	\$51,936	\$61,389	\$71,632	\$82,672	\$94,518	\$107,177	\$120,659	\$134,971	\$150,122	\$166,121	\$182,977	
<b>GS &gt;50kW</b>																										
Depreciation	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$200,000
Return on Capital (+tax)	\$12,161	\$11,665	\$11,169	\$10,672	\$10,176	\$9,679	\$9,183	\$8,687	\$8,190	\$7,694	\$7,198	\$6,701	\$6,205	\$5,708	\$5,212	\$4,716	\$4,219	\$3,723	\$3,226	\$2,730	\$2,234	\$1,737	\$1,241	\$745	\$248	\$155,119
OM&A	\$48,825	\$49,801	\$50,797	\$51,813	\$52,849	\$53,906	\$54,984	\$56,084	\$57,206	\$58,350	\$59,517	\$60,707	\$61,921	\$63,160	\$64,423	\$65,711	\$67,026	\$68,366	\$69,733	\$71,128	\$72,551	\$74,002	\$75,482	\$76,991	\$78,531	\$1,563,863
Total Revenue Requirement	\$68,986	\$69,466	\$69,966	\$70,485	\$71,025	\$71,586	\$72,167	\$72,771	\$73,396	\$74,044	\$74,714	\$75,408	\$76,126	\$76,868	\$77,635	\$78,427	\$79,245	\$80,089	\$80,960	\$81,858	\$82,784	\$83,739	\$84,723	\$85,736	\$86,779	\$1,918,983
Revenues	\$87,382	\$89,130	\$90,912	\$92,731	\$94,585	\$96,477	\$98,407	\$100,375	\$102,382	\$104,430	\$106,518	\$108,649	\$110,822	\$113,038	\$115,299	\$117,605	\$119,957	\$122,356	\$124,803	\$127,299	\$129,845	\$132,442	\$135,091	\$137,793	\$140,549	\$2,798,878
Net Annual +/-	\$18,396	\$19,664	\$20,947	\$22,246	\$23,560	\$24,891	\$26,239	\$27,604	\$28,986	\$30,386	\$31,804	\$33,240	\$34,696	\$36,170	\$37,664	\$39,178	\$40,712	\$42,267	\$43,843	\$45,441	\$47,061	\$48,703	\$50,368	\$52,057	\$53,769	\$879,895
Cumulative +/-	\$18,396	\$38,060	\$59,007	\$81,253	\$104,813	\$129,704	\$155,943	\$183,547	\$212,534	\$242,920	\$274,724	\$307,964	\$342,660	\$378,830	\$416,494	\$455,672	\$496,384	\$538,651	\$582,495	\$627,936	\$674,997	\$723,700	\$774,069	\$826,126	\$879,895	
<b>Total Annual Additions</b>																										
Depreciation	\$174,400	\$174,400	\$174,400	\$174,400	\$174,400	\$174,400	\$174,400	\$174,400	\$174,400	\$174,400	\$174,400	\$174,400	\$174,400	\$174,400	\$174,400	\$174,400	\$174,400	\$174,400	\$174,400	\$174,400	\$174,400	\$174,400	\$174,400	\$174,400	\$174,400	\$4,360,000
Return on Capital (+tax)	\$265,118	\$254,297	\$243,475	\$232,654	\$221,833	\$211,012	\$200,191	\$189,370	\$178,549	\$167,727	\$156,906	\$146,085	\$135,264	\$124,443	\$113,622	\$102,801	\$91,980	\$81,158	\$70,337	\$59,516	\$48,695	\$37,874	\$27,053	\$16,232	\$5,411	\$3,381,603
OM&A	\$164,188	\$167,472	\$170,821	\$174,238	\$177,722	\$181,277	\$184,902	\$188,600	\$192,372	\$196,220	\$200,144	\$204,147	\$208,230	\$212,395	\$216,642	\$220,975	\$225,395	\$229,903	\$234,501	\$239,191	\$243,975	\$248,854	\$253,831	\$258,908	\$264,086	\$5,258,988
Total Revenue Requirement	\$603,706	\$596,168	\$588,696	\$581,292	\$573,955	\$566,689	\$559,493	\$552,370	\$545,321	\$538,347	\$531,450	\$524,632	\$517,894	\$511,238	\$504,664	\$498,176	\$491,774	\$485,461	\$479,238	\$473,107	\$467,070	\$461,128	\$455,284	\$449,539	\$443,896	\$13,000,590
Revenues	\$420,848	\$429,265	\$437,850	\$446,607	\$455,539	\$464,650	\$473,943	\$483,422	\$493,090	\$502,952	\$513,011	\$523,271	\$533,737	\$544,412	\$555,300	\$566,406	\$577,734	\$589,289	\$601,074	\$613,096	\$625,358	\$637,865	\$650,622	\$663,635	\$676,907	\$13,479,881
Net Annual +/-	-\$182,858	-\$166,903	-\$150,846	-\$134,685	-\$118,416	-\$102,039	-\$85,550	-\$68,948	-\$52,231	-\$35,395	-\$18,439	-\$1,361	\$15,843	\$33,174	\$50,635	\$68,230	\$85,959	\$103,827	\$121,836	\$139,989	\$158,288	\$176,737	\$195,338	\$214,095	\$233,011	\$479,291
Cumulative +/-	-\$182,858	-\$349,761	-\$500,608	-\$635,292	-\$753,709	-\$855,747	-\$941,297	-\$1,010,246	-\$1,062,476	-\$1,097,871	-\$1,116,311	-\$1,117,672	-\$1,101,829	-\$1,068,655	-\$1,018,020	-\$949,790	-\$863,830	-\$760,003	-\$638,167	-\$498,178	-\$339,890	-\$163,153	\$32,185	\$246,280	\$479,291	



Elexicon Energy Inc.

Answer to Undertaking from

Coalition of Concerned Manufacturers and Businesses of Canada

Undertaking J2.2:

UNDERTAKING NO. J2.2: TO CONFIRM WHETHER THE ADVANCED DISTRIBUTION MANAGEMENT SYSTEMS QUALIFY FOR CLASS 50 CAPITAL COST ALLOWANCE, WITH A RATE OF 55 PERCENT; IF NOT, TO ADVISE THE RATE.

Response:

The Advanced Distribution Management Systems (“ADMS”) do not qualify for Class 50 Capital Cost Allowance (“CCA”) rate. The CCA rate used by Elexicon Energy (“Elexicon”) for data network infrastructure components such as ADMS is 30% under CCA Class 46 as noted Elexicon’s response to Interrogatory STAFF-51.

Elexicon Energy Inc.

Answer to Undertaking from

Coalition of Concerned Manufacturers and Businesses of Canada

Undertaking J2.3:

UNDERTAKING NO. J2.3: TO CLARIFY THE PURPOSE OF RATEPAYER CONTRIBUTION TO THE ADVANCED DISTRIBUTION MANAGEMENT SYSTEM.

Response:

The rate payer contribution to the Advanced Distribution Management System (“ADMS”) is required to fund the critical investment by Elexicon Energy to modernize its electricity grid.

The total cost for the ADMS portion of the project is \$8.0 million of which \$4.0 million is being funded through NRCan funding. Thus, there is an unfunded portion of \$4 million related to the ADMS component which is being requested as part of this ICM project. The impact of the Capital Cost Allowance (“CCA”), and Accelerated CCA on the revenue requirement calculation is shown in Interrogatory STAFF-51. Elexicon notes that the impact of CCA is not a source of funding, as implied by Mr. Ladanyi at the technical conference.<sup>1</sup> Rather, it is a factor which impacts the timing of amounts paid in taxes by Elexicon.

Table 2 of STAFF-51 shows the amount of unfunded revenue requirement that is being included in its revenue requirement after taking into account the tax reduction applicable to CCA.

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<sup>1</sup> Page 13, Oral Hearing Transcript, Day 2, April 3, 2023.

Elexicon Energy Inc.

Answer to Undertaking from

Coalition of Concerned Manufacturers and Businesses of Canada

Undertaking J2.4:

UNDERTAKING NO. J2.4: TO CONFIRM WHETHER ELEXICON WAS CONSULTED ON THE FEASIBILITY OF ANY MEASURES IN THE GREEN STANDARD WITH RESPECT TO ELECTRICITY GRID IMPACTS.

Response:

Elexicon confirms that it was not consulted on the Whitby Green Standard Reference Guide.

Elexicon Energy Inc.

Answer to Undertaking from

OEB Staff

Undertaking J2.5(a):

UNDERTAKING NO. J2.5(A): TO FILE FIGURES FOR ACTUAL 2022 ROE ON THE RECORD FOR THIS PROCEEDING, WITH AN EXPLANATION FOR HOW IT WAS CALCULATED.

Response:

As discussed on pages 99 and 100 of the transcript for Day 2 of the oral hearing, Elexicon commits to file its actual 2022 ROE on the record in this proceeding, together with an explanation of the drivers of the results, promptly after completing its 2022 RRR filing (expected on or around May 1, 2023).

Elexicon Energy Inc.

Answer to Undertaking from

OEB Staff

Undertaking J2.5(b):

UNDERTAKING NO. J2.5(B): TO REFILE THE ICM MODEL WITH THE ADMS COMPONENTS FOR THE WHITBY AND VERIDIAN RATE ZONES FOR THE YEAR 2024.

Response:

Elexicon has produced the OEB's Incremental Capital Module ("ICM") Microsoft Excel models for Whitby Rate Zone ("WRZ") and Veridian Rate Zone ("VRZ") (collectively referenced as "ICM Models") only placing the Advanced Distribution Management System ("ADMS") costs of the Whitby Smart Grid ("WSG") being placed in-service in 2024. The following files have been filed to support this response:

1. J2-5b\_ATT1\_EE\_VRZ\_2023\_ACM\_ICM\_Model\_ADMS\_04122023

The output of the ICM Models is that the ADMS capital costs applied to the WRZ do not exceed the OEB calculated Materiality Threshold. The ADMS capital costs applied to the VRZ do exceed the OEB calculated Materiality Threshold and Elexicon would be eligible to recover a Revenue Requirement of \$704,696. The ADMS capital expenditures associated with the VRZ Revenue Requirement is approximately \$2.953 MM

In this scenario, Elexicon would have to fund from current rates, the ADMS WRZ Revenue Requirement of \$264,400 until its next rebasing (currently scheduled for 2029). The unfunded WRZ Revenue Requirement equates to capital expenditures of approximately \$1.087 MM or 27% of the ADMS costs net of NRCan funding.

Absent OEB approval in this proceeding for recovery of the costs associated with the VVO and FLISR portions of the Whitby Smart Grid project, Elexicon would not have the certainty necessary to proceed with those investments and would not move forward with those elements of the project. As a result, Elexicon would have to pursue a lesser scope of the ADMS project, excluding the modules related to those areas, as they would not be used and useful absent the associated field devices to control. As noted at the technical conference, the reduction to scope of the ADMS project may result in the loss of some of the approved NRCan funding.

Elexicon Energy Inc.  
 Answer to Undertaking from  
OEB Staff

Undertaking J2.6:

UNDERTAKING NO. J2.6: TO UPDATE TABLE 15 TO ACCOUNT FOR DER PENETRATION.

Response:

The following tables show the estimated Distributed Energy Resource (“DER”) penetration required for deferral based on the number of DER connections required and total expected customers from new Brooklin development for the given time periods. Three options of rooftop solar only, rooftop solar with Battery Energy Storage Systems (“BESS”), and a mix of 50% rooftop solar only and 50% rooftop solar with BESS.

Table 1 assumes a rooftop solar size of 10 kW per household based on the typical residential rooftop installation size from recent projects in the Greater Toronto Area.

**Table 1: DER Penetration Required for Excess Load Deferral – Brooklin Low Scenario – 10 kW Solar Panels**

Deferral Period	DER Penetration Required (%)		
	Rooftop Solar	50-50 Mixed Infrastructure	Rooftop Solar with BESS
1-Year	36% - 3264 units	18% - 1647 units	12% - 1098 units
3-Year	N/A	58% - 6158 units	39% - 4105 units
5-Year	N/A	79% - 9146 units	53% - 6098 units

Table 2 assumes a rooftop solar size of 2 kW per household based on the modelling exercise requested by Ontario Energy Board staff, which is indicated to be the minimum size per NRCan’s *Solar Ready Guidelines*<sup>1</sup>.

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<sup>1</sup> Natural Resources Canada’s CanmetENERGY, *Solar Ready Guidelines*, Cat. No. M144-241/2013E-PDF (Online), ISBN 978-1-100-22021-5, 2013

**Table 2: DER Penetration Required for Excess Load Deferral – Brooklin Low Scenario – 2 kW Solar Panels**

Deferral Period	DER Penetration Required (%)		
	Rooftop Solar	50-50 Mixed Infrastructure	Rooftop Solar with BESS
1-Year	N/A	22% - 2059 units	12% - 1098 units
3-Year	N/A	73% - 7697 units	39% - 4105 units
5-Year	N/A	99% - 11,433 units	53% - 6098 units

To balance this minimum value, a search for residential rooftop solar projects in Ontario was conducted to identify what a reasonable maximum value would be. Table 3 assumes a rooftop solar size of 19.56 kW per household based on an example large-sized solar installation (i.e., detached house with low roof angle allowing solar panels on both sides)<sup>2</sup>

**Table 3: DER Penetration Required for Excess Load Deferral – Brooklin Low Scenario – 19.56 kW Solar Panels**

Deferral Period	DER Penetration Required (%)		
	Rooftop Solar	50-50 Mixed Infrastructure	Rooftop Solar with BESS
1-Year	18% - 1684 units	14% - 1329 units	12% - 1098 units
3-Year	59% - 6296 units	47% - 4970 units	39% - 4105 units
5-Year	81% - 9352 units	64% - 7382 units	53% - 6098 units

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<sup>2</sup> Solar Panel Installation Project Erin, Ontario [Online], <https://solarup.ca/solar-projects/solar-panel-installation-project-erin-ontario/>, Accessed April 10, 2023.

Elexicon Energy Inc.  
 Answer to Undertaking from  
OEB Commissioners

Undertaking J2.7:

UNDERTAKING NO. J2.7: TO RESPOND TO COMMISSIONER DUFF'S QUETSION REGARDING COST OF POWER NET BENEFIT.

Response:

In response to the discussion between Elexicon and Commissioner Duff, a reduction in the Cost of Power for the Whitby Rate Zone (WRZ) to a value of \$97,777,967 from the unaudited 2022 value of \$112,198,471 would be required to reduce the net benefits of the Whitby Smart Grid to zero. A \$14,420,504 reduction in Cost of Power would represent a reduction of approximately 13% from the 2022 unaudited value. The calculation is provided in Table 1 below:

Table 1 – Estimation of Cost of Power Required to Produce a Zero Net Benefit

<u>(All Dollars Listed in Thousands CAD)</u>	
2022 Cost of Power (WRZ)	\$ 97,778
Projected % Energy Savings from WSG	3.00%
Total Purchased Power Savings from WSG (A)	\$ 2,933
ICM Additional Revenue (B)	\$ 4,477
Additional OM&A Expenses (C)	\$ 324
Operating Efficiencies from WSG (D)	\$ 48
Sub-Total of Savings (E = A-B-C+D)	\$ (1,820)
Projected VoLL Benefit from Reliability (F)	\$ 1,820
Annual Net Benefit to WSG Customers (G = E+F)	\$ -

As noted by Mr. Mandyam during the oral hearing, the Cost of Power utilized increased when updated for 2022 Cost of Power; from \$108,867,613 to \$112,198,471; an increase of 3%. Absent short-term weather-related variances, Elexicon is unaware of any trend with a reasonable probability of decreasing gross Cost of Power for the WRZ by 13% on a sustained basis, given continued customer and load growth at the local level, and continued transmission and generation cost pressures upstream of Elexicon. Additionally, the Independent Electricity System Operator's ("IESO") recently published Pathways to Decarbonization report forecasts increased electricity demand, and substantive new infrastructure investment and increases to



system costs<sup>1</sup>, which is an indicator that Elexicon's Cost of Power will likely not decrease in the future.

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<sup>1</sup> IESO Pathways to Decarbonization Report, page 32: "In terms of both transmission and supply, the Pathways scenario would need \$375 billion to \$425 billion in new infrastructure investment, and result in an annual total system cost of approximately \$60 billion by 2050. Alternatively, annual system costs can be considered per unit of demand at \$200 to \$215/MWh, an increase of between 20 per cent and 30 per cent from current unit rates."

Elexicon Energy Inc.  
 Answer to Undertaking from  
OEB Commissioner

Undertaking J2.8:

UNDERTAKING NO. J2.8: RESPOND TO COMMISSIONER DUFF'S QUESTION REGARDING BOOKENDS ON CLASS 4 ESTIMATE.

Response:

Table 1 below provides the -30% to +50% boundaries relating to the Class 4 estimate of the Whitby Smart Grid (“WSG”).

Table 1: -30% to +50% accuracy range for the Whitby Smart Grid Class 4 estimate

-30% Range Class 4 Estimate (\$ Thousands)	Elexicon’s Proposed Class 4 Estimate (\$ Thousands)	+50% Range Class 4 Estimate (\$ Thousands)
\$30,220	\$43,171	\$64,757

Elexicon’s Class 4 estimate was based on known asset unit costs and estimated quantities as derived from a Feasibility-Level Engineering Report produced by METSCO. Elexicon is confident in its estimate being reasonable and has compared it to PUC Distribution’s Smart Grid project. Elexicon’s response to Interrogatory SEC-03 compared the costing for the WSG and PUC Distribution Smart Grid. While there are differences in the mix of assets proposed in both Smart Grids, the data in Table 1 of the response provides an understanding of the costs for like assets proposed in each of the projects.

Additionally, Elexicon has used the unit costs in it’s estimate from its data with recent projects such as the 2021/2022 Seaton Transformer Station and other projects in the capital plan, with escalations for known factors such as inflation and labour/material constraints.

For the +50% Range cost estimate of \$64.757MM the revised WSG ICM Revenue Requirement is \$6.716MM as compared to the current \$4.477MM. When the +50% Range cost estimate Revenue Requirement is used in the Net Benefit Annual Summary calculation, as shown in Table 2 below, it results in less than a zero benefit. The 27 year average asset life Net Benefit, as shown in Table 3 below, is substantively positive at a value of \$13,199 MM.

Table 2: +50% WSG Cost Range Customer Annual Benefit Summary

**Customer Annual Benefit Summary**

(All Dollars Listed in Thousands CAD)

2022 Cost of Power (WRZ)	\$	112,198
Projected % Energy Savings from WSG		3.00%
Total Purchased Power Savings from WSG (A)	\$	3,366
ICM Additional Revenue (B)	\$	6,716
Additional OM&A Expenses (C)	\$	324
Operating Efficiencies from WSG (D)	\$	48
Sub-Total of Savings (E = A-B-C+D)	\$	(3,626)
Projected VoLL Benefit from Reliability (F)	\$	1,820
Annual Net Benefit to WSG Customers (G = E+F)	\$	(1,806)

In the updated Table 2 above, all parameters were held the same as in Table 1 of JT1-22, except for the updated ICM Additional Revenue (B).

Table 3: +50 WSG Cost Range 27 Year NPV Customer Benefit Summary

**Customer 27yr NPV Benefit Summary (5% Discount)**

(All Dollars Listed in Thousands CAD)

Total Purchased Power Savings from WSG	\$	60,903
ICM Additional Revenue	\$	75,639
Additional OM&A Expenses	\$	5,857
Operating Efficiencies from WSG	\$	864
Sub-Total of Savings	-\$	19,729
Projected VoLL Benefit from Reliability	\$	32,928
NPV of Net Benefits (27 years) to WSG Customers	\$	13,199

In the updated Table 3 above, all parameters were held the same as in Table 1 of JT1-22, except for the updated ICM Additional Revenue. In the above Table 3, the benefits surpass the ICM Additional Revenue in year 9 (i.e., with WSG being placed in-service in 2025, the benefits surpass the ICM Additional Revenue amount in 2033).

For the -30% Range cost estimate of \$30.220MM the revised WSG ICM Revenue Requirement is \$3.134MM as compared to the current \$4.477MM. When the -30% Range cost estimate Revenue Requirement is used in the Net Benefit Annual Summary calculation, as shown in Table 4 below, it results in a net annual benefit to customers of \$1.776MM. The 27 year average asset life Net Benefit, as shown in Table 5 below, is substantively positive at a value of \$53.540MM.

Table 4: -30% WSG Cost Range Customer Annual Benefit Summary

<b>Customer Annual Benefit Summary</b>		
<u>(All Dollars Listed in Thousands CAD)</u>		
2022 Cost of Power (WRZ)	\$	112,198
Projected % Energy Savings from WSG		3.00%
Total Purchased Power Savings from WSG (A)	\$	3,366
ICM Additional Revenue (B)	\$	3,134
Additional OM&A Expenses (C)	\$	324
Operating Efficiencies from WSG (D)	\$	48
Sub-Total of Savings (E = A-B-C+D)	\$	(44)
Projected VoLL Benefit from Reliability (F)	\$	1,820
Annual Net Benefit to WSG Customers (G = E+F)	\$	1,776

Table 5: -30% WSG Cost Range 27 Year NPV Customer Benefit Summary

<b>Customer 27yr NPV Benefit Summary (5% Discount)</b>		
<u>(All Dollars Listed in Thousands CAD)</u>		
Total Purchased Power Savings from WSG	\$	60,903
ICM Additional Revenue	\$	35,298
Additional OM&A Expenses	\$	5,857
Operating Efficiencies from WSG	\$	864
Sub-Total of Savings	\$	20,612
Projected VoLL Benefit from Reliability	\$	32,928
NPV of Net Benefits (27 years) to WSG Customers	\$	53,540

In the updated Table 5 above, all parameters were held the same as in Table 1 of JT1-22, except for the updated ICM Additional Revenue.

Elexicon Energy Inc.

Answer to Undertaking from

OEB Commissioner Request

Undertaking J2.9:

UNDERTAKING NO. J2.9: TO CONFIRM CALCULATIONS FOR NET BENEFITS FOR RESIDENTIAL CUSTOMERS IN TABLE 3, AS CALCULATED BY MR. VETSIS.

Response:

Elexicon Energy (“Elexicon”) is providing the following information to address the Oral Hearing discussion with Presiding Commissioner Duff. This response will cover the value of energy savings estimated on the illustrative bill for a typical residential customer<sup>1</sup>, and the broader discussion regarding the increase in the Sub-Total A component of the residential customer’s illustrative bill<sup>2</sup> that is the outcome of Elexicon’s use of the OEB’s prescribed rate design methodology to allocate the Whitby Smart Grid (“WSG”) and Sustainable Brooklin (“SB”) ICM project costs (collectively referenced as “ICM Projects”).

**Estimated Energy Savings for a Residential Customer from a Illustrative Total Bill**

The estimated energy savings for a typical residential customer is \$2.90 per month.

The value of estimated energy savings is derived by subtracting the Monthly Total Bill on TOU line value in Table 1 of \$141.61 from the equivalent value in Table 2 of \$138.71<sup>3</sup>. The \$2.90 energy savings reduces the increase in a residential customers per month bill.

The illustrative estimated increase that a residential customer will pay for the ICM Projects and Z-Factor Rate Rider is \$9.41<sup>4</sup> per month. It is the outcome of adding increases from the inclusion of an OEB approved Z-Factor Rate Rider, and the approval of as-filed riders for the ICM Projects.

The monthly increase from the ICM projects alone is \$5.73 per month for Whitby Smart Grid and \$3.26 per month for Sustainable Brooklin.

**Consideration of Bill Mitigation**

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<sup>1</sup> Amount of increase as shown in JT2-6 Page 3 of 3, Sub-Total A in Table 2 – Notional Estimated Total Bill Impact with Energy Savings

<sup>2</sup> ibid

<sup>3</sup> JT2-6 Table 1 page 2 of 3 and Table 2 page 3 of 3

<sup>4</sup> Value found at intersection of row labelled Fixed Rate Riders and column labelled \$ Change in JT2-6 Tables 1 and 2

Elexicon has considered the concerns raised by parties during the Oral Hearing, and its discussion with Presiding Commissioner Duff regarding bill impacts arising from the proposed ICM project. As shown in undertaking J2.11, Elexicon's proposal regarding full implementation of the Whitby Smart Grid in 2025 yields the highest net benefits to customers.

Elexicon submits that an alternative approach that the OEB and stakeholders can use to address concerns with customer bill impacts is by placing a condition in its Decision and Order that requires Elexicon to propose a bill mitigation approach including specifics on the accounting treatment as part of its 2025 IRM application, when it will file its final WSG and SB ICM rate riders for the OEB's approval<sup>5</sup>.

While specific approval of the mitigation methodology is not required in this application, Elexicon has provided an illustration of how such an approach could work below.

#### Illustrative Bill Mitigation Proposal

Elexicon continues to believe that the record in this application including the substantive number of Net Present Value ("NPV") calculations<sup>6</sup> fully support the 2025 in-service date for both the ICM projects being the most prudent choice.

To address the cumulative bill impact from the ICM projects being put in-service in the same year, Elexicon could increase its ICM-related Rates and customer bills across all Rate Classes in a phased manner over three years ("Phase In Approach"). For clarity, Elexicon will collect one-third of the total ICM Project's Revenue Requirement ("Total ICM Revenue Requirement") in 2025, two-thirds of the Total ICM Revenue Requirement in 2026 and the full amount of the Total ICM Revenue Requirement in 2027.<sup>7</sup> Customers will not have any additional bill increases in Total Revenue Requirement from 2027 through to Elexicon's next rebasing, which is scheduled for 2029. The Phase In Approach will have customers experience much smaller increases to their bills, which will be offset by the benefit from the energy and reliability savings that the ICM Projects will deliver.

The amounts of Total Revenue Requirement that are not collected in 2025 and 2026 will be recorded in each project ICM Revenue deferral account ("ICM Deferred Revenue") and Elexicon will apply to recover the ICM Deferred Revenue in its rebasing application as part of the ICM Project true-up.

Tables 1 to 3 below shows the Phased In Approach illustrative bill increases experienced by Whitby Rate Zone customers in 2025, 2026 and 2027.

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<sup>5</sup> JT2-2 Response that explains the elements that make up Elexicon's 2025 ICM Update

<sup>6</sup> As shown in Elexicon's response to Undertaking J2-11, the maximum NPV of net benefit is achieved with the WSG and SB ICM projects being put in-service in 2025.

<sup>7</sup> This would be achieved by setting the individual rates to 1/3 of the amounts in final 2025 ICM model for 2025, 2/3 of the amounts in final 2025 ICM model in 2026 and at the full amounts in 2027.

Table 1 – Illustrative Bill Impacts from 33% Total ICM Revenue Requirement Recovered from Customers in 2025

Rate	Bill Impact in 2025 from 33% Recovery		
	SB	WSG	Total
Class	\$	\$	\$
Residential	1.08	1.89	2.97
GS<50	2.26	3.92	6.18
GS>50	20.22	35.56	55.78
USL	0.86	1.51	2.38
SL	0.71	1.25	1.97
ST	901.06	1,639.67	2,540.73

Table 2 – Illustrative Bill Impacts from 66% Total ICM Revenue Requirement Recovered from Customers in 2026

Rate	Bill Impact in 2026 from 66% Recovery		
	SB	WSG	Total
Class	\$	\$	\$
Residential	1.07	1.89	2.96
GS<50	2.07	3.92	5.99
GS>50	20.22	35.57	55.79
USL	0.83	1.51	2.34
SL	0.70	1.24	1.95
ST	900.99	1,516.98	2,417.97

Table 3 – Illustrative Bill Impacts from Full Amount of Total ICM Revenue Requirement Recovered from Customers in 2027

Rate	Bill Impact in 2027 from Full Recovery		
	SB	WSG	Total
Class	\$	\$	\$
Residential	1.11	1.95	3.06
GS<50	2.29	3.97	6.26
GS>50	20.83	36.63	57.47
USL	0.87	1.52	2.40
SL	0.74	1.29	2.03
ST	906.06	1,648.45	2,554.51

As noted above, Elexicon’s proposed Phase In Approach will alter the one-time bill impact faced by WRZ customers to a graduated increase over three years, and allow customers bill increases to be offset by the energy and reliability savings. Table 4, 5 and 6 below provides an illustrative calculation of the offset that the energy savings benefit provides WRZ customers in 2025, 2026 and 2027.

Table 4 – 2025 Estimated Illustrative Bill Increases for SB & WSG Bill Increase and Benefit from Energy Savings

Rate Class	2025 (33% Recovery)				
	WSG Illustrative Bill Increase (\$) (A)	WSG Energy Savings (\$) (B)	Net WSG Illustrative Bill Increase (\$) (C = A-B)	SB Illustrative Bill Increase (\$) (D)	Net WSG & SB Illustrative Bill Increase (\$) (E = C+D)
Residential	1.89	2.89	-1.00	1.08	0.08
GS<50	3.92	9.12	-5.20	2.26	14.32
GS>50	35.56	188.60	-153.03	20.22	341.63
USL	1.51	2.47	-0.96	0.86	3.43
SL	1.25	1.23	0.03	0.71	1.20
ST	1,639.67	1,787.35	-147.68	901.06	1,935.03

Table 5 – 2026 Estimated Illustrative Bill Increases for SB & WSG Bill Increase and Benefit from Energy Savings

Rate Class	2026 (66% Recovery)				
	WSG Illustrative Bill Increase (\$) (F)	WSG Energy Savings (\$) (G)	Net WSG Illustrative Bill Increase (\$) (H = F-G)	SB Illustrative Bill Increase (\$) (I)	Net WSG & SB Illustrative Bill Increase (\$) (J = H+ I)
Residential	1.89	0.06	1.83	1.07	2.90
GS<50	\$3.92	\$0.18	\$3.74	\$2.07	\$5.81
GS>50	\$35.57	\$3.77	\$31.80	\$20.22	\$52.02
USL	\$1.51	\$0.05	\$1.46	\$0.83	\$2.29
SL	\$1.24	\$0.02	\$1.22	\$0.70	\$1.92
ST	\$1,516.98	\$35.75	\$1,481.23	\$900.99	\$2,382.23

Table 6 – 2027 Estimated Illustrative Bill Increases for SB & WSG Bill Increase and Benefit from Energy Savings



Rate Class	2027 (Full Recovery)				
	WSG Illustrative Bill Increase (\$)(K)	WSG Energy Savings (\$)(L)	Net WSG Illustrative Bill Increase (\$)(M = K - L)	SB Illustrative Bill Increase (\$)(N)	Net WSG & SB Illustrative Bill Increase (\$)(O = M + N)
<b>Residential</b>	1.95	\$0.06	1.89	1.11	\$3.00
<b>GS&lt;50</b>	\$3.97	\$0.19	\$3.78	\$2.29	\$6.07
<b>GS&gt;50</b>	\$36.63	\$3.85	\$32.79	\$20.83	\$53.62
<b>USL</b>	\$1.52	\$0.05	\$1.47	\$0.87	\$2.34
<b>SL</b>	\$1.29	\$0.03	\$1.27	\$0.74	\$2.00
<b>ST</b>	\$1,648.45	\$36.46	\$1,611.99	\$906.06	\$2,518.05

In 2025, a typical residential customer will pay an illustrative bill increase of approximately \$0.08 per month due to the ICM Projects. The estimated increase of \$2.97 per month due to the ICM Projects will be offset by an estimated \$2.89 per month of energy savings. In the years 2026 and 2027, residential customers will benefit from an estimated 2% increase in Cost of Power which results in a commensurate 2% savings in energy savings associated with the increase in Cost of Power. For each of 2026 and 2027 the 2% energy savings is estimated to be \$0.06 per month.

Elexicon does acknowledge that the Phased In Approach illustrated above can benefit from a more fulsome analysis to optimize the first year WSG energy savings better across the years 2025 to 2027 as well as across the Rate Classes. Specifically, to correct the illustrative negative bill increases in the GS<50, GS>50 and USL Rate Classes. As noted above, Elexicon is committed to propose a bill mitigation approach as part of its 2025 IRM application, as part of an OEB Condition of Approval.

The above illustrative bill increase does not factor in the addition of an estimated reliability savings of \$0.35 per month<sup>8</sup> per residential customer. Elexicon highlights that the reliability benefits are estimated based on a 2015 study which, all other things equal, will underestimate the value of reliability for residential customers in a post-COVID world where hybrid working arrangements are more common and customers are reliant on power at their homes to support their livelihoods. This is particularly important for a customer base such as Elexicon’s which is very residential in nature.

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<sup>8</sup> Residential customer reliability savings are estimated by taking the annual savings estimate of \$183,970 and divided it by 12 months to get a per month savings estimate of \$15,330. Each of the 44,341 WRZ customers are estimated to receive \$0.35 savings per month (\$15,330 divided by 44,341 = \$0.35 per customer per month)

If the OEB is interested in a phased-in approach to the ICM rate riders, then Elexicon would include a formal proposal for consideration as part of its 2025 ICM application for OEB approval. This then creates an opportunity to test the bill mitigation evidence more thoroughly in the future.

Elexicon Energy Inc.

Answer to Undertaking from

Coalition of Concerned Manufacturers and Businesses of Canada

Undertaking J2-10:

TO SET OUT A DRAFT RATE ORDER FROM ELEXICON'S PERSPECTIVE FOR THE SUSTAINABLE BROOKLIN PROJECT SPECIFIC TO THE EXEMPTIONS BEING REQUESTED.

Response:

A draft rate order setting out Elexicon's request for relief is provided below.

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**IMPLEMENTATION AND ORDER**

This Decision is accompanied by Rate Generator Models, applicable supporting models, and Tariffs of Rates and Charges (Schedule A). The Rate Generator Models incorporate the rates set out in the following table:

[NTD: Insert table]

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Subject to the conditions set out below, the Ontario Energy Board approves the three Incremental Capital Module (ICM) applications filed by Elexicon Energy Inc. (Elexicon) for new interim rates:
  - a. effective January 1, 2025 for ICM funding for the Whitby Smart Grid Project, including a proportionate share of the Advanced Distribution Management System (ADMS) costs in the Whitby Rate Zone (WRZ);
  - b. effective January 1, 2025 for ICM funding for a proportionate share of the ADMS costs in the Veridian Rate Zone (VRZ); and
  - c. effective January 1, 2025 for ICM funding for the Sustainable Brooklin Project in the WRZ.
2. Elexicon shall apply for final approval of rates as part of its 2025 Incentive Rate Mechanism application.
3. The Tariffs of Rates and Charges set out in Schedule A of this Decision and Order is approved.

4. The Ontario Energy Board approves an exemption for the Brooklin Line from Sections 3.2.1, 3.2.2, 3.2.3, 3.2.4, 3.2.6, 3.2.7, 3.2.8, 3.2.12, 3.2.14, 3.2.16, 3.2.18, 3.2.20, 3.2.21, 3.2.22, 3.2.23, 3.2.24, 3.2.25, 3.2.26, 3.2.27 and 3.2.30 of the Distribution System Code, which would otherwise require Elexicon to collect a capital contribution from the local developers towards the cost of constructing and operating the Brooklin Line.
5. As a condition of the approved exemption for the Brooklin Line, Elexicon shall ensure in its contractual arrangements that all current and future residential developers that may stand to benefit from the Brooklin Line shall construct DER and EV ready homes or buildings.
  - a. Should a residential developer fail to deliver on the construction of DER-and-EV-Ready homes or buildings, as determined by Elexicon, Elexicon shall require that developer or property owner to pay an appropriate capital contribution to Elexicon in support of the Brooklin Line prior to energizing the property. For residential customers, the amount of the capital contribution, as of January 1, 2023, shall be \$2,260 per home or building before Elexicon supplies power. [This amount shall be escalated on an annual basis in accordance with the OEB's inflation parameters.]
  - b. With respect to non-residential customers, Elexicon would apply the standard requirements of Section 3.2.24 of the DSC to calculate a capital contribution for a 5-year customer connection horizon.
6. Cost eligible intervenors shall submit to the OEB and copy Elexicon cost claims no later than [NTD].
7. Elexicon shall file with the OEB and forward to all cost eligible intervenors any objections to the claimed costs no later than [NTD].
8. Cost eligible intervenors shall file with the OEB and forward to Elexicon any responses to any objections for cost claims no later than [NTD].
9. Elexicon shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice no later than [NTD].

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Elexicon Energy Inc.

Answer to Undertaking from

OEB STAFF

Undertaking JT2.11:

TO FILE AN UPDATED VERSION OF THE NET PRESENT VALUE COMPARISON SPREADSHEET AT TAB 7 OF STAFF'S COMPENDIUM.

Response:

Elexicon has provided as Attachment 1 to this undertaking a corrected version of the spreadsheet depicted at Tab 7 of K2.7, the OEB Staff Compendium for Panel 2 at the Oral Hearing. As noted at the technical conference by Mr. Thompson<sup>1</sup>, Elexicon's currently proposed approach yields a higher NPV than a phased approach, once the errors in the OEB Staff NPV calculations have been corrected and the two options are compared on an apples-to-apples basis.

Elexicon observes that its proposed Option 1 yields a greater NPV for customers.

For ease of review, Elexicon has also included the following tables in this interrogatory response that comprise Attachment 1:

1. Figure 1 - Updated EE-Including Reliability: This is a set of updated Net Present Value ("NPV") calculations. Elexicon updated Option 1, 2 and 3 tables reflect an asset life and benefit life of 27 years. The benefits have been tapered down in a similar manner to the tapering up as proposed by OEB Staff.

Elexicon has focused its updates on the tab "EE-Including Reliability", which represents the most current NPV analysis exchanged between OEB Staff and Elexicon in this proceeding, as originally proposed by OEB Staff in KT1.3 and revised by Elexicon in JT1.21. The only modifications to calculations seen in K2.7 relative to Elexicon's response to JT1.21 was the re-introduction of energy consumption and reliability savings from 2025 to 2028 on a linear basis in "Option 3", as the Whitby Smart Grid (WSG) is placed into service over a longer timeframe in OEB Staff's scenario. Specifically, in Option 3 benefits ramp up to their full forecasted value at a rate of 20% in 2025, 40% in 2026, 60% in 2027, and 80% in 2028.

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<sup>1</sup> Reference to transcript.

Elexicon identified two errors<sup>2</sup> in the spreadsheet depicted at Tab 7 of K2.7. First, the “ramp up” of reliability benefits from 2025 to 2028 was incorrectly derived from the full value of energy savings benefits, as opposed to reliability benefits, resulting in an overstatement of reliability benefits from 2025 to 2028. Second, in OEB Staff’s Option 3 scenario the full WSG is placed into service 4 years later than in Elexicon’s proposal (which is reflected as Option 1). To account for this, OEB Staff extended the NPV by 4 years. In extending the scenario however, K2.7 fails to recognize that assets phased in during the initial 2025 to 2028 in-service period will reach the end of their useful lives prior to the end of the period analyzed and continues to include the full value of savings generated by these assets past the end of their useful lives.

Correcting the erroneous ramp-up reliability savings from 2025 to 2028 required only linking cells E38 through H38 to cell I38; the correct reliability savings amount when the full WSG is in service. To correct the second error, Elexicon has tapered down the costs, energy consumption benefits, and reliability benefits in Option 3 in the same proportions used by OEB Staff from 2025 to 2028 for the initial ramp up of benefits. To facilitate an apples to apples comparison, Elexicon has applied the same treatment to Option 1 in which savings ramp up over 2025 and 2026, and savings and costs ramp down in the final two years of the analysis. Option 1 takes the mid-point of OEB Staff’s Option 3 ramp up (having compressed the rollout from four years in Option 3 to two years in Option 1), showing 30% of savings in 2024 and 70% of savings in 2025.

The result of the corrections noted is a reduction of the Net NPV applicable to Option 3 as assets reach the end of their useful lives in the 2050’s. The Net NPV of Elexicon’s proposed Option 1 is \$61.33MM, while the Net NPV of the more gradual rollout in Option 3 is \$54.48MM; a difference of \$6.85MM.

Though the remaining tabs in Attachment 1 do not reflect the most current assumptions applicable to the WSG (e.g. 27 year useful life), for consistency and comparability Elexicon has made the same corrections<sup>3</sup> across the remaining tabs originally included in KT1.3, JT1.21, and K2.7. Across all analyses the Net NPV of Elexicon’s proposed Option 1, in which the WSG is deployed in full by Q4 2025, is greater than the Net NPV of Option 3, in which the WSG is deployed on an elongated timeline. Across all of Attachment 1, changes to the spreadsheet relative to K2.7 are marked in yellow highlighted cells.

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<sup>2</sup> In addition, across each of Options 1, 2 and 3 it was noted that the full NPV of costs in the final years analyzed had erroneously not been summed in the NPV cost total. With applicability to all three Options, correcting this error did not materially alter the differential between Options

<sup>3</sup> On further review it was noted that tab “OEB-Including Reliability” required a net new correction, in that the period analyzed under Option 3 was 23 years, while the period analyzed under Option 1 was only 20 years. Since neither analysis extended to the end of the assets’ useful lives, Elexicon has extended the analysis period for Option 1 to match the 23 year period included in Option 3

All of the above said, Elexicon notes its previous assertion that the benefits of the WSG cannot be linearly calculated to match the pace of asset installation as is depicted in Option 3 of Attachment 1 to this undertaking and its preceding versions<sup>4</sup>. Despite the likely overstatement of benefits in Option 3, Elexicon's proposed Option 1 nonetheless yields a greater NPV for customers.

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<sup>4</sup> Oral Hearing Transcript Day 2 Pages 136 - 139

