

May 03, 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

Dear Ms. Marconi:

**Re: EB-2022-0024 – Elexicon Energy Inc. (“Elexicon”) ICM
Application (the “Application”): Updated J2.5a Undertaking Response with 2022
Regulated ROE**

Elexicon committed in its response to Oral Hearing Undertaking J2.5a that it would file its 2022 Regulated Return on Equity (“ROE”) promptly after it filed its 2022 Reporting and Record Keeping (“RRR”) information on or around May 1, 2023. Please find attached Elexicon’s filing of an updated Undertaking response to J2.5a with its 2022 achieved Regulated ROE and the basis of its derivation.

This update has been filed through the OEB’s web portal (“RESS”).



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

cc: John Vellone

Elexicon Energy Inc.

Answer to Undertaking from

OEB Staff

Undertaking J2.5(a) UPDATED:

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:

Elexicon Energy Inc. (“Elexicon”) committed to file its achieved 2022 Return on Equity (“ROE”) on the record in this proceeding, promptly after completing its 2022 Reporting and Record Keeping Requirements (“RRR”) filing. The following is an update of Undertaking J2.5(a) with Elexicon’s 2022 achieved Regulated ROE.

As shown in Table 1 below, Elexicon’s 2022 achieved Regulated ROE as filed in its RRR 2.1.5.6 is 4.86%. Elexicon reaffirms its response to Additional Question #1 from the OEB panel, that it did not exceed 300 basis points above Elexicon’s deemed ROE in 2022, and that its forecasted ROE for 2023 to 2025 will not exceed 300 basis points above the deemed ROE in 2023 to 2025.

As noted, Elexicon’s achieved 2022 ROE is 4.86%, compared to deemed ROE of 9.43%. The major drivers resulting in the lower achieved ROE include external factors such as inflation, incremental business requirements (i.e. cybersecurity, enterprise risk management), higher deemed interest expense as a result of higher investment requirements in the grid and the distribution revenue credit back to customers due to the Assurance of Voluntary Compliance (AVC) related to Elexicon’s billing system. Absent the revenue credit to customers, Elexicon’s achieved ROE would have been roughly 6.32%.

Table 1 – 2022 ROE Calculation

Detail	Amount (in '000)	Column
Regulated Net Income	18,097.1	A
Non-Rate Regulated Items	-610.7	B
Non-Recoverable Donations	366.6	C
Net interest/carrying charges from DVAs	-562.8	D
Unrealized Gain/Loss on interest rate swaps	-6481.7	E
Interest Adjustment for Deemed Debt	-3,787.9	F
ROE tax adjustment	1,812.8	G
Net Income for ROE purposes	8,833.3	H= (A+B+C+D+E+F+G)
Equity	181,782.9	I
Regulated ROE	4.86%	H/I
Opening Property plant and Equipment (PPE)	382,136.2	J
Closing PPE	398,704.3	K
Average PPE	390,420.2	L= (J+K)/2
Working Capital Allowance	64,036.9	M
Rate Base	454,457.2	N =L+M
Deemed Equity	181,782.9	I=N* 40%
Deemed Debt	272,674.3	O= N*60%
Approved Interest Rate	4.88%	P
Deemed Interest Expense	13,306.5	Q =O*P
Commodity Expenses	418,355.6	R
OM&A	46,016.7	S
Approved Working Capital Rate	13.79%	T
Working Capital Allowance	64,036.9	M = (R+S)*T