December 14, 2009

VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli

Re: Ontario Energy Board File no: EB-2009-0143
Essex Powerlines Corporation
Electricity Distribution Rate Application
Responses to Interrogatories from Energy Probe

Please find enclosed the Essex Powerlines Corporations' responses to the interrogatories of the Energy Probe Research Foundation in the above noted proceeding

Respectively submitted,

RE Dimmel

Richard Dimmel
General Manager
Essex Powerlines Corporation
519-776-8900 ext. 487
rdimmel@essexpowerlines.ca

Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B;

AND IN THE MATTER OF an application by Essex Powerlines Corporation for an order approving just and reasonable rates and other charges for electricity distribution to be effective May 1, 2010.

ESSEX POWERLINES CORPORATION

RESPONSES TO INTERROGATORIES OF

ENERGY PROBE RESEARCH FOUNDATION

(“ENERGY PROBE”) FILED DECEMBER 14, 2009

Interrogatory # 1

Ref: Exhibit 2 & Exhibit 4

The provincial government has announced plans to harmonize the provincial retail sales tax (RST) with the goods and services tax (GST) effective July 1, 2010 to create harmonized sales tax (HST). Based on the proposed elimination of the RST effective July 1, 2010:

a) Please confirm that Essex Powerlines has not made any adjustments to the OM&A forecasts shown in Exhibit 4 to reflect the elimination of the 8% provincial sales tax.

Response:

Essex included a reduction in OM&A of $4,500 to reflect the elimination of the 8% provincial sales tax.

b) Please provide the estimated costs of the provincial sales tax included in the OM&A forecast for 2010.

Response:

See response to a). Since the change is July 1, 2010, we will only incur a reduction of $4,500 in taxes.

c) Please provide the amount of provincial sales tax paid by Essex Powerlines in each of 2006, 2007, 2008 and 2009 on OM&A expenses.

Response:

We do not have the raw data to compute the provincial sales tax paid by Essex Powerlines from 2006 to 2008 for OM&A. For 2009 we are projecting that about $8,000 of provincial sales tax will be paid by Essex Powerlines.

d) Is there any reduction in compliance costs that will result from the reduction in the administrative burden on Essex Powerlines to comply with two separate sets of tax rules?

Response:

No, we believe that the new rules for the new HST will cause a small but permanent increase in administrative burden due to the switch from PST to HST.

e) Please confirm that Essex Powerlines has not made any adjustments to the capital expenditure forecasts shown in Exhibit 2 to reflect the elimination of the 8% provincial sales tax.

Response:

Essex has not made any adjustments to the Capital Expenditure forecasts to reflect the elimination of the 8% provincial sales tax. Since Essex spends a specific dollar amount each year on capital projects, if the cost to do the current projects listed were reduced due to the elimination of the 8% provincial sales tax, Essex would simply add projects to the list to keep capital spending at the amount approved for the year.

f) Please provide the estimated costs of the provincial sales tax included in the capital expenditures included in rate base forecast for 2010.

Response:

The estimated amount of provincial sales tax in the 2010 capital expenditures would be $90,000.

g) Please provide the amount of provincial sales tax paid by Essex Powerlines on capital expenditures included in rate base in each of 2006, 2007, 2008 and 2009.

Response:

We do not have the raw data to compute the provincial sales tax paid by Essex Powerlines from 2006 to 2008 for capital expenditures. For 2009 we are projecting that about $90,000 of provincial sales tax will be paid by Essex Powerlines.

h) If Essex Powerlines is unable to quantify the impact of the removal of the provincial sales tax, is Essex Powerlines agreeable to the creation of a deferral account into which the resulting savings would be placed and rebated to customers in the future? If not, why not?

Response:

The formal guidelines have not yet been determined and it will require additional administration to comply with this request, and with the proliferation of deferral account requests, we respectively do not agree with setting up a deferral account for any potential HST savings. Also there will be new costs to comply with the HST legislation that we have also not included in the rate filing so having a deferral account simply for the savings would not be reasonable.

Interrogatory # 2

Ref: Exhibit 1, Tab 2, Schedule 3, Attachment 1

Are any of the costs associated with the Board of Directors of Essex Power Corporation, Essex Power Services or Essex Energy Corporation included in the costs of Essex Powerlines Corporation for recovery through the revenue requirement? If yes, please identify and quantify these costs.

Response:

There are no costs associated with the Board of Directors of Essex Power Corporation, Essex Power Services or Essex Energy Corporation included in the costs of Essex Powerlines Corporation for recovery through the revenue requirement.

Interrogatory # 3

Ref: Exhibit 1, Tab 2, Schedule 3, Attachment 2

a) **Please list the officers of the Applicant corporation indicating who they report to and their own direct reports with Essex Powerlines.**

Response:

Officers of the Corporation
Richard Dimmel, General Manager
Mark Alzner, Engineering & Asset Manager
Alan Parnell, Manager, Customer Service

Richard Dimmel reports directly to the Board of Directors of Essex Powerlines.
Mark Alzner and Alan Parnell report to Richard Dimmel, General Manager.

b) Please update the Essex Powerlines organizational chart to include the officers of the Applicant corporation and their reporting relationships as part of the organization structure.

Response:

We are unclear on what is being requested - the officers are shown by position on the organizational chart.

Interrogatory # 4

Ref: Exhibit 1, Tab 2, Schedule 3, Attachment 2

a) For each of the positions shown in red as being employees of EPC, please indicate how the costs associated with the position are allocated to EPL and to other affiliates.

Response:

The costs are associated based on time recorded for the positions based on time spent working on EPL and other affiliate tasks. The time is coded and charged to the appropriate company each month.

b) Please provide all the information and data used to derive the allocations.
Response:

See response to Board Staff IR#15 b).

Interrogatory # 5

Ref: Exhibit 1, Tab 2, Schedule 4, page 2

Please provide a list of all the assets transferred from Essex Power Services into EPL.

Response:

Asset Transfer		
Description	Acct No	Transferred Amount
Inventory	1330	459,686
Transformers	1850	617,742
Meters	1860	226,915
Land	1905	191,700
Building & Fixtures	1908	1,588,454
Office Furniture	1915	118,693
Computer Hardware	1920	36,176
Computer Software	1925	67,989
Transportation Eq	1930	509,368
Store Eq	1935	24,040
Tools, Garage Eq	1940	139,035
Measurement Eq	1945	13,012
Communication Eq	1955	61,323
Total		4,054,133

Interrogatory # 6

Ref: Exhibit 1, Tab 2, Schedule 4, Attachment 1, pages 32-38

The agreement as amended in 2009 includes a requirement for an insurance policy in an amount of not less than $20 million in respect of the services performed by Essex Powerlines.

a) **Please provide the cost of this insurance to Essex Powerlines.**

Response:

Essex Powerlines cost for insurance in 2009 was $49,495.32. This amount is for liability insurance for EPL and covers all activities not just specifically for services provided to EPSC.

b) How much of the cost of this insurance is directly recovered from Essex Power Services? Please explain how the proportion recovered has been derived.

Response:

The insurance cost is included as an administrative expense for EPL and would be partially recovered from EPSC via the administrative overhead included in the charges to EPSC from EPL. The exact amount recovered from EPSC cannot be determined but we estimate it to be $1,700.

c) Please explain the drivers associated with the significant reduction in labour overhead, material, accounts payable and inventory overhead and trucks and equipment overhead percentages shown in Schedule A – Electrical Services Costs of the 2009 amended agreement as compared to Schedule A in the 2008 agreement.

Response:

The reduction was made to reduce the overheads as a result of an increased level of capital spending $'s including smart meters helping to absorb more of the overheads in 2009. Also, it was determined that the amount of the administration overhead was being over-recovered in 2008 and should be reduced. This administration overhead reduction was also made in EPL's internal overheads that are applied. Each year a review of the overhead costs is conducted and the overhead percentages are adjusted accordingly with changes in costs, capital spending levels and the amount of third party work.

d) What is the impact on the proposed revenue requirement as a result of the new overhead percentages in the 2009 agreement?

Response:

There is no impact on the proposed revenue requirement as the revenues and the costs are included in accounts 4375 and 4380. This is consistent with the OEB's 2006 EDR model, where those accounts were not included in the revenue offsets calculated on sheet 5-5, and there has been no change or guidance to the contrary from the OEB since that model was issued. The amounts recorded in these accounts are the revenues and associated expenses for non-regulated non-distribution utility activities.

Interrogatory # 7

**Ref: Exhibit 1, Tab 2, Schedule 4, Attachment 1, page 38 &
Exhibit 2, Tab 2, Schedule 1, page 2**

a) Please provide a table that compares the overhead rates shown in Exhibit 2, Tab 2, Schedule 1, page 2 (including administrative) with the figures shown in Schedule A – Electrical Services Costs of the 2009 amended agreement in Attachment 1 of Exhibit 1, Tab 2, Schedule 4.

Response:

	Third Party Burdens and overheads			Capital Burdens and overheads			Difference		
	Mat'l	**Labour**	**Equip**	**Mat'l**	**Labour**	**Equip**	**Mat'l**	**Labour**	**Equip**
Total Overhead %	15%	52%	21%	14%	46%	24%	-1%	-6%	3%

b) Please provide the rationale for the difference in the overhead rates.

Response:

See response to 6 c). The impact of the difference based on our estimates at that time, would be lower revenues from EPS and any other third party customers of approximately $23,000.

c) If the overhead rates used in Attachment 1 of Exhibit 1, Tab 2, Schedule 4 were adjusted to match those on page 2 of Exhibit 2, Tab 2, Schedule 1 what would be the impact on the revenue requirement of Essex Powerlines? Please show all calculations.

Response:

Using the higher rates from the EPS agreement, we estimate that we would have capitalized approximately $90,000 more into capital and subsequently reduced our expenses and our working capital component of our revenue requirement by $90,000x15%= $13,500.

Interrogatory # 8

Ref: Exhibit 2, Tab 3, Schedule 3, pages 7-9

a) **Please confirm that the Ret./Other shown for 2008, totaling $3,162,914 is all related to the assets transferred to Essex Powerlines from an affiliate. If this cannot be confirmed, please provide details of any amounts not associated with the transfer.**

Response:

Essex confirms that the $3,162,914 shown in the Ret./Other all relates to the assets transferred.

b) **Please explain the net reduction to accumulated depreciation shown for meters and transportation equipment. Are these reductions associated with the assets transferred from the affiliate?**

Response:

These net reductions are due to the sale of 2 trucks in the year and the write off obsolete meter inventory.

Interrogatory # 9

Ref: Exhibit 2, Tab 3, Schedule 3, pages 4-15 &
Exhibit 2, Tab 2, Schedule 3

The evidence at Exhibit 2, Tab 2, Schedule 3 indicates that when specifically identifiable items are retired or otherwise disposed of, their original cost and accumulated amortization are removed from the accounts.

a) **Please identify which accounts include specifically identifiable items.**

Response:

The Distribution Plant assets, Accounts 1805 to 1865 are pooled and we do not maintain records that would indicate cost and accumulated amortization specifically identified by asset. General Plant assets, Accounts 1905 to 1955, are not pooled and have adequate records to enable specific identification in most cases.

b) Please explain why no adjustments are shown for 2007, 2008, 2009 or 2010 related to the retirement of disposal of specifically identifiable items. Are any such assets fully depreciated?

Response:

For accounts 1905 to 1955,there were no disposals shown in 2007. In 2008 we did dispose of 2 trucks which were included in the schedule but with the assets transferred from EPS, these items are not as noticeable (transferred $509K disposed of $43K leaving the $466 as stated in the capital sheet). In 2009 we have not disposed of any assets and we will probably dispose of some rolling stock in 2010 but didn't include it in the forecast (as it would be a net affect on assets because they will be fully depreciated vehicles). The gains or losses on these disposals were recorded in accounts 4355 and 4360.

Interrogatory # 10

Ref: Exhibit 2, Tab 3, Schedule 3, pages 10-15

The capital additions for 2009 total $3,204,200. The 2010 the additions total $4,191,045.

a) Please indicate when this forecast was prepared.

Response:

The forecast for 2009 and 2010 was initially prepared as part of the budgeting process in earlier years and revised from time to time as projects, trends, needs materialize and/or the AIS plan is modified.

Essex finalized the 2009 and 2010 values for submission in the third quarter of 2009.

b) Has Essex Powerlines updated its capital addition forecasts for either 2009 or 2010 since then? If yes, please provide the updated forecasts in the same level of detail as shown in the continuity schedules.

Response:

No, the forecasts have not been updated. There has been some recent changes in the addition of municipal infrastructure work that is 100% offset with a capital contribution and therefore does not affect the rate base.

c) **What is the current projection for capital additions in 2009 based on the most recent year-to-date information available and projections for the remaining months in 2009? Please provide this projection in the same level of detail as in the continuity schedule.**

Response:

There is no reason to believe that the 2009 forecast will differ significantly from actual.

Interrogatory # 11

Ref: Exhibit 2, Tab 4, Schedule 1

a) **Has Essex Powerlines experienced any slowdown in capital additions resulting from the economic slowdown? Please elaborate.**

Response:

Essex has experienced a slowdown in capital additions with the growth peaking in 2007 and is forecasted to end at approximately $800k in 2009. In 2010, Essex expects to see a significant rebound. One municipal project to place an entire road underground has just been added at an estimated cost and capital contribution of $2.2 million. Some municipal projects scheduled for 2009 have been delayed to 2010 or are on hold because no government funding was received. These municipal projects on hold could be revived as Municipalities budget for 2010 and Councilors and Municipal Administration make cases for 2010 spending.

Capital Additions at the request of Customers/Developers/Municipalities

2009 (projected)	2008	2007	2006	2005
$800k	$1,750k	$2,200k	$1,600k	$1,400k

Essex has experience a slowdown in Residential Subdivisions as discussed in Exhibit 2 Tab 4 Schedule 1 Section 2.4. A consistent electrical service addition of approximately 300 through 2005, 2006, and 2007 has dropped to approximately 1/3 of that in 2008 with only 113 expansion electrical services being added. The 2009 forecast looked promising as developers progressed with subdivisions design but failed to go to construction. No subdivisions will go ahead in 2009, just some preparation by one developer as the Town of LaSalle reconstructed a road and the developer installed some underground conduit before a bike path and sidewalk were installed.

Essex has experienced a slowdown in Residential Services as discussed in Exhibit 2 Tab 4 Schedule 1 Section 2.5. Essex has been requested to upgrade many services in 2009, as homeowners take on major home renovations that Essex attributes to the HRTC.

Essex experienced a growth in Commercial Expansion peaking in 2006 and 2007 at approximately $715k, then declining to $510k in 2008, and to date in 2009 $246k. There are no more scheduled expansions in 2009.

Essex experienced substantial growth in Municipal Relocations after peaking in 2005 declining and then coming back up in to the same level in 2007 and 2008 (in the ranges $550k to $650k). 2009 is forecasted to end at $350k.

b) What is the gross, net and contributed capital amounts included in the 2009 forecast associated with the large distributed generation expansion (page 9)?

Response:

This generator has delayed moving forward until the recent amendments to the Distribution System Code (DSC). The amendments require this generator to drop out of the “queue” or move forward. Within the past month, this generator has requested a Cost Connection Agreement (CCA). The amounts forecasted in the 2009 forecast were based on the distribution system code in affect at the time of rate rebasing preparation and are: $560,000 gross capital additions, $560,000 contributed capital for a net addition of $0.

The recent changes to the DSC will require the Contributed Capital to drop from $560,000 for this project to approximately $40,000. Please also refer to VECC response question 6c).

c) Has/will this large distributed generation expansion be in service by the end of 2009? If not, when is it now expected to be in service?

Response:

This generator will not be in service at the end of the 2009. Their recent application to receive a CCA, has a projected in service date as August 4, 2010.

d) Does Essex Powerlines have any updated information related to the GEGEA related generation capital contributions? If yes, please explain what impact this would have on the 2009 forecast.

Response:

The updated information as Essex interprets the new Distribution System Code is that the amounts in Exhibit 2 Tab 4 Schedule 1 Page 10 of 51 under the year 2009 Contributed Capital Account 1995 would be reduced from $ (794,950) to $ (234,650). Since this reduction only reflects to the one large generator project in the amount of $560,000, and this generator will not be in service in 2009, these amounts will be deferred to 2010.

Additionally, the changes to the DSC will reduce this capital contribution to approximately $40,000 as discussed in question 11b and VECC response to question 6c.

e) Please confirm that all of the transactions shown in the table on page 39 were conduction at net book value. If this cannot be confirmed, please provide details on how the values were determined.

Response:

All of the transactions in the table on page 39 were at net book value. Essex Powerlines affiliate Essex Power Services used the same general accounting practices as Essex Powerlines.

f) Please provide more details of the affiliate under recovery allocation of $58,135 to account 1845 in 2007. Why were these additional costs not expensed?

Response:

The $58,135 charged to account 1845 was the excess of actual costs incurred in 2007 by the affiliated service company in the performance of capital works for Essex. Although the amount could have been charged to numerous capital accounts Essex chose to capitalize the entire amount in account 1845. In addition to the $58,135, Essex expensed $23,328 to maintenance account 5150 under this recovery of costs at year end in accordance with the master services agreement.

g) The evidence at page 45 indicates that a number of vehicles are to be replaced in 2010? Are these vehicles fully depreciated? If not, what is their net book value forecast to be when they are replaced? What is the scrap value of these vehicles?

Response:

These vehicles will be fully depreciated. It is unknown at this time what the scrap value is for these vehicles. Typically the trade-in values are minimal considering the age and mileage on them.

h) What are the expenditures shown for 2009 and 2010 for buildings and fixtures shown in the table on page 42 related to?

Response:

The expenditures for 2009 are for some miscellaneous items and the expenditures for 2010 include additional building security and a sub structure for a pole barn.

i) Does Essex have any updated information on the need to and costs related to the new facility discussed at pages 46-47?

Response:

No we do not have any additional information from the Ministry of Transportation on this item.

j) The potential costs for a new facility are estimated to be in the $4 to $6 million range. Please identify, by account, the assets related to the

building, land, etc. that would be removed from rate base if a new facility were utilized. Please also provide an estimate of the reduced OM&A costs associated with the current leasing activities and any other reduction in costs that result.

Response:

We do not have enough information at this time to answer this question. The value that we would receive for the current land and building is not known and therefore we cannot determine if there would be a potential gain or loss to dispose of the current facility. We do have leased premises that would be eliminated that would save approximately $48,000 per year. A complete business case is not yet available.

k) What amount included in the $795,144 shown for software on page 50 is related to IFRS compliance?

The financial software that will be acquired will be IFRS compliant but the potential vendors cannot provide an estimate of a cost for this specific aspect of the financial system. IFRS is not the only reason for acquiring the new software. The current financial system is lacking in functionality, no new enhancements are planned and support will be discontinued in the future.

l) Are any of the costs related to IFRS compliance eligible to be included in the deferral account that the Board indicated it would establish for incremental one-time administrative costs related to the transition to IFRS in the EB-2008-0408 Report of the Board on Transition to International Financial Reporting Standards dated July 28, 2009? If so, please quantify the amount and provide details on the component costs.

Response:

Since the IFRS component cost is not determinable and it is capital in nature, there are no IFRS related costs from the new system that should be entered into the deferral account.

m) If Essex Powerlines is proposing to include IFRS related costs in its 2010 revenue requirement rather than in the deferral account, does it agree that there should be a variance account established around the forecast amount? If not, why not?

Response:

There is an estimated cost of $200,000 of estimated incremental cost to transition to IFRS. We had proposed to spread this over the next four years and have included $50,000 in the rate application to recover this amount. We would agree to establish a deferral account if directed by the Board but it would mean that we would not be able to recover any amounts until 2013. For cash flow purposes, we would suggest that a rate rider be established.

Interrogatory # 12

Ref: Exhibit 2, Tab 5, Schedule 1, Attachment 1 &
Exhibit 3, Tab 1, Schedule 3, Attachment 1

The power supply expenses shown in Attachment 1 of Exhibit 2, Tab 5, Schedule 1 of $48,056,490 are shown in more detail in Exhibit 3, Tab 1, Schedule 3, Attachment 1.

a) **Does Essex Powerlines propose to update the working cash allowance to reflect any update rates that may be available to reflect transmission – network, transmission – connection or low voltage charge information that may be available? If not, why not?**

Response:

We are not aware of any more recently approved rates from Hydro One. Therefore, were not proposing to update for changes in rates since the effect will be included in a variance account for disposition later.

b) **Is the $0.06072 rate used to calculate the cost of power shown in Attachment 1 of Exhibit 3, Tab 1, Schedule 3 based on the April 15, 2009 Regulated Price Plan Price Report? If not, what is it based on?**

Response:

Yes, Essex used the $0.06072 rate as noted in the Board's April 2009 Regulated Price Plan Price Report

c) **Please update the cost of power component of the working capital allowance to reflect the October 15, 2009 OEB RPP Report that has a cost of power of $.06215 per kWh.**

Response:

When Essex updates the cost of power component of the working capital allowance to reflect the October 15, 2009 OEB RPP Report of $0.06215 it increases the cost of power by $886, 429 and the working capital allowance increases by $132,964.

d) Has Essex Powerlines reflected the different rates applicable to RPP and non-RPP customers in the cost of power calculation? If not, why not?

Response:

No, Essex used the rate of $0.06072 for both the RPP and non-RPP customers in the cost of power calculation.

e) Please provide the percentage of the total kWh represented by the non RPP kWh based on actuals for 2008 and if available, for the 2010 forecast.

Response:

Based on the most recent 12 month of data Essex estimates it's non-RPP customers to make up approximately 34% of total kwhr sales.

f) Please calculate the cost of power and the related impact on the working capital allowance to reflect the RPP and non RPP volumes (as provided in the response to part (e) above using the RPP price of $0.06215 per kWh and a price of $0.05820 per kWh for the non RPP volumes (being the sum of the forecasted average HOEP price of $0.03326 per kWh and the forecasted global adjustment of $0.02494 per kWh for the RPP year).

Response:

By using the rates provided above the cost of power would increase to $37,694,923 causing the working capital allowance to increase $8,368 to $8,182,983

g) Are the kWh's associated with any market participants served by the distributor included in the kWh's used to calculate the cost of power? If yes, please recalculate the cost of power component of the working capital allowance removing any such volumes.

Response:

Essex does not have any kWh's associated with any market participant included in the kWh's used to calculate the cost of power.

h) What rates has Essex Powerlines used to determine the low voltage charge component of the power supply expenses? Are these the current rates?

Response:

Yes, Essex used the current rates to determine the low voltage charge component.

Interrogatory # 13

Ref: Exhibit 3, Tab 1, Schedule 1, Attachment 1 &
Exhibit 2, Tab 4, Schedule 1, page 6

Please explain why the increase in residential customers forecast for 2009 and 2010 (128 & 129, respectively) are substantially less than the number of lots/units shown in the residential expansion table on page 5 of Exhibit 2, Tab 4, Schedule 1. In particular, please explain the lower residential customer addition forecast than lots/units in 2009 and 2010 in comparison to 2008 when there were 113 lots/units, but an increase of 137 residential customers.

Response:

The number of lots/units shown in Exhibit 2, Tab 4, Schedule 1, page 6 are primary serviced lots and are not necessarily built on within the year to get a connected customer. When the houses are built and we actually connect a secondary service is when they become a customer. There are some developments that may have lots that may not be sold for several years. In 2008 there were 113 primary serviced lots but 137 customers connected with the reason that lots installed in a prior year were built on. However, we are still seeing a downturn in development with 2009 predicted subdivisions not progressing. See response to VECC IR #6 b also.

Interrogatory # 14

Ref: Exhibit 3, Tab 1, Schedule 1, Attachment 1

Please provide the number of customers/connections for each rate class shown based on the most recent month of actual data available for 2009. Please provide the corresponding number of customers by rate class for the corresponding month in 2008.

Response:

Using the most recent month data from November 2009 compared to November 2008, the following data is provided:

	11/2009	11/2008	
Residential	25,696	25,711	
GS<50	1,868	1,866	
GS>50	156	148	
GS>50 Interval	58	57	
Intermediate	1	1	
Sentinel Lights	323	322	#lights/connections
Street Lights	7,674	7,583	#lights/connections
Un-Metered Load	148	150	

Interrogatory # 15

Ref: Exhibit 3, Tab 1, Schedule 2, Elenchus Report, page 9

Please provide the most recent year-to-date kW and kWh's for 2009 associated with the one customer in the intermediate class (excluding the January to March 2009 consumption shown in footnote 5). Please also provide the corresponding year-to-date figures for the customer in 2008.

Response:

Intermediate Usage

	2008		2009	
	kwhrs	kw	kwhrs	kw
April	-	-	4	15
May	-	-	373	354
June	167,787	4,756	1,342	430
July	400,564	2,201	600,768	3,117
August	642,911	3,972	247,904	2,705
September	1,595,698	3,599	1,142,987	3,270
October	275,669	2,625	125,111	1,551
November	-	-	-	-

Interrogatory # 16

Ref: Exhibit 3, Tab 1, Schedule 2, Elenchus Report, page 10

a) Please provide the annual consumption for the two of the three points that is available for 2007 and 2008 and please also provide the normalized volumes for each of those years.

Response:
The two points for which annual data are available for 2007 and 2008 are West-Texas (GS>50 kW) and Howard (Intermediate). The table below summarizes annual consumption, actual and normalized, for 2007 and 2008.

	Howard (Int.)		West-Texas (GS>50)	
Year	Actual	Normal	Actual	Normal
2007	37,178,790	36,975,950	2,586,399	2,572,288
2008	34,075,406	33,889,498	2,630,563	2,616,211

b) Please explain the increase in the normal kWh forecast from 9,127,982 to 9.674,620. What is driving this increase of nearly 6%?

Response:

See response to Board Staff IR#5b). Hydro One delisted the Robson Road meter point on May 1, 2009 and the load was added to our system.

b) For the third ED delivery point, please provide the actual and normalized kWh figure for the most recent 12 month period available.

Response:
The third delivery point is Canard-Detroit, as indicated on p. 10 of the Elenchus Report, the wholesale meter for this delivery point was deregistered in February 2008; therefore, consumption prior to that time is not available. The most recent 12 months available are December 2008 through to November 2009. The actual and normalized values are displayed in the table below.

Can-Detroit kWh (Dec'08-Nov'09)	
Actual	Normal
6,802,191	6,765,079

Interrogatory # 17

**Ref: Exhibit 3, Tab 1, Schedule 2, Elenchus Report, page 14 &
Exhibit 3, Tab 1, Schedule 1, Attachment 1**

a) **Please explain the difference in average customers/connections for the Sentinel Lighting and Street Lighting figures for 2010 as shown in the two schedules referenced.**

c) **Please explain the difference in the kWh forecast for 2010 in the street lighting class as shown in the two schedules referenced.**

Response:
The 2010 forecast data for Lighting classes which appears on page 14 of the Report attached to Exhibit 3 / Tab 1 / Schedule 2 is incorrect. The correct values appear in Exhibit 3 / Tab 1 / Schedule 1 / Attachment 1.

Interrogatory # 18

Ref: Exhibit 3, Tab 3, Schedule 1, Attachment 1

Please provide the most recent year-to-date figures for 2009 and the corresponding figures for 2008 for each of the four major Other Operating Revenues sources shown at the bottom of the table, along with the total of the four categories.

Response:

APPENDIX 2-D
Other Operating Revenue

Uniform System of Account #	Description	As of November, 2008	As of November, 2009
4080	Standard Supply Service	155,844	136,779
4082	Retailer Service Agreement	46,831	46,247
4084	Service Transaction Request	1,309	531
4210	Rent from Electric Property	102,324	102,335
4225	Late Payment Charges	138,359	137,940
4235	Miscellaneous Service Revenues	176,462	171,033

4325	Revenues from Merchandise, Jobbing, Etc.		
4355	Gain on Disposition of Utility and Other Property	3,053	22,166
4375	Revenues from Non-Utility Operations	1,496,127	1,900,553
4380	Expenses of Non-Utility Operations	(1,282,831)	(1,823,863)
4390	Miscellaneous Non-Operating Income	26,515	9,176
4405	Interest and Dividend Income	70,727	22,507
Specific Service Charges		176,462	171,033
Late Payment Charges		138,359	137,940
Other Distribution Revenues		306,308	285,892
Other Income and Expenses		313,591	130,539
Total		934,720	725,404
Total without non utility revenues & expenses		721,424	648,714

Interrogatory # 19

Ref: Exhibit 3, Tab 3, Schedule 1, Attachment 2

a) **Please explain why the margin associated with revenues (account 4375) and expenses (account 4380) related to the EPS Street Light Services are forecast to drop from more than \$58,000 in 2008 to just over \$21,000 in each of 2009 and 2010.**

Response:

In 2008 there was a higher administration overhead included that has been reduced in 2009 and 2010. See response to 7 c).

b) **Please explain why the margin associated with revenues (account 4375) and expenses (account 4380) related to the Work for Others are forecast to decline from a gain \$57,000 in 2008 to a loss of \$24,000 in each of 2009 and 2010.**

Response:

The amounts entered for account 4380 for Work for Others is incorrect. These amounts should be $222,158 not $263,142 bringing 2009 & 2010 to a $17K gain.

Interrogatory # 20

Ref: Exhibit 3, Tab 3, Schedule 4, Attachment 1

a) **Please explain why no revenues from account 4375 and expenses from account 4380 have been included in the test year revenue offsets.**

Response:

The exclusion of 4375-4380 is consistent with the OEB's 2006 EDR model, where those accounts were not included in the revenue offsets calculated on sheet 5-5, and there has been no change or guidance to the contrary from the OEB since that model was issued.

b) **Is Essex Powerlines aware of any Board Decisions related to the 2008 and/or 2009 cost of service applications where the Board has explicitly excluded the net revenues from accounts 4375 and 4380 from the calculation of the revenue offsets? If yes, please provide complete details.**

Response:

See response to a) above. . We are not aware of any Board Decisions where the Board explicitly included the net revenue from non-utility accounts in the calculation of revenue requirement.

Interrogatory # 21

Ref: Exhibit 4, Tab 1, Schedule 1, page 1

Please confirm that based on the OM&A expenses shown in the table on page 1 of Exhibit 4, Tab 1, Schedule 1, but excluding the taxes other than income taxes, the 2010 total is virtually identical to the actual 2006 cost.

Response:

Essex confirms that based on the OM&A expenses shown in the table on page 1 of Exhibit 4, Tab 1, Schedule 1 that if taxes other than income taxes are removed the difference between the two years is only $996.

Interrogatory # 22

Ref: Exhibit 4, Tab 1, Schedule 3, page 1

a) **What would be the impact on the 2010 revenue requirement if the labour increase for management was limited to 2% in 2010?**
Response:

The 2010 revenue requirement would decrease by $1,335.

b) **What would be the impact on the 2010 revenue requirement if the labour increase for management was limited to 2% in both 2009 and 2010?**
Response:

The 2010 revenue requirement would decrease by $2,664.

Interrogatory # 23

Ref: Exhibit 4, Tab 2, Schedule 1, Attachment 2 & 3

a) **Attachments 1 & 2 do not appear to reconcile. For example, Attachment 2 shows a regulatory expense increase in 2010 of approximately $100,000 but Attachment 3 does not show any increase in 2010 relative to 2009. Similarly, an increase of $18,000 in community relations shown in Attachment 2 does not appear in Attachment 3. Please comment.**
Response:

The increase in 2010 in regulatory expenses is $100,033 and is due to the addition of the Regulatory Affairs Manager – this amount is included in the labour increase column. While the $18,000 increase in community relations is due to the LEAP program and was not included in attachment 3 as Essex used a $20K cut off for explaining variances (well below the materiality threshold of $41,728)

b) **Is the $50,000 related to IFRS shown in Attachment 3 as a driver in the increase in 2009 a one-time cost or is this an increase in the ongoing costs associated with IFRS? Please identify what this cost is related to.**

Response:

As per Exhibit 4, Tab 2, Schedule 1, Page 1&2, the following explanation was given:

EPLC estimates the project conversion costs to be $200,000 and has included one quarter of these costs in the 2009 Bridge Year and forward for 4 years in OEB account 5630.
In the Report of the Board, Transition to International Financial Reporting Standards (EB-2008-0408) issued on July 28, 2009 (the "IFRS Report") the OEB suggested that Distributors who are filing a Cost of Service Rate Application should forecast ongoing compliance costs as part of the Application. In the IFRS report, the OEB identified the requirement for an annual third party supplementary audit assurance. However, based on the IFRS pending rate regulated exposure draft and the unknown parameters on which the third party auditor would be required to audit, a reasonable cost of this added expense cannot be predicted at this time. Therefore, EPLC has not included the costs of the supplementary audit in this Application.

Interrogatory # 24

Ref: Exhibit 4, Tab 2, Schedule 1, Attachment 2 &
Exhibit 9, Tab 3, Schedule 2

Essex Powerlines is forecasting that it will install nearly 16,000 smart meters in 2009.

a) **Is Essex Powerlines on schedule to install the nearly 16,000 smart meters as originally forecast in 2009? If not, what is the number now expected to be in service by the end of 2009?**

Response:

We have installed 14,000 smart meters as of the end of November 2009. We still expect to meet our target of 16,000 for 2009.

b) **Given the significant number of new smart meters forecast to be installed by the end of 2009, please explain the significant increase in account 5175 – Maintenance of Meters forecast for 2009 and 2010 relative the actual expenditures in 2006 through 2008.**

Response:

With the completion of the installation of the new smart meters it has been projected that the cost of operation (5065) will be reduced while the cost of maintenance (5175) will increase - keeping total costs neutral. In 2009 account

5175 increases $38K while account 5065 decreases $48K, causing a net change in meter operations and maintenance in 2010 of a decrease of $10K.

Interrogatory # 25

Ref: Exhibit 4, Tab 2, Schedule 3

a) **Does the total cost associated with the 2010 cost of service application include costs associated with an oral (technical conference and/or hearing) component of the rates application? If yes, please provide the amount by component that is associated with an oral component to the application.**

Response:

No, the costs provided do not include costs associated with an oral technical conference or hearing.

d) **What are the current year-to-date costs incurred for each of consulting costs, legal costs and labour costs related to rate rebasing?**

Response:

The current costs incurred for the rate rebasing as of November 30, 2009:
Labour – $81,244
Consulting - $47,270
Legal - $12,610

Interrogatory # 26

Ref: Exhibit 4, Tab 2, Schedule 1, Attachment 4

Please explain the significant increase in 2010 for regulatory costs associated with Staff Resources Allocated to Regulatory Matters. Is this increase related to the 2010 rates application and, if so, has it been amortized over 4 years? If this increase, or a portion of it, is related to the addition of a regulatory manager position, please identify the total cost of this position included in this amount.
Response:

The increase in 2010 for regulatory costs associated with staff resources allocated to regulatory matters is due to the proposed hiring of a Regulatory Manager. The $108K increase is 100% attributed to this hire.

Interrogatory # 27

Ref: Exhibit 4, Tab 2, Schedule 1, Attachment 5 &
EB-2006-0268

In the Comparison of Ontario Electricity Distributors Costs (EB-2006-0268) Peer Groups per PEG Report, Essex Powerlines was included in the Mid-Size Southern Medium-High Undergrouding peer group. This group had an average OM&A per customer cost averaged over 2005, 2006 and 2007 of $208. The corresponding Essex Powerlines figure was $221, or more than 6% above the group average.

a) **Please confirm that these figures are correct. If more recent information is available using 2008 costs, please provide the detail for the group that includes Essex Powerlines.**
Response:

Essex does not know how the PEG report figures were calculated and therefore cannot comment on whether they are correct.

b) **Please explain why the figures for 2006 and 2007 shown in Exhibit 4, Tab 2, Schedule 1, Attachment 5 are different, and higher, than the figures shown in the PEG Report.**

Response:
Essex can not explain the differences between the PEG report and the figures filed in Exhibit 4, Tab 2, Schedule 1, Attachment 5 as it does not know what adjustments were made to derive the PEG Report figures.

Interrogatory # 28

Ref: Exhibit 4, Tab 2, Schedule 2

a) **Are the any of the forecasted conversion costs related to IFRS of $200,000 eligible to be included in the deferral account that the Board indicated it**

would establish for incremental one-time administrative costs related to the transition to IFRS in the EB-008-0408 Report of the Board on Transition to International Financial Reporting Standards dated July 28, 2009? If so, please quantify the amount and provide details on the component costs. If not, please provide details on the $200,000 estimated cost and indicate why some or all of these costs would not be eligible for inclusion in the deferral account.

Response:

See response to 11m).

b) If Essex Powerlines is proposing to include any costs in its 2010 revenue requirement rather than in the deferral account, does it agree that there should be a variance account established around the forecast amount? If not, why not?

Response:

See response to 11m).

c) Will any of the affiliates of Essex Powerlines benefit from the work being done for the conversion to IFRS? How many of the affiliate companies, other than Essex Powerlines will need to transition to IFRS? Have any costs related to the conversion to IFRS been allocated to the affiliates? If not, why not?

Response:

We do not believe that the affiliates benefit from the full IFRS conversion. We believe that the three affiliates will have to transition to IFRS. The cost reflected in the rate filing is for the regulated company portion only. Any affiliate company will bear its own costs for the transition. Were it not for Essex the other affiliates would not have to comply with full IFRS. Due to IFRS requirements for consolidated financial statements necessitating the same financial standard, the affiliates are forced to also adopt full IFRS at this time as well. The requirements for the affiliates is considerably less since they are service companies rather than asset based companies and do not have all the dynamics that the regulated company possesses and the associated IFRS compliance requirements.

Interrogatory # 29

Ref: Exhibit 4, Tab 2, Schedule 4

On September 28, 2009 the OEB issued a letter providing a status update on the LEAP initiative. As part of that letter the Board indicated that the Minister of Energy and Infrastructure requested that the Board not proceed to implement new support programs for low-income energy consumers in advance of a ministerial direction.

a) **Please confirm that there are no other costs associated with LEAP, other than then $25,000 shown on page 3 of the evidence.**

Response:

No other costs associated with LEAP are included.

c) **In light of the Minister's letter, does Essex Powerlines agree that the $25,000 should be removed from the revenue requirement for 2010? If not, why not?**

Response:
How about this: Only $18,002.80 was included in the revenue requirement for 2010. Essex Powerlines does not agree that it should be removed from revenue requirement. It is Essex Powerlines' understanding that LEAP initiatives have merely being delayed. Since the rates set in this application will form the basis for rates for the next four years, it would not be reasonable to remove the $18,002.80 cost without the Board providing another mechanism to recover LEAP costs for when the program is re-introduced.

Interrogatory # 30

Ref: Exhibit 4, Tab 2, Schedule 5

a) **Please provide the total cost associated with the addition of 2 employees to comply with the effects of the Green Energy and Green Economy Act.**

Response:

The total cost of the 2 additional employees including labour and benefits is $181,250.

b) **Have the costs associated with these 2 employees been included in the 2010 revenue requirement or is Essex Powerlines proposing that these costs be included in the requested deferral accounts?**

Response:

We included the costs associated with these 2 employees in the 2010 revenue requirement and not in a deferral account. Essex is not proposing the cost of the 2 new positions to the requested deferral accounts as these costs are known. The deferral accounts requested were for unknown and to be determined system costs.

Interrogatory # 31

Ref: Exhibit 4, Tab 3, Schedule 1, page 7 &
Exhibit 4, Tab 2, Schedule 1, Attachment 4

Please reconcile the statement in Exhibit 4, Tab 3, Schedule 1, page 7 that the $250,000 related to the rate rebasing application are split over 4 years (2010-2013) with the apparent inclusion of some rate rebasing costs in 2009 as shown in Attachment 4 of Exhibit 4, Tab 2, Schedule 1.
Response:

The rebasing costs were included in 2009 in error. They should be removed from 2009 and included in 2010 – 2013 not 2009 – 2012.

Interrogatory # 32

Ref: Exhibit 4, Tab 4, Schedule 1

a) **Why did the management increase of 2.5% for 2009 not also consider the Statistics Canada report data related to Management Occupations (1.6%) or Occupations unique to processing, manufacturing and utilities (-1.6%)?**

Response:

That document also indicates Business, Finance and Adminstrative Occupations with a 4.9% increase. Manufacturing is not relevant to our industry as the manufacturing sector is significantly decreasing in capacity. With the diversity of the 1.6%, 4.9% and the 2.9%, the Board decided to approve 2.5% as a reasonable increase.

b) The Hay Group and Watson Wyatt reports provided appear to be based on information from 2008 for 2009. Please update these reports to reflect the 2010 outlook based on current information.

Response:

The Watson Wyatt report for 2010 is not yet available. The Hay report is below:

HayGroup®

Compensation planning for 2010

Hay Group releases salary forecasts for 2010

Toronto, Ontario - September 2, 2009. Hay Group's national projections for 2010 Canadian salary adjustments have decreased substantially from a year ago.

Planned Increases for 2010

The results from a recent Hay Group survey of Canadian employers indicate a national average salary increase of 2.3% in 2010, which is much lower than the 2009 forecast of 3.7% from last year's survey. This year's 2.3% forecast, however, is identical to the 2.3% average actual salary change that organizations realized in 2009. The 2010 forecast and the actual adjustments of 2009 obviously reflect the impact of the recent economic downturn.

Almost 500 Canadian organizations in the public and private sectors provided details of their planned salary adjustments for 2010. Participants include many of Canada's leading employers.

"Over the past year, we've continued to experience symptoms of an overall weaker economic outlook, which last year was partially offset by the buoyancy of the energy sector in Alberta. The 2010 forecasts, however, do not include that energy sector optimism, and as a result, the forecasts are noticeably lower than those of last year", comments Karl Aboud, Director of the Hay Group Reward Consulting Practice.

One of the most noticeable observations in this year's survey is that 15% of our respondents are forecasting an actual salary freeze for 2010, compared with only 2% that forecast a freeze one year ago. In fact, the 2.3% salary forecast increases to 2.9% without accounting for the zero percent observations.

Another noticeable observation is that while Saskatchewan (at 3.8%) repeats as the province with the highest forecast, it is Newfoundland (at 3.5%) and Manitoba (at 3.0%) that have replaced Alberta (at 2.6%) as the next highest ranked provinces. The forecast for Quebec (at 2.5%) is slightly above the national average, while Ontario (at 2.1%) and B.C. (at 1.9%) are the only provinces with forecasts below the national average of 2.3%.

All provincial forecasts have decreased from a year ago, with the largest drop shown in Alberta (at -2.3 percentage points) and B.C. (at -1.8% points).

Mining (at 3.7%) is the sector projecting the highest average salary increase followed by Utilities (at 3.2%) and Credit Unions, Hospitality and Pharmaceutical (all at 3.0%). The three sectors with the lowest projections for 2010 are Media (at 0.9%), Forestry & Paper (at 1.0%) and Telecommunications (at 1.4%).

Details of the survey results will be released at a series of Hay Group breakfast briefings being held in major cities across Canada in September.

Hay Group is a global management consulting firm that works with leaders to transform strategy into reality and to help people and organizations realize their potential.

Please contact us for further details.

c) With regards to the new position of Manager, Regulatory Affairs, please indicate:

- **i) Has Essex Powerlines failed to meet any regulatory requirements in the past 2 years? If so, please indicate what these failures were.**
- **ii) Why Essex Powerlines believes it needs to provide input on new regulatory issues directly, rather than through the Electricity Distributors Association.**
- **iii) Would the Manager, Regulatory Affairs be the actual position that collects the data, makes year to year comparisons, does the load forecast modeling and ensures the accuracy of the data maintained?**
- **iv) Given that management at Essex Powerlines is now aware of the ongoing requirements for proper and accurate data, why is an annual expenditure of more than $80,000 required to achieve this?**

Response:

i) No we have not failed to meet any regulatory requirements in the past 2 years.

ii) Our interests are not always provided by the EDA since they represent a diverse group of varying sized utilities.

iii) Yes

iv) The Management at Essex has realized over the last couple of years that this regulatory position has become more of a necessity due to the increasing demands of the regulator and the industry changes. There has not been an opportunity before our cost of service application to seek approval for the additional cost for this position. The filling of this position will assist in consolidating the activity which will assist with accuracy and it will reduce the workload of the Finance department so they can meet the requirements of IFRS. If this position is not approved then we will have to hire an alternate position(s) in the finance department to continue to meet the corporation's regulatory needs as well as the ongoing IFRS requirements.

d) With regards to the new position of Distribution Engineer, please:

- **i) Indicate the proportion of this positions time related to GEGEA;**
- **ii) Indicate the expected proportion of the costs associated with this position that would be capitalized as part of GEGEA investments.**

Response:

i) The proportion of the distribution Engineer's time related to the GEGEA is approximately 85%. See also the OEB staff IR# 14.

ii) In Essex's application none of the time was assumed to be capitalized. It was all added to Account 5105. At the time of application many of the OEB and OPA's codes, guidelines, and processes were not determined. In retrospect, Essex estimates that approximately 40% of the Distribution Engineer and 20% of the Special Customer Account Manager could be capitalized as discussed in OEB's Guidelines: Deemed Conditions of Licence on Distribution System Planning (G-2009-0087).

Please also reference VECC IR# 6d) and 18c).

e) **The Board has initiated a proceeding (EB-2009-0349) to determine the direct benefits related to the connection of a "renewable energy generation facility" and to recognize that some portion of the costs of distribution system investments related to these connections should be shared among the province's ratepayers. Based on this, please indicate:**

   i) **Has Essex Powerlines incorporated any of the potential direct benefits into the revenue requirement calculation for 2010 associated with the connection of renewable energy generation (for example, lower distribution system losses, lower transmission charges, etc.)?**

   Response:

   The "direct benefits" letter of the EB-2009-0349 proceeding was sent out by the OEB September 21, 2009 and Essex's application was submitted at approximately the same time. Essex has not incorporated any of the potential direct benefits in its application.

   ii) **How does Essex Powerlines propose to deal with the uncertainty currently surrounding which costs will be borne by individual utility ratepayers as opposed to those costs shared among the province's ratepayers?**

   Response:

   Essex will direct costs associated with items as describe by the OEB's Guidelines: Deemed Conditions of Licence on Distribution System Planning (G-2009-0087) into the deferral accounts. Until the OEB approves the costs and directs LDC's on how to recover these costs they will remain in these deferral accounts. Essex will create a plan in 2010 as directed by these guidelines.

iii) Would it be appropriate, in the view of Essex Powerlines, to include any costs associated with the Distribution Engineer in a deferral account and recover any portion of those costs not shared among the province's ratepayers once the rules has been established? If not, why not?

Response:

Essex will direct the appropriate charges to the accounts that they pertain to. Essex estimates that the GEGEA costs to be approximately 85% of the Distribution Engineer costs and the remaining 15% the operations and maintenance. Some of the GEGEA costs will be recoverable from generators as per the recent modifications the DSC.

f) The evidence states that Essex Powerlines believes that distributors "should also be equipped to participate and provide leadership as generators" (page 11). Does Essex Powerlines believe that any costs associated with generation should be recovered through regulated distribution rates? If yes, please explain why.

Response:

Essex does not believe that any costs associated with generation should be recovered through regulated distribution rates. We believe the generation projects should stand on their own merit and not affect the regulated customers. The revenues and costs associated should be recorded in the non-distribution accounts 4375 and 4380 so they do not affect the revenue requirement.

g) Has Essex Powerlines investigated the possibility of joining with other distributors in the area to share the costs associated with a Distribution Engineer and/or a Special Customers Accounts Manager rather than hiring these positions by itself? If not, why not?

Response:

Essex does not believe there is sufficient available capacity for these positions to be able to effectively share with any other LDC in our area.

Prior attempts with other LDC's in the area to share costs have not been accepted.

Interrogatory # 33

Ref: Exhibit 4, Tab 5, Schedule 1, Appendix 2-M, Chart 10 &
Exhibit 3, Tab 3, Schedule 1, Attachment 2

All of the figures shown in Chart 10 of Appendix 2-M in Exhibit 4, Tab 5, Schedule 1 match the figures shown in Attachment 2 of Exhibit 3, tab 3, Schedule 1 except for the costs related to other third party services. Please reconcile the $222,158 shown in Chart 10 with the $263,142 shown in Attachment 2.

Response:

The amounts shown in Chart 10 are the correct figures. The 2010 figure used in Exhibit 3, Tab 3, Schedule 1, Attachment 2 was not updated and therefore incorrect.

Interrogatory # 34

Ref: Exhibit 4, Tab 7, Schedule 1, Attachment 1, page 3 &
Exhibit 2, Tab 3, Schedule 3

Page 3 of Attachment 1 to Exhibit 4, Tab 7, Schedule 1 shows additions in 2008 of $2,931,971 plus transferred assets in the amount of $4,259,752. However, the figures shown in Exhibit 2, Tab 3, Schedule 3 for 2008 are $2,912,675 and $3,262,040, respectively. Please reconcile these differences and explain why the figures are different.

Response:

The Fixed Asset Continuity Schedule (Exhibit 2, Tab 3, Schedule 3, Attachment 1) shows the actual additions and accumulated amortization for the individual accounts, while the Depreciation schedule (Exhibit 4, Tab 7, Schedule 1, Attachment 1) shows the balances used to calculate the depreciation expense. The remaining depreciation life was used as the remaining useful life of the assets transferred into Essex. In order to make the schedule work, the "grossed up" asset value was used to carry on the proper yearly depreciation values.

Interrogatory # 35

Ref: Exhibit 4, Tab 7, Schedule 1, page 1 & Attachment 1, page 5

It is stated at lines 7-8 that "In the year of addition a full year of amortization is recognized". However, page 5 of Attachment 1 appears to calculate depreciation based on the opening balancing less fully depreciated assets plus one half of the additions in 2010.

Please confirm that Essex Powerlines has used the half year rule in the calculation of the depreciation expense.

Response:

Essex has used the half year rule in the calculation of the depreciation expense.

Interrogatory # 36

Ref: Exhibit 4, Tab 1, Schedule 1, page 1

a) **Please provide a breakdown of the Taxes Other Than Income Taxes line for 2006 through 2010 into capital taxes, property taxes and any other tax component that may be included in this line.**

   Response:

The amounts in the years 2006 & 2007 are all capital tax. In 2008, there is $58,668 of capital tax and $46,052 of property tax. In 2009 and 2010 this amount pertains to capital tax only. Essex over-looked forecasting the cost of property tax

b) **Please provide an explanation for any taxes that are not capital taxes or property taxes.**

   Response:

   N/A

c) **Please provide an explanation for any significant changes in property taxes.**

   Response:

Essex did not own a building prior to 2008 and therefore the increase in 2008 over 2007 of $46K.

Interrogatory # 37

Ref: Exhibit 4, Tab 8, Schedule 3

a) Please explain why there are no tax credits such as apprenticeship or education tax credits in the 2010 calculation for PILS.

Response:

We are not anticipating any apprentices in 2010.

b) Does Essex Powerlines have any apprentices forecast for 2010?

Response:

No

c) If the response to part (b) is yes, please calculate the impact on taxes and on the revenue requirement of including the Apprenticeship Training Tax Credit as modified in the 2009 provincial budget to 35% of qualifying wages to a maximum of $10,000 per position and extending the eligibility period from 36 months to 48 months. Please show the number of positions eligible for the credit and the amount that can be claimed for each in 2010.

Response:

N/A

d) Does Essex Powerlines have any positions that quality for the education tax credit in 2009?

Response:

No, Essex does not have any positions that qualify for the education tax credit in 2009 or 2010.

e) If the response to part (d) is yes, please provide a calculation that reflects the 2009 provincial budget changes that increased the credit to 25% of qualifying wages to a maximum of $3,000. Please show the number of

positions eligible for the credit and the amount that can be claimed for each in 2010.

Response:
N/A

Interrogatory # 38

Ref: Exhibit 8, Tab 4, Schedule 3, Attachment 1

a) **Please explain why Essex Powerlines has not used the full $15 million for the exemption in the calculation of the Ontario Capital Tax (page 15 of 16).**

Response:

This has been corrected to $15,000,000.

b) **Please re-calculate the Ontario Capital Tax using the full $15 million exemption.**

Response:

The revised Ontario Capital Tax amount would be $19,868.

Interrogatory # 39

Ref: Exhibit 8, Tab 4, Schedule 3, Attachment 1

a) **Please explain how Essex Powerlines has derived a combined income tax rate of 33.73% (page 16). Please include in this explanation the federal tax rate used and the provincial tax rate used.**

Response:

Please see response to Board Staff IR#18 a) & b).

b) **Please provide a copy of sheet Y1 that is referred to on page 16.**

Response:

Sheet Y1 is shown below.

RateMaker PILs v1.02 © Elenchus Research Associates

Essex Powerlines (ED-2002-0499)

PILs Calculations for 2010 EDR Application (EB-2009-0143) version: v0.1

December 9, 2009

Y1 Tax Rates and Exemptions

Enter applicable rates and exemption amounts

2009 INCOME TAXES

Income Range		Income Tax Rates			SBD
From	To	Federal	Ontario	Combined	Clawback
$0	$400,000	11.00%	5.50%	16.50%	
$400,000	$500,000	19.00%	5.50%	24.50%	
$500,000	$1,500,000	19.00%	14.00%	33.00%	
$1,500,000		19.00%	14.00%	33.00%	

2009 CAPITAL TAXES

	LCT	OCT
Exemption	$50,000,000	$15,000,000
Capital Tax Rate		0.225%
Surtax Rate		

2010 INCOME TAXES

Income Range		Income Tax Rates			SBD
From	To	Federal	Ontario	Combined	Clawback
$0	$400,000	11.00%	5.00%	16.00%	
$400,000	$500,000	19.00%	5.00%	24.00%	
$500,000	$1,500,000	18.00%	13.00%	31.00%	
$1,500,000		18.00%	13.00%	31.00%	

2010 CAPITAL TAXES

	LCT	OCT
Exemption	$50,000,000	$15,000,000
Capital Tax Rate		0.075%
Surtax Rate		

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Interrogatory # 40

Ref: Exhibit 8, Tab 4, Schedule 3, Attachment 1, page 16

a) **Based on the following assumptions, please recalculate the Income Tax Payable and the Total PILs Expense:**
   i) **Federal income tax rate is 18.0%;**
   ii) **Provincial income tax rate on taxable income is 13.0% (based on current rate of 14.0% and rate of 12.0% effective July 1, 2010); and**
   iii) **Provincial small business tax rate of 5.0% on the first $500,000 of taxable income and a 2.125% surtax on taxable income over $500,000 and below $1,500,000.**

Response:

See response to Board staff IR# 18b).

b) Please confirm that the 2009 provincial budget reduced the small business tax rate from 5.5% to 4.5% effective July 1, 2010 on the first $500,000 of taxable income and eliminated the 4.25% surtax on taxable income over $500,000, also effective July 1, 2010.

Response:

Essex Powerlines Corporation acknowledges the reduction of the small business tax rate from 5.5% to 4.5% on the first $500,000 of taxable and the elimination of the 4.25% surtax on taxable income over $500,000 effective July 1, 2010 that was announced in the 2009 Ontario budget. The small business rate does not apply to Essex. See response to Board Staff IR#18 a).

c) Please confirm that the 2010 provincial tax savings resulting from the above change is $20,975, the difference between the following calculations on the first $1,395,291 of taxable income:

- **13% x $1,395,291 = $181,388 and**

5% x $500,000	**= $25,000**
13% x $895,291	**= $116,388**
2.125% x $895,291	**= $19,025**
Total	**= $160,413**

If these calculations cannot be confirmed, please provide the calculations that show the reduction in the provincial income tax and provide the rationale for the rates and numbers used.

Response:

See response to Board staff IR#18 a).

Interrogatory # 41

**Ref: Exhibit 4, Tab 8, Schedule 2, Attachment 2 &
Exhibit 2, Tab 3, Schedule 3**

There appear to be problems with how Essex Powerlines has calculated its CCA in 2008, and possibly in previous years. These problems may impact on the CCA available in the bridge and test years.

a) **Please explain why the total cost of acquisitions shown in the 2008 CCA schedule of $4,609,721 does not equal the value of the additions of $2,912,675 plus Ret./Other of $3,262,040 less the value of land included in this amount of $191,700 (for a total of $5,983,015) as shown in Exhibit 2, Tab 3, Schedule 3.**

Response:

This question is attempting to reconcile accounting values with income tax values and there are differences between the two. The following table outlines that there are a number of inventory items that are classified as capital for regulatory purposes but are not considered additions to capital for tax purposes. There is one incorrect value on the continuity schedule for $55,667 that should be removed. The $459,582 is the spare materials inventory that is required to be reclassified as capital for statement presentation purposes and was included with Meters as a total amount rather than spread across several capital accounts.

Per Continuity Schedule	
Additions	2,912,675
Ret/other	3,262,040
less Land transferred	(191,700)
Sub total	5,983,015
Additions per 2008 CCA Schedule	4,609,721
Variance	1,373,294
Non CCA items:	
transformer inventory transfer	617,742
transformer inventory change in 2008	96,240
meter inventory transfer	226,915
meter inventory change in 2008	(89,957)
Land rights	10,229
Inventory reclassified into meter cap acct	459,582
Book value versus UCC on transferred assets	(2,882)
Communication equip. variance between CCA & continuity	(242)
Other items:	
meter retirement error on continuity schedule	55,667
Variance	1,373,294

b) **Please explain how the half year rule figures shown in column 6 of the 2008 CCA schedule have been calculated, as they do not appear to reflect one-half of the additions in the year, or one-half of the additions less disposals in the year.**

Response:

The half year rule does not apply to the assets transferred from EPS to EPL per tax regulation 1100 (2.2).

c) Please provide copies of the CCA schedules used for PILs purposes for 2007, 2006 and 2005.

Response:

See Exhibit 4, Tab 8, Schedule 2, Attachment 1 for historical pils calculation included in rates.

d) Please explain why distribution assets have continued to be included in CCA Class 1 rather than CCA Class 47 which is to be used for post February 22, 2005 distribution assets.

Response:

This was a classification error and has been corrected in f) below.

e) Please explain why computer assets appear to be included in CCA Class 10, rather than in Class 50 (for computer equipment acquired after March 18, 2007).

Response:

This was a classification error and has been corrected in f) below

f) Please recalculate the undepreciated capital cost at the end of 2008 assuming that distribution assets acquired after February 22, 2005 were placed in Class 47 and computer equipment acquired after March 18, 2007 was placed in Class 50, and the half year rule was properly implemented. Please include any changes that may be required in years prior to 2008 to correct the placement and calculation of amounts flowing into the 2008 calculation. Please provide all calculations.

Response:

With the exception of the half year rule request as per our response to b), the adjusted CCA schedule for 2008, 2009 and 2010 is included below:

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Essex Powerlines (ED-2002-0499)

PILs Calculations for 2010 EDR Application (EB-2009-0143) version: v0.1
December 9, 2009

P1 Undepreciated Capital Costs (UCC)

Enter actual balances and projected asset additions & retirements

Class	Description	UCC Balance 31 Dec/08 [1]	Less: Non-Distribution Portion	Less: Disallowed FMV Increment	2009 Projected Additions	2009 Projected Retirements	UCC Before 1/2 Yr Adjustment	1/2 Year Reduction
1	Distribution System/Building - post 1987	25,726,752			4,500		25,731,252	2,250
2	Distribution System - pre 1988							
8	General Office/Stores Equip	95,989			15,000		110,989	7,500
10	Computer Hardware/ Vehicles	428,473			313,360		741,833	156,680
10.1	Certain Automobiles							
12	Computer Software	203,181			105,273		308,454	52,637
13.1	Leasehold Improvement # 1							
13.2	Leasehold Improvement # 2							
13.3	Leasehold Improvement # 3							
13.4	Leasehold Improvement # 4							
14	Franchise							
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs							
43.1	Certain Energy-Efficient Electrical Generating Equipment							
45	Computers & Systems Software acq'd post Mar 22/04							
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)							
47	Distribution System post Feb 22/05	8,481,635			2,673,296		11,154,931	1,336,648
50	Computer Equipment Post March 18, 2007	44,024					44,024	
17	Communication equipment	164,464			56,349		220,813	28,175
50	Computer Equipment Post Jan 27 2009 pre Feb 2011				10,164		10,164	
	TOTAL	**35,144,518**			**3,177,942**		**38,322,460**	**1,583,889**

[1] *per Schedule 8 of 2008 corporate tax return*

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Essex Powerlines (ED-2002-0499)

PILs Calculations for 2010 EDR Application (EB-2009-014

December 9, 2009

P1 Undepreciated Capital Costs (UCC)

Enter actual balances and projected asset additio

Class	Description	Reduced UCC	Rate %	2009 CCA	UCC 31 Dec/09	2010 Projected Additions	2010 Projected Retirements	UCC Before 1/2 Yr Adjustment	1/2 Year Reduction
1	Distribution System/Building - post 1987	25,729,002	4.0%	1,029,160	24,702,092	40,000		24,742,092	20,000
2	Distribution System - pre 1988		6.0%						
8	General Office/Stores Equip	103,489	20.0%	20,698	90,291			90,291	
10	Computer Hardware/ Vehicles	585,153	30.0%	175,546	566,287	350,816		917,103	175,408
10.1	Certain Automobiles		30.0%						
12	Computer Software	255,818	100.0%	255,818	52,637	795,144		847,781	397,572
13.1	Leasehold Improvement # 1		25 years						
13.2	Leasehold Improvement # 2		4 years						
13.3	Leasehold Improvement # 3								
13.4	Leasehold Improvement # 4								
14	Franchise		6 years						
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs		8.0%						
43.1	Certain Energy-Efficient Electrical Generating Equipment		30.0%						
45	Computers & Systems Software acq'd post Mar 22/04		45.0%						
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)		30.0%						
47	Distribution System post Feb 22/05	9,818,283	8.0%	785,463	10,369,468	2,958,463		13,327,931	1,479,232
50	Computer Equipment Post March 18, 2007	44,024	55.0%	24,213	19,811			19,811	
17	Communication equipment	192,639	8.0%	15,411	205,402	21,468		226,870	10,734
50	Computer Equipment Post Jan 27 2009 pre Feb 2011	10,164	100.0%	10,164					
	TOTAL	**36,738,571**		**2,316,472**	**36,005,988**	**4,165,891**		**40,171,879**	**2,082,946**

[1] per Schedule 8 of 2008 corporate tax return

RateMaker PILs v1.02 © Elenchus Research Associates

Essex Powerlines (ED-2002-0499)

PILs Calculations for 2010 EDR Application (EB-2009-014

December 9, 2009

P1 Undepreciated Capital Costs (UCC)

Enter actual balances and projected asset additioı

Class	Description	Reduced UCC	Rate %	2010 CCA	UCC 31 Dec/10
1	Distribution System/Building - post 1987	24,722,092	4.0%	988,884	23,753,208
2	Distribution System - pre 1988		6.0%		
8	General Office/Stores Equip	90,291	20.0%	18,058	72,233
10	Computer Hardware/ Vehicles	741,695	30.0%	222,509	694,595
10.1	Certain Automobiles		30.0%		
12	Computer Software	450,209	100.0%	450,209	397,572
13.1	Leasehold Improvement # 1				
13.2	Leasehold Improvement # 2				
13.3	Leasehold Improvement # 3				
13.4	Leasehold Improvement # 4				
14	Franchise				
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs		8.0%		
43.1	Certain Energy-Efficient Electrical Generating Equipment		30.0%		
45	Computers & Systems Software acq'd post Mar 22/04		45.0%		
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)		30.0%		
47	Distribution System post Feb 22/05	11,848,700	8.0%	947,896	12,380,035
50	Computer Equipment Post March 18, 2007	19,811	55.0%	10,896	8,915
17	Communication equipment	216,136	8.0%	17,291	209,579
50	Computer Equipment Post Jan 27 2009 pre Feb 2011				
	TOTAL	**38,088,933**		**2,655,742**	**37,516,137**

[1] per Schedule 8 of 2008 corporate tax return

Interrogatory # 42

Ref: Exhibit 4, Tab 8, Schedule 3, Attachment 1 &
Exhibit 2, Tab 3, Schedule 3

Please provide a mapping for each of 2009 and 2010 that shows the amount by account number shown in Exhibit 2, Tab 3, Schedule 3 to the CCA classes shown in Exhibit 4, Tab 8, Schedule 3, Attachment 1.

Response:

See response to 41 a).

Interrogatory # 43

Ref: Exhibit 4, Tab 8, Schedule 3, Attachment 1

There appear to be problems with how Essex Powerlines has calculated the CCA for the 2009 bridge and 2010 test years.

a) **Please make the following changes in the calculation of the CCA for 2009 and 2010 and provide complete CCA schedules for 2009 and 2010 in the same format as provided in Attachment 1:**
   i) **Distribution assets included in Class 1 included in Class 47. Please identify any assets that Essex Powerlines should be added to Class 1 rather than to Class 47 in 2009 and 2010.**
   ii) **Computer equipment added to Class 52 (100% CCA rate and no application of the half year rule);**

   Response:

   Essex is not aware of Class 52 with a 100% CCA rate and no application of the half year rule.

   iii) **Computer software added to CCA Class 12 rather than wherever it is current included; and**
   iv) **any other changes that may be identified by Essex Powerlines as a result of the responses to Interrogatory # 41 above.**

Response:

For responses to i),ii),iii) and iv) see response to 41 a) and f).

b) **Based on the above changes, please provide revised CCA schedules for 2009 and 2010 using the UCC balances at the end of 2008 as currently shown in Attachment 1.**

Response:

See response to 41 f).

c) **Based on the above changes, please provide revised CCA schedules for 2009 and 2010 using the UCC balances at the end of 2008 as calculated based on the response to Interrogatory # 40 above.**

Response:

See response to 41 f).

Interrogatory # 44

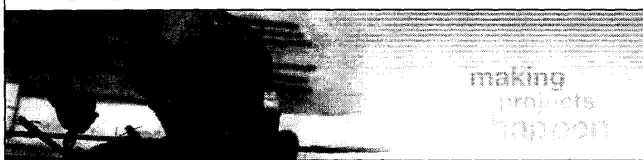
Ref: Exhibit 5, Tab 1, Schedule 2

a) **Please provide the current rate for a 20 year loan from Infrastructure Ontario. Please provide a copy of the page on the Infrastructure Ontario website showing the rates available to local distribution companies.**

Response:

The current rates as of December 4, 2009 are displayed below. The rates have changed since our commitment to TD Bank. At the time of the review of our potential agreement with Infrastructure Ontario the 20 year rates were 5.19%. The November posting of rates which is also after our decision was made, was 10 yr 4.03-4.13% and 20 yr 4.91-5.01%. The rates are also not formally committed until after the debenture process is complete which occurs after the projects are completed which could be several months to a year later which results in interest rate risk for an LDC. Also the short term lending rates are subject to risk of changing during the construction period. There are other factors that influence the decision such as administrative costs, security control of the assets, restrictions on future lending, and legal costs. Our Board was not comfortable with proceeding with Infrastructure Ontario for these reasons.

Ontario SEARCH:



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- Long-term Care Homes
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- Municipalities
- Professional Arts Training
- Universities & Affiliated Colleges

WebLoans Online Application

Lending Rates

Contact Customer Relations

Lending Rates: Local Distribution Companies

Indicative Lending Rates as of December 4, 2009**

Term	Construction	Serial	Amortizer
1 Month	0.95%	-	-
5 Year	-	2.69%	2.79%
10 Year	-	3.77%	3.87%
15 Year	-	4.36%	4.46%
20 Year	-	4.73%	4.83%
25 Year	-	4.96%	5.06%
30 Year	-	5.09%	5.19%
35 Year	-	5.16%	5.26%
40 Year	-	5.21%	5.31%

About our Lending Rates

Our online lending rates are updated frequently as we track the movement of our cost of borrowing in the capital markets.

Debentures - rates on debentures are fixed for the entire life of the loan once the debenture is purchased by Infrastructure Ontario.

Construction Loans - for construction loans, rates float throughout the term of the loan until they are replaced by a debenture. Construction loan requests over $75 million are subject to funding availability and interest rates may vary from those posted.

**These interest rates are the all-in cost for loans of the term and type selected.

RESOURCES

Loan Payment Calculator

Five-year, $30 billion strategic investment plan

ReNew Ontario

Five principles guiding all infrastructure projects

Building a Better Tomorrow

Serial vs. Amortizer Debentures

b) What is the current rate that Essex Powerlines could obtain from a bank for a 10 year loan?

Response:

Please see response to Board Staff IR#21.

c) **Why has Essex Powerlines not considered a 10 year loan from Infrastructure Ontario? What is the current Infrastructure Ontario rate for a 10 year loan?**

Response:

Please see response to Board Staff IR#21.

d) **Please explain how the rates of 7.05% and 5.94% for the TD Bank/TD Securities Interest Swaps are determined. Do these rates change over time and if so, how do they change? Please provide the mechanism and/or calculations used to set the rates of 7.05% and 5.94%.**

Response:

We have Bankers Acceptance's (BA) from TD Bank that include a "stamping fee" on top of the BA rate which is a fluctuating short term rate. The interest rate swap replaces the BA base rate with the longer term swap rate. Therefore the calculation of the rate for the $3 million loan is the swap rate of 5.3% + the stamping fee of 1.75% = 7.05% and the $3.3 million loan is the swap rate of 4.19% + the stamping fee of 1.75% = 5.94%. The stamping fee can fluctuate over time based on the BA agreement term which can be 1 to 3 years.

d) **If applicable, please update the calculations used to determine the rates for the TD Bank/TD Securities Interest Swaps based on current interest rates.**

Response:

Please see the answer to d) and response to Board Staff IR #22.

Interrogatory # 45

Ref: Exhibit 7, Tab 2, Schedule 2

Please provide a version of Table 2 that has a total bill impact of 10% for the GS < 50 kW class and reduces the proposed 2010 EDR ratios down for the rate classes

that are still above the prescribed range. What is the resulting revenue to cost ratio for the GS < 50 kW class, given the 10% total bill impact cap?

Response:
EPL submits that the question is based on an incorrect premise, as none of the proposed 2010 EDR ratios are above the applicable prescribed range, and therefore the requested version of Table 2 cannot be provided.

Per Table 4, EPL proposes to move the ratio for the GS < 50 kW class from 0.46 (based on Board-approved 2006 EDR data) to 0.64 in 2010 and to the floor value of 0.80 in 2011. This transition is consistent with Board findings in other EDR cases, and limits the total bill impact to 6.7% in 2010.

For information purposes, EPL estimates that for a GS < 50 kW customer with monthly consumption of 2,000 kWh, a ratio in 2010 of 0.76 would generate a total bill increase of 10%.

Interrogatory # 46

Ref: Exhibit 9, Tab 1, Schedule 2, Table 1-1

a) **What interest rates has Essex Powerlines used to calculate interest in 2009 and 2010?**
   Response:

   Essex used the published rates as provided on the Ontario Energy Board's website.

b) **If the interest rates used were different than the following, please update the total claim amounts to reflect the following interest rates: 2009 Q1 2.45%, 2009 Q2 1.00% and 2009 Q3 through 2010 April 30 0.55%.**
   Response:

   N/A

Interrogatory # 47

Ref: Exhibit 9, Tab 1, Schedule 2, Attachment 1 &
Exhibit 9, Tab 2, Schedule 1, Attachment 1

Please explain, on an individual line by line basis, the difference in the Total Claim amounts shown on page 5 of Exhibit 9, Tab 1, Schedule 2, Attachment 1 and the amounts shown as the Total Recovery Amount in Exhibit 9, Tab 2, Schedule 1, Attachment 1.

Response:
The continuity schedule filed with Essex' application included errors in the interest calculations. This schedule will be updated and filed with the amendments. The amounts included in Exhibit 9, Tab 2, Schedule 1, Attachment 1 are correct.

Interrogatory #48

Ref: Exhibit 9, Tab 3, Schedule 2, page 5

a) **Please explain why a CCA rate of 4% has been used, when the CCA Class 47 has a CCA rate of 8%.**

b) **Please explain why computer equipment has been included in CCA Class 10 with a rate of 30% when for 2007 and 2008 the appropriate CCA rate was 55% and for 2009 the appropriate rate is 100% with no half year rule.**

c) **Please explain why computer software has been included in CCA Class 10 with a rate of 30% when it should be included in CCA Class 12 with a rate of 100%.**

Response:

See response to VECC IR#31.