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 Ontario Energy Board Staff

Please find enclosed the Essex Powerlines Corporations' responses to the interrogatories of the Ontario Energy Board Staff in the above noted proceeding

Respectively submitted,

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

ESSEX POWERLINES CORPORATION
RESPONSES TO INTERROGATORIES OF
The ONTARIO ENERGY BOARD STAFF
FILED DECEMBER 14, 2009

Rate Base

1. Ref: Exhibit 2 / Tab 1/ Sch. 1/ Attachment 1 – Working capital allowance

In the Rate Base Trend table, the Working Capital Allowance is $8,174,615. At Exhibit 1 / Tab 4/ Sch. 9/ page 3 the Allowance for Working Capital is indicated as $8,174,499. Please confirm which number is correct.

Response:

The Working Capital Allowance amount of $8,174,615 is the correct figure. The Revenue Requirement Work Form contained an incorrect cost of power figure causing the $116 variance.

Capital Expenditures

2. Ref: Exhibit 2/ Tab 4 / Sch. 1– Capital Expenditures

Table 1

Year	2005	2006	2007	2008	2009 Bridge	2010 Test
Residential Expansion	$169,795	$108,856	$165,592	$17,359	$60,600	$60,000
Residential Secondary Services	$61,484	$213,634	$168,218	$52,833	$86,025	$86,025
Commercial Expansion	$34,308	$418,912	$427,020	$194,616	$161,440	$312,500
Commercial Secondary Services	$4,405	$34,249	$12,473	$31,161	$10,000	$10,000
Municipal Relocations	$25,015	$145,025	$393,482	$92,817	$134,500	$80,000
Capital Additions	$1,333,658	$2,672,803	$2,224,602	$2,869,046	$2,126,494	$2,401,091
General Capital	$71,781	$29,172	$185,937	$2,897,87	$504,886	$1,207,428
Total	**$1,700,446**	**$3,622,651**	**$3,577,324**	**$6,155,709**	**$3,083,945**	**$4,157,044**

a) To review Essex's expenditures, using the information provided in Exhibit 2/ Tab 4 / Sch. 1, Board staff prepared the above table. Please confirm that Essex agrees with the figures presented in Table 1. If Essex does not agree with any

figures in the table, please explain why not and provide amended tables with a full explanation of all changes.

Response:

Table 1 contains incorrect data. For the 2008 figure for General Capital, Essex's filing showed an incorrect total ($2,897,877) which should have has been $2,817,757. This correction would cause the 2008 total in Table 1 to change from $6,155,709 to $6,075,589. Other discrepancies are explained in response to 2d) below, and a revised table 1 has been provided as part of that response.

b) It appears that some of the assets were transferred from EPS to Essex in 2008. Please provide the total amount of the expenditures that were transferred from EPS to Essex in 2008.

Response:

The total amount of assets transferred from EPS to Essex in 2008 were $3,162,914.

Table 2

Year	2007	2008	2009 Bridge	2010 Test
Fixed Asset Continuity Statements (Exh.2/Tab 3/ Sch.3 /Att. 1) Gross Assets – Additions and Other	$3,615,257	$6,075,589	$3,204,200	$4,191,045

c) To review Essex's gross assets changes, using the information provided in Exhibit 2 / Tab 3 / Schedule 3 / Attachment 1, Board staff prepared the above table. Please confirm that Essex agrees with the figures presented in Table 2. If Essex does not agree with any figures in the table, please explain why not and provide amended tables with a full explanation of all changes.

Response:

Essex agrees with the figures in Table 2.

d) Please explain the difference between Table 2 and the total amount in Table 1 for the years 2007 to 2010.

Response:

Variances between the Tables 1 and 2 are set out below. It should be noted that for the purpose of this analysis, the corrected 2008 total of $6,075,589 was used.

Variances between Table 1 & Table 2							
	2007		2008	2009		2010	
Table 1	3,577,324		6,075,589	3,083,945		4,157,044	
Table 2	3,615,257		6,075,589	3,204,200		4,191,045	
	(37,933)	Explanation	-	(120,255)	Explanation	(34,001)	Explanation
1806					Change to 2009 project forecast not carried forward to continuity schedule	(450)	Changes to 2010 forecast not carried forward to continuity schedule
1830						(7,400)	
1835						65,800	
1840						(6,500)	
1845						(12,700)	
1850				120,165		(52,251)	
1855				329		(8,100)	
1860						600	
1930				(240)			
1955	37,933	did not include in 4.0 General Capital in error					
1995						55,000	
Total	-		-	-		-	

3. Ref: Exhibit 2 / Tab 4/ Sch.1/ Page 42 – General Capital

Please provide the breakdown of the assets that were transferred from EPS to Essex in 2008 by using the same table shown on page 42.

Response:

The assets transferred are listed in the following table:

Asset Transfer		
Description	Acct No	Transferred Amount
Inventory	1330	459,686
Transformers Inv	1850	617,742
Meter Inv	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

Load and Customer Forecasting

4. Ref: Exhibit 3 / Tab 1/ Sch. 2 – Weather Normalized Distribution System Load Forecast – 2010 Test Year

On Page 11, it states: "Residential and GS<50 attachments in 2009 and 2010 are expected to resemble the growth in 2008, which have moderated since mid-decade. The GS>50 class customer attachments are assumed to grow by 1 attachment per year in 2009 and 2010 (GS>50 and Intermediate class customer connections in Table 10 are exclusive of embedded distribution points). Street light attachments are assumed grow at half the rate seen in 2008, closer to the growth seen from 2005 – 2007. No change is assumed in Sentinel Lights or USL customer attachments."

Please provide supporting material (e.g. number of building permit requested, Town/Municipal population forecast) for the above assumptions related to customer/connection forecast for 2009 and 2010.

Response:

We have four service areas including the Town of Amherstburg, the Municipality of Leamington, the Town of Tecumseh and the Town of LaSalle. In three of the Towns, Amherstburg, Leamington and Tecumseh, we do not service the whole municipality area. In these towns, we service the urban areas and Hydro One services the remainder. Any growth in these areas tends to be outside our service territory. It is for this reason that the forecasted permits listed, we assumed only a portion (20%) would actually be in our distribution territory. The Town of LaSalle is the only town that we service the entire municipality. This resulted in a what we felt was a low estimate of for customer growth so we were more optimistic and assumed an overall growth rate of .5% for 2009 and 2010.

Estimated Housing starts/building permits:

	2009	2010
Amherstburg	50	50
Leamington	50	76
Tecumseh	20	20
LaSalle	44	44

None of the towns could provide population numbers specifically related to our service territories. Included is the Windsor CMA report (there is no report specific to the towns we service or even just Essex County) the general consensus is more people are leaving the area so there is negative migration.

Also included are excerpts from the Town of LaSalle 2009 Development Charge Background Report showing minimum growth.

and employment land purposes.

3. Factors Affecting Growth Projections and an Overview of the Current Economic Conditions in the Windsor-Essex Region

The overall health and vibrancy of the regional, national and international economies, and the corresponding ability of these economies to create and sustain employment opportunities in this region, will have far reaching impacts on future residential and non-residential growth prospects for the Town of LaSalle and for the Windsor-Essex Region as a whole.

In February of 2009, as part of the Inter-Municipal Planning Consultation Committee's 2008 Annual Report entitled *"Smart Choices for the Windsor-Essex Region"*, senior municipal planning staff representing communities from across this region offered the following comments with respect to the current state of our economy and the corresponding implications for growth:

> *"The Windsor-Essex Region, like many other manufacturing centres throughout North America, is in the midst of an "economic meltdown". This contraction has resulted in one of the highest rates of unemployment for any region in the country. Unemployment is hovering at around 10 percent, and the number of monthly social assistance cases has increased to over 8,000. Since 2002, more than 18,000 manufacturing jobs have been lost in this region. These numbers are expected to increase in 2009, as further plant closings and layoffs take place in the North American Auto Industry and other sectors of the regional economy.*
>
> *Economic Analysts have forecast that structural changes to the regional economy will, in the short to mid-term planning horizons, result in continued net out migration from the Windsor-Essex Region. How this region adapts and deals with the new economic realities will greatly influence when and to what degree that population growth or decline will occur in communities throughout this region in the coming decade.*
>
> *Residential construction activity will remain sluggish until such time that consumer confidence improves and new jobs are created in the regional economy."*

According to the most recent Labour Force Data released by Statistics Canada, the Windsor Census Metropolitan Area (which includes the Town of LaSalle) has the highest rate of unemployment in the country. From January to March of this year, the number of residents that were reported as being unemployed in the Windsor CMA increased by 5,000 persons (for a total of 24,000 persons), with a corresponding increase in the unemployment rate from 10.9 to 13.7 percent during that period of time. This is the highest rate of unemployment that this region has seen in 16 years. During this same period of time, the national rate of unemployment has increased from 7.2 to 8 percent. The most recent data available from the region's General Manager of Social and Health Services indicates that the number of residents that are on social assistance in the Windsor-Essex Region has increased from 8,319 to 9,392 persons, between May of 2008 and May of 2009.

The GDP for the Windsor-Essex Region is forecast to decline by 5.6 percent by the end of this calendar year, and is not expected to begin to show signs of recovery until the beginning of 2011. This Conference Board of Canada report also includes a qualifying statement that indicates that their forecast for 2011 is predicated on a stabilization of the auto sector.

In a speech delivered on April 1, 2009 the Bank of Canada Governor Mark Carney made the following

Three residential growth forecasts have been prepared for the Town of LaSalle, for a 20 year planning horizon (for 5 year intervals), based on the following assumptions:

- Low Growth Forecast – assumes that the regional economy continues to lose employment in the short term, and the ensuing recovery is much slower and longer than in previous recessions (0.33 percent annual increase until 2011, and 0.5 percent annual increase until 2029);
- Medium Growth Forecast – assumes that the regional economy begins to stabilize in 2011, and the ensuing recovery is in keeping with the recovery in other parts of Canada (0.5 percent annual increase until 2011, 1 percent annual increase until 2019 and 1.25 percent annual increase until 2029);
- High Growth Forecast – assumes that the regional economy stabilizes and begins to grow more rapidly in the short term, and the ensuing recovery is more robust and sustained over the mid to long-term planning horizons (1 percent annual increase until 2011, and 1.25 percent annual increase until 2029).

For all of the reasons as noted earlier in this report, the authors of this Background Report are of the opinion, based on the best information that is available to us at this time, that the Medium Residential Growth Forecast is the most probable and should be used for LDC calculation purposes. This professional opinion assumes that the regional economy begins to stabilize in 2011. In view of the numerous economic and demographic uncertainties that currently exist at the global, national and regional level, this preferred forecast should be reviewed on a regular basis (at least once every five years) and should be adjusted (as necessary) in the event that major unanticipated changes to the regional economy take place in advance of the next mandatory 5 year LDC review and update.

Town of LaSalle – Residential Low Growth Forecast, 2009 to 2029

Planning Period	Total Estimated Population	Change in Population	Average Annual Change in Population	Total Number of Additional Dwelling Units	Average Annual Number of Dwelling Units
2006 (Census)	27,652	-	-	-	-
2009	28,133	-	-	-	-
2010 to 2014	28,746 (in 2014)	613	123	219	44
2015 to 2019	29,472 (in 2019)	726	145	259	52
2020 to 2024	30,216 (in 2024)	744	149	266	53
2025 to 2029	30,979 (in 2029)	763	153	272	54
2009 to 2029	***20 year planning horizon***	***2,846***	***142***	***1,016***	***51***

Source: Town of LaSalle, Department of Planning & Development Services, June 2009

HOUSING MARKET OUTLOOK

Windsor CMA

Canada Mortgage and Housing Corporation

Date Released: Fall 2008

New Home Market

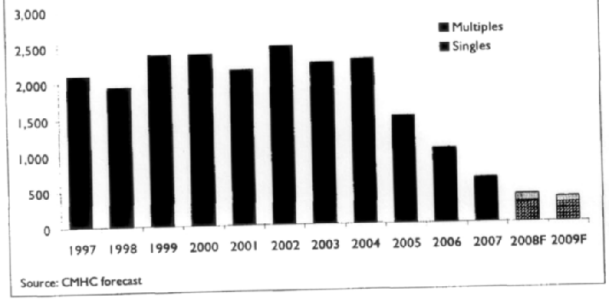
Construction Slowdown Continues

New home construction in the Windsor Census Metropolitan Area (CMA) will moderate 14 per cent in 2009 to its lowest level since 1984. Total home starts will dip to less than 350 units. Demand for all dwelling types will moderate. Construction will begin on a total of 255 single-detached homes in 2009, an easing of nine per cent from 2008. Out-migration and a greater selection in the resale home market will contribute to moderating demand for new homes in 2009. Housing starts will stabilize in 2010 and minimally improve over the next two years.

Residential land is readily available in the CMA. The average price of a

Figure 1

Housing Starts Will Fall



Source: CMHC forecast

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new home in the Windsor CMA will continue to be well above the cost of the average resale home. The New House Price Index, which measures changes in the price of a similar house on a similar lot, declined two per cent in the Windsor CMA in 2007 due to both lower land costs and lower labour costs and has remained flat in 2008. At the same time the average price of a newly constructed single-detached house in the Windsor CMA has risen due to a change in the type of home in demand. The upper end of the market (above $300,000) is still active and will pull the average price up to $340,000 in 2009.

The supply of single and semi-detached homes completed and not yet sold has risen over the past two years from an average of 6 homes in the first eight months of 2006 to 70 homes for the same period in 2008. The slow market may encourage some builders to shift into the renovation field or non-residential construction work.

Construction of new multiple units will continue to moderate as well in 2009. Rental construction will be limited to a few four-plex buildings due to the high vacancy rate. Condominium starts will also be limited since demand is negligible given the ample selection in the resale market. The bulk of multiple starts activity will come from freehold townhome construction which fills a market niche in the area.

Resale Home Market

Resale to Cool in 2009

Existing home sales in Windsor-Essex will moderate in 2009, albeit at a slower pace than over the past two years. Sales through the Windsor-Essex Real Estate Board will soften a further six per cent to 4,300 units. Low mortgage rates and affordable prices will provide underlying support for the resale market..

New listings, a measure of supply, will remain high. Slightly more homes will be listed for sale in 2009. At 11,400, new listings will be up less than two per cent from 2008. The supply of new listings peaked in 2006. Many homeowners were encouraged to put their homes up for sale in a housing market environment which saw prices rising faster than inflation. In 2009, more homes will be listed as the job market in Windsor continues to soften.

Market tightness is measured by the sales to new listings ratio (SNLR)[1]. The SNLR has been trending lower after peaking in 2002. With supply outpacing demand in 2009, the SNLR will average less than 40 per cent. The Windsor-Essex resale market will continue to favour buyers into 2009. As a result of the cooling of the market in the last few years, the average sale price will edge lower. The average price of a resale home will decline to $157,500 in 2009 due to aggressive negotiations by a limited number of buyers. Ranch homes will be the most popular sellers with areas such as South Windsor and LaSalle continuing to be attractive locations for purchases.

Figure 2

Source: Windsor Essex Real Estate Board, CMHC forecast

[1] In Windsor-Essex a buyers' market is associated with a SNLR below 45 per cent, while a ratio between 45 and 55 per cent indicates a balanced market. In a buyers' market, prices are falling while in a balanced market, they are rising in line with inflation.

More People Leaving

Net migration to the Windsor CMA remains negative. More people moved away from the area each year since 2004 than have relocated to Windsor. This is expected to continue in 2009 with the net loss of nearly 1,700 people. The first impact can be seen in the rental market as renters are more mobile than owners.

In the rental market the average apartment vacancy rate in Windsor was 12.8 per cent in October 2007 and is expected to remain high in 2008. Contributing to the high vacancy rate are several factors such as higher unemployment among youth, out-migration in search of employment, and competition from homeownership. The average two bedroom apartment rent is forecast to fall to $768 in October 2008, as landlords refrain from raising rents in an effort to keep existing tenants.

In an attempt to attract new residents to the Windsor-Essex area efforts are being made to market the area to mature adults of retirement age. Visitors and residents extol the many recreational opportunities, affordable housing and temperate climate of the area.

As a result of Canadians' changing lifestyles the size of our households are shrinking. According to the 2006 Census the average number of people per household in the Windsor CMA was 2.72; this is forecast to decrease to 2.52 by 2026, indicating the need for smaller dwellings. In Windsor the proportion of single-detached housing stock is higher than any other major metropolitan centre in southern Ontario. Based on projections the 55-64 year-old age group will be the dominant consumers in the area over the next several years demand for single-detached housing will continue to represent the bulk of desired new housing options.

Economic Trends

Job Shedding Slows

Employment is a key factor supporting housing demand. In 2009 employment in the Windsor CMA is forecast to moderate by less than one per cent to 154,000.

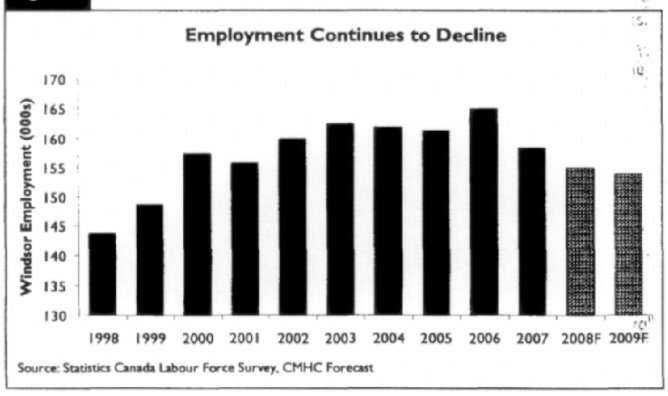
Recent federal budget allocations of $315 million for university automotive research and innovation will benefit the Windsor area. Several sectors including retail trade, health care and social assistance, and the educational services sector have started to show some recovery.

On a positive note, the Windsor area was ranked as North America's leading small City of the Future. (Small cities were defined as having populations between 101,000 and 500,000). Windsor scored fourth as the city with the best economic potential.

The grand opening of Caesars casino has been positive and although conventions are booked one-two years in advance, Windsor is now in the position to vie for larger events. This will help the service and tourism sectors begin to recover as the new hotel, convention centre and performance auditorium are fully booked.

The proposed $1.6 billion upgrade to the border crossing will create many short-term construction jobs, and go along way in stemming the sliding consumer sentiment in the area, however there remain many administrative levels before a shovel may hit the ground in late 2009.

Figure 3



HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Windsor CMA

CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Fall 2009

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New Home Market

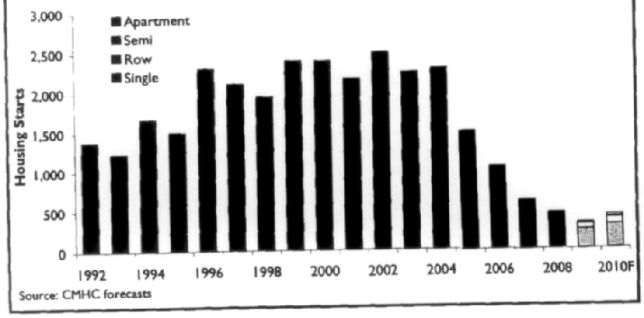
New Home Construction to Improve in 2010

Windsor's new home construction sector has been impacted by the economic slowdown. Demand for new homes will reach a cyclical low in 2009 with construction of 330 units and rise 29 per cent in 2010 to 426 units. Demand for all dwelling types will improve with single-detached still being the favourite. A modest improvement in the job market, fewer listings in the resale home market and an improving consumer outlook will contribute to improved demand for new homes in 2010.

The supply of single and semi-detached homes complete and not yet sold continues to decline with only 41 homes available in September 2009,

Figure 1

Total Starts Edge Up in 2010



Source: CMHC forecasts

[1] The forecasts included in this document are based on information available as of October 1, 2009.

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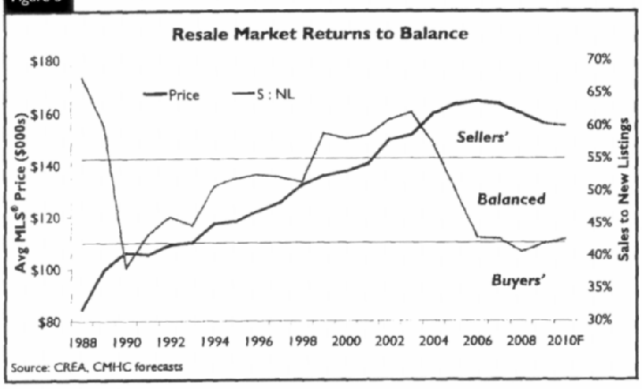
Figure 3



in 2010 as more move-up homes are sold. Ranch homes will be the most popular with areas such as South Windsor and LaSalle continuing to be attractive locations for purchases.

Economic Trends

Migration

Net migration is forecast to be negative in 2009 in the Windsor CMA. More people have moved away from the area each year since 2004 than have relocated to Windsor. This is expected to continue in 2010 with a net loss of nearly 1,400 people. The first impact can be seen in the rental market as renters are more mobile than owners.

In the rental market the average apartment vacancy rate in Windsor was 14.8 per cent in October 2008 and is expected to remain high in 2009. Contributing to the high vacancy rate are several factors such as higher unemployment among youth, out-migration in search of employment, and competition from homeownership. The average two bedroom apartment rent is forecast to remain flat in October 2009, as landlords refrain from raising rents in an effort to retain existing tenants.

The Windsor-Essex area is marketing the region abroad to boomers and retirees as an exceptional place to live. Visitors and residents extol the many recreational opportunities, affordable housing and temperate climate of the area in the hopes of attracting new residents.

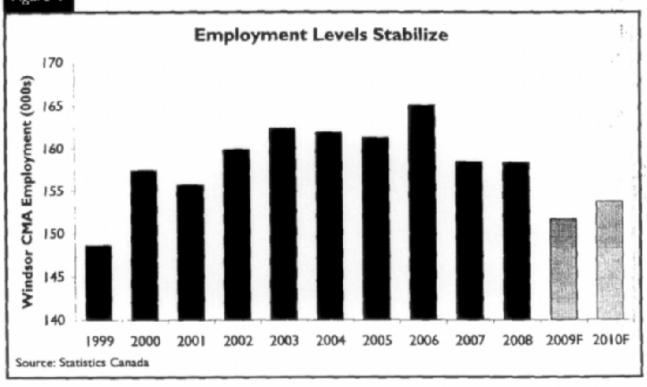
Employment

Employment is a key factor supporting housing demand. Windsor's employment levels have not dropped as sharply as anticipated. The area may be able to get through 2009 with less than a five per cent decline in jobs. However, combined with losses over the past couple of years the workforce has shrunk by almost eight per cent since 2006. Continuing economic weakness in the U.S. and the appreciating value of Canadian dollar are ongoing challenges for the manufacturing and tourism sectors. In turn this has had a detrimental affect on local consumer spending.

The economy has been slow to diversify, however some inroads are appearing. Interest in alternative green energy such as wind and solar are providing new manufacturing opportunities.

Non-residential construction employment will grow in 2010 due to investment in major capital projects in the area.

Figure 4



5. Ref: Exhibit 3 / Tab 1/ Sch. 2 – Weather Normalized Distribution System Load Forecast – 2010 Test Year – Embedded Distribution

On Page 9, it states: "As discussed earlier, there are six embedded distributor (ED) delivery points within the Essex Powerlines Distribution system, with a seventh added in May 2009. Through an agreement with Hydro One, four of these connection points (Boblo Island, Dalhousie,3rd Concession, and Robson Road as of May 2009) are considered as regular GS>50kW distribution customers. Three other points, Howard (Intermediate), West.-Texas, and Can.-Detroit (both GS>50 kW), do not receive volumetric charges for distribution, although do attract fixed distribution charges."

a) Please confirm whether all seven embedded distributor (ED) delivery points are connected to the Hydro One distribution system.

Response:

Essex has a very unique situation in our distribution territory with respect to connections and distribution feeders moving from Hydro One's distribution system to Essex's distribution system then back to Hydro One then back to Essex then back to Hydro One. **All seven delivery points eventually connect to Hydro One's distribution system near the station.**

The DSC defines an "embedded distributor" as a distributor who is not a wholesale market participant and that is provided electricity by a host distributor. Essex is a Wholesale Market Participant AND is provided power by a host distributor Hydro One at the IESO Wholesale Settlement Points.

Six of embedded distributor delivery points were settled by Hydro One with the IESO until 2006 when Hydro One did not want to upgrade the meters to be compliant with IESO market rules and standards. Essex entered into an agreement with Hydro One to deregister these IESO controlled points and Hydro One became an embedded distributor of Essex.

b) Please provide information regarding how long each ED relationship has existed.

Response:

Hydro One and Essex agreed to deregister the following billing points on December 1, 2006 and this relationship continues.

1) Boblo Island PME
2) Dalhousie Street PME
3) Amherstbury 3rd Conc. PME
4) Howard Jct. PME
5) Texas PME minus Western PME

Hydro One requested the addition of the following on February 1, 2008 and this relationship continues.

6) Detroit River PME minus Canard PME

Hydro One requested the addition of the following on May 1, 2009 and this relationship continues.

7)) Robson Road PME

c) On page 3 of the above reference, Essex provided Annual summary purchases and sales kWh for all the classes. Please explain why the ED class had zero kWh from 2003 to 2005 and only 3,783,151kWh in 2006 as compared to 49,000,902 kWh in 2007 and 51,782,830 in 2008.

Response:

The ED relationship began on December 1, 2006 with the 5 points as explained in 5, part b) above, which is only one month in 2006. The ED relationship continued in 2007 and then two more points were added by Hydro One starting February 2008 and May 2008. This is why there is a slight increase from 2007 to 2008.

d) Please explain why Howard (Intermediate), West.-Texas, and Can.-Detroit (both GS>50 kW) do not receive volumetric charges for distribution.

Response:

The assets that get the energy to these ED points are all owned and operated by Hydro One. Essex and Hydro One agreed it was therefore fair to only charge the fixed cost for settlement because Essex did not operate or maintain the assets but had to settle the energy as a retail embedded distributor.

6. Ref: Exhibit 3 / Tab 1/ Sch. 2 – Weather Normalized Distribution System Load Forecast – 2010 Test Year – Weather Normalization Factors

On page 6, it states: "….we have adopted the use of class specific weather normalization factors derived from the load forecast for EnWin filed in their 2009 test year COS rebasing application".

a) Please describe the methodology used to derive the weather normalization factors.

b) Please advise what variables were used to derive the weather normalization factors.

Response:

a) The methodology used to derive the weather normalization factors used for Essex Power is described on pages 6-7. Weather normalization factors by class and year are outlined in Table 4 on page 7. The normalization factor is simply the normalized kWh divided by the actual kWh. For example, for the residential class in 2003, the actual kWh consumption for EnWin Utilities was 649,738,083 and the weather normal kWh consumption was 672,503,738. Therefore, the weather normalization factor for the residential class in 2003 is 672,503,738 / 649,738,083 = 1.03504, as stated in Table 4.

   As outlined in the "Redacted Confidential Medium Term Weather Normalized Distribution System Load Forecast, dated September 3, 2008" (provided as an Attachment to this response) for EnWin Utilities referenced on page 4 of the report, multiple regression equations specific to each of the residential, GS<50 kW, and GS>50 kW classes were developed for EnWin Utilities.

b) The multiple regression equations used for EnWin Utilities' weather normalized load forecast included heating degree days and cooling degree days measured at Windsor Airport, Windsor CMA full-time employment and peak days. The GS>50 kW class also included a time trend and Ontario full-time employment rather than Windsor full-time employment.

Other Revenues

7. Ref: Exhibit 3 / Tab 3 / Sch. 3 – Interest and Dividend Income

Please provide the calculation of the Bank Deposit Interest for 2009 and 2010.

Response:

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	Estimated Average Bank Balance	Forecasted Interest Rate	Estimated Interest Income	Actual Interest Income	
2009					
Jan				2,970	
Feb				1,599	
Mar				1,057	
Apr				1,995	
May				1,669	
Jun				2,533	
Jul				1,528	
Aug				1,165	
Sep	4,250,000	0.79%	2,760		
Oct	4,000,000	0.79%	2,684		
Nov	4,000,000	0.79%	2,597		
Dec	4,000,000	0.79%	2,684		
Total			**10,725**	**14,516**	**25,241**
2010					
Jan	5,000,000	0.55%	2,340		
Feb	5,000,000	0.55%	2,113		
Mar	5,000,000	0.55%	2,340		
Apr	5,000,000	0.55%	2,264		

May	5,000,000	0.55%	2,340		
Jun	4,000,000	0.55%	1,812		
Jul	3,000,000	0.55%	1,404		
Aug	3,000,000	0.55%	1,404		
Sep	3,000,000	0.55%	1,358		
Oct	3,000,000	0.55%	1,401		
Nov	3,000,000	0.55%	1,356		
Dec	2,500,000	0.55%	1,168		
Total			**21,300**	**-**	**21,300**

8. Ref: Exhibit 3 / Tab 3 / Sch. 4 – Revenue Offsets

In Exhibit 3 / Tab 3 / Sch. 1 / Attachment 2, Essex provided the forecast amounts for 2010 revenues from non-utility operations (account 4375) of $1,787,240 and expenses of non-utility operations (account 4380) of -$1,687,240. Please explain why the amounts for these two accounts were not included in the revenue offsets calculation for 2010.

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. The amounts recorded in these accounts are the revenues and associated expenses for non-regulated non-distribution utility activities. Just as Essex would not attempt to recover non-utility expenses from its distribution customers, it would not treat non-utility revenues as an offset to the distribution revenue requirement.

Operating Expenses

9. Ref: Exhibit 4 / Tab 1 / Sch. 1 / Page 1 – Overall Cost Trends

The overall cost trends table shows the Distribution Expenses – Operation for 2006, 2007, and 2008 are $920,528, $964,840, and $864,444, respectively. In reference to the Board's 2006, 2007 and 2008 Yearbook of Electricity Distributors, the distribution related expenses for Operation for Essex were $804,728, $849,690 and $749,394 respectively. Please reconcile these amounts and explain the reason(s) for the differences.

Response:

The variances between the figures appearing in Exhibit 4, Tab 1, Schedule 1 – Overall Cost Trends for Distribution Expenses – Operation and the Boards Yearbook of Electricity Distributors are explained in Exhibit 1, Tab 4, Schedule 4. All three years variances are due to the inclusion of System Control & Load Dispatching costs (account 4715) in Essex' audited income statement in with Operations Expense, where it is included in cost of power in the OEB filing.

10. Ref: Exhibit 4 / Tab 2 / Sch. 2 – IFRS

Essex estimated the project cost for IFRS to be $200,000, please provide an itemized cost breakdown of this cost and the timeline of this project.

Response:

Actual / Budgeted	2009	2010	2011	Total
External Consultants/Accountants		35,000	20,000	55,000
Additional temp accounting staff	10,000	50,000	30,000	90,000
Additional temp other staff		5,000	5,000	10,000
IT Consultants/Special programs		20,000	5,000	25,000
Overtime for staff		10,000	10,000	20,000
	10,000	120,000	70,000	200,000

11. Ref: Exhibit 4 / Tab 2 / Sch. 4 - LEAP

In the above reference, Essex stated that the amount of $25,000 is budgeted for 2010 Test Year for Low Income Energy Assistance Program. Please identify whether these amounts relate to existing or new program(s).

Response:

The $25,000 for the Low Income Energy Assistance Program is a new program for Essex Powerlines Corporation. We have not participated in any programs previously. The actual amount included in the revenue requirement was $18,002.80. The difference of approximately $7,000 was non incremental billing staff costs.

12. Ref: Exhibit 4 / Tab 6 / Sch. 1 / Page 1 - Purchase of Non-Affiliate Services

In the above reference, Essex provided 3 years of historical vendor purchases. Please provide forecasted purchases for Bridge year (2009) and Test year (2010).

Response:
Although we do not budget future expenditures by cost types or by vendor, we fully expect that the overall total vendor purchases in Test Year 2010 will be similar to the totals shown for 2009. See table below.

VENDOR	Projected 2009	2008	2007	2006	NATURE OF GOODS/SERVICES	PRICING
HYDRO ONE NETWORKS INC	$5,070,691.01	$5,534,794.00	$7,835,973.96	$7,076,133.24	Transmission bills	regulated
ONTARIO ELECTRICITY	$3,598,217.94	$3,656,299.28	$3,772,831.72	$3,823,226.28	DRC payments	regulated
RECEIVER GENERAL	$1,180,412.71	$1,123,602.77	$1,183,277.74	$1,070,271.82	payroll remittances	fixed rate
RECEIVER GENERAL	$1,092,096.46	$932,721.42	$1,293,799.37	$1,768,135.49	GST remittances	fixed rate
ONTARIO ELECTRICITY	$1,026,031.13	$587,326.25	$385,939.03	$498,611.00	Corporate taxes	regulated
HYDRO ONE NETWORKS INC.	$53,158.32	$21,211.27	$25,412.69	$21,512.09	transmission bills	regulated
OLAMETER INC.	$408,576.58	$390,395.43	$427,227.53	$402,479.94	meter reading services	contract fixed
CANADIAN ELECTRICAL SERV.	$200,000.00	$323,285.00	$539,523.24	$375,643.09	inventory-transformers	tender
ERIE THAMES SERVICES		$305,588.25	$360,728.83	$335,518.75	ASP fees, Interval meter mtce, misc	fixed monthly price
GREEN SHIELD	$351,433.27	$290,604.49	$326,609.43	$263,173.09	benefit package	fixed rate
HD SUPPLY	$293,816.43	$280,915.98	$387,976.58	$463,606.11	inventory materials	tender
CANADA POST	$234,402.00	$252,000.00	$164,300.00	$213,250.00	postage	retail
EXOMARK INCORPORATED		$231,371.36	$96,142.30	$20,220.70	website mgmt.,CDM expenses	retail
KEN LAPAIN & SONS LTD.	$180,000.00	$176,203.75	$236,690.70	$218,081.07	fleet maintenance	retail
COMVERGE, INC.		$165,465.14	$219,742.33		CDM expense	retal
ECHOPOINT SOLUTIONS INC	$800,000.00	$162,475.05			CDM expense	retail
THE MEARIE GROUP	$181,619.49	$152,875.81	$182,858.93	$185,554.48	Insurance and benefit premiums	contract
RON FIELD & SON ELECTRIC.		$148,073.62			capital work(Brighton Rd)	contract
UTILISMART CORPORATION	$127,405.11	$120,427.65	$216,293.25	$127,041.75	monthly settlement fees	contract
HYDRO ONE		$112,432.54	$368,711.74	$138,099.88	transmission, misc a/r	regulated
GENSET RESOURCE MGMT		$105,000.00			CDM contributions	contract
NORTH SHORE TREES	$88,941.29	$86,760.39	$179,579.85	$126,121.98	tree trimming	contract
J FORTIER & SON EXCAVAT.	$180,000.00	$85,498.89	$345,480.92	$348,848.94	excavating	contract
WINDSOR-ESSEX CATHOLIC	$52,960.52	$81,958.92	$89,018.88	$66,442.72	rent for office space	contract-fixed
THOMAS & BETTS LIMITED	$41,075.50	$79,834.50	$216,600.00		inventory-switching gear	tender
ANIXTER CANADA INC.	$40,000.00	$77,258.77	$227,408.40		materials(cap/ops)	tender
MINISTRY OF FINANCE	$66,797.78	$72,444.69	$77,720.96	$68,171.67	EHT remittances	fixed rate
BELL CANADA	$72,645.97	$69,858.69			phone bills-offices	retail
SIEMENS	$130,000.00	$62,228.25			transformers	tender
IMPERIAL OIL	$22,190.27	$60,293.84	$46,524.46	$49,385.86	fleet fuel	retail
DILLON CONSULTING		$57,794.31	$40,720.45		engineering expense	T&M
TILTRAN SERVICES		$57,389.68	$94,846.35		substation mtce	retail
PETRO-CANADA	$63,947.57	$53,285.86	$48,299.40	$50,018.92	fleet fuel	retail
ONTARIO ENERGY BOARD	$64,604.54	$59,924.60	$68,466.94	$47,257.00	assessment charges-quarterly	regulated
HEATON SANITATION	$60,000.00	$44,621.35	$50,461.83	$51,723.70	vacuum truck expenses	retail
GUELPH UTILITY POLE	$35,000.00	$43,961.52	$51,703.56	$52,894.78	materials	tender
ELECTRICITY DISTRIBUTORS	$45,884.19	$39,060.00	$38,690.00	$36,570.00	membership fee	fixed rate
LANDACE HYDRAULICS	$33,996.11	$34,217.01	$73,481.64	$38,355.53	tool expense	retail
AGO INDUSTRIES INC.	$24,736.64	$34,195.98			safety clothing	retail
WORKPLACE SAFETY & INS BD	$34,004.34	$33,650.19	$35,725.38	$32,864.61	monthly remittances	fixed rate
TD CANADA TRUST	$37,801.07	$33,575.50			visa expenses	retail
TELUS MOBILITY	$31,699.20	$32,789.47	$45,156.75	$43,609.46	communication expenses	retail
BFI PRINT & PROMOTION	$26,976.86	$28,765.92			envelopes, billing forms	tender
IBEW LOCAL 636	$28,647.11	$28,722.42	$37,282.70	$30,495.89	union dues	fixed rate
WILL INSURANCE BROKERS LT		$28,549.80	$31,402.08	$30,585.60	insurance-property	tender
BEL VOLT SALES LTD		$27,870.74	$25,568.48		inventory-materials	tender
TRICON ELECTRICAL/	$35,000.00	$27,249.52	$21,743.73		3rd party work	retail
KELCOM	$41,939.24	$27,176.95		$10,121.76	communication expenses	retail
UNDERGROUND SPECIALTIES		$26,125.72	$107,811.52	$32,532.04	materials	retail
POWER DISTRIBUTION SUPPLY		$22,165.91	$71,643.83	$114,960.14	materials	retail
ELSTER CANADIAN METER	$1,800,000.00	$20,572.00	$217,421.38		meters	tender
PACHECO	$100,000.00		$139,562.78	$853,464.67	excavating	retail
WESTBURNE/RUDDY			$130,380.58	$618,391.24	inventory-materials	tender
SHADOW LIGHTING			$125,172.00	$28,474.00	inventory-materials	tender
ALLAN FYFE			$91,868.83	$149,449.63	fleet	retail
SPRINGBOARD MANAGEMENT			$83,622.13		safety/training software	contract
SANDOR KAPASI			$77,785.18	$58,424.58	consulting	contract
TARGET BUILDING MATERIALS			$57,164.07		inventory-materials	retail
AMBER LIGHTING			$45,423.30		inventory-materials	tender
CHATHAM-KENT UTILITY			$38,058.17		contracted work	contract
STRESSCRETE			$37,436.97	$32,174.98	inventory-materials	tender
RAPID DRAINAGE			$36,046.00		excavating	retail
ELECTROZAD SUPPLY			$30,202.73		shop supplies	retail
DON HOWSON			$29,273.85		substation mtce	contract
WAJAX INDUSTRIES			$26,283.65		fleet expense	retail
PRIORITY PRINTING			$21,987.33	$41,056.06	bill printing	tender
POSIPLUS	$227,850.00	$226,800.00		$222,766.50	bucket trucks	tender
AECON				$134,531.71	contracted work-Tec rd job	contract
JL MAINTENANCE				$115,457.73	building construction	contract
ONTARIO LINE CLEARING				$95,353.22	tree trimming	contract
STANTEC CONSULTING				$76,122.85	Leam. John st duct work	retail
ENWIN UTILITIES				$68,296.53	contracted work-insulator chgs	contract
GUS REVENBURG	$22,989.21			$60,231.72	2 pick ups	tender
JLEPERA				$56,839.85	contracted work-Tec rd ducts	contract
MIKE PEARCE CHEVROLET				$49,719.05	pick up	tender
EAGLE OFFICE FURNISHINGS				$42,213.95	office furn	retail
TARGET BUILDING MATERIALS				$41,620.64	misc inventory materials	retail
LAKEPORT POWER				$32,604.00	inventory-materials	tender
CABLE MASTER INC.				$32,498.96	inventory-materials	tender
S&C ELECTRIC				$32,023.22	inventory-materials	tender
ELK ENERGY				$29,528.42	contracted work-insulator chgs	contract
VERHAEGEN,STUBBERFIELD,				$28,216.79	land surveyors	retail
FASTENAL	$20,861.48				tool expense	retail
DYMO INDUSTRIES	$50,000.00				inventory-transformers	tender
OUS	$61,385.42				asset mgmt service	fixed monthly price
ECALIBER	$280,000.00				ASP fees,software mtce	fixed monthly price
CRU SOLUTIONS	$28,128.24				MSP mtce	fixed monthly price
COMMERCIAL EQUIPMENT	$28,886.30				tool expense	retail
	$18,676,809.31	$16,737,670.25	$21,236,866.43	$21,130,979.68		

13. Ref: Exhibit 4 / Tab 4 / Sch. 1 / Page 5 – Head Count and Compensation Analysis

On lines 11-12, it states: "New positions are required to be approved by the Senior Management Team and the Board of Directors Human Resources and Audit Committees."

Please advise whether Essex has received its approval for the new positions (Manager of Regulatory Affairs, Distribution Engineer and Special Customer Accounts Manager) from its Senior Management Team and the Board of Directors Human Resources and Audit Committees.

Response:

The Essex Powerlines Board of Directors approved the rate application which contained the proposal for the new positions on September 23, 2009. The Human Resources and Audit Committee's review was combined into one meeting of the Essex Power Corporation Board of Directors meeting on September 23, 2009 where the rate application which contained the proposal for the new positions was approved.

14. Ref: Exhibit 4 / Tab 2 / Sch. 5 / Page 1 – Charges related to GEGEA
Exhibit 4 / Tab 4 / Sch. 1 / Page 7-13 – Employee Compensation

Essex indicates that it has included two additional employees, one Distribution Engineer and one Special Customer Account Manager, to comply with the requirements of the Green Energy and Green Economy Act.

Please indicate the percentage of time that these two employees are expected to devote to Green Energy and Green Economy Act activities.

Response:

The Distribution Engineer resource activities are shown in the table below with the approximate percentage of time. At least 85% of the activities below are devoted to the Green Energy and Green Economy Act activities. There would be 10% for modeling the Essex system for Capital Improvements and provide customers with data requested such as requests for available fault current (required to do Arc Flash Studies) and Power Quality/Reliability information. The remaining 5% would be under the Demand Response and Load Control technologies and integration which may be a mix of some CDM and some GEGEA.

Activity	2010 and future resource percentage
System Model - implementation	2%
System Model – keeping up to date	5%
CIA and reports for generators	38%
Short Circuit Analysis (LDC and Customer need)	5%
Load Flow Optimization Studies (current and future)	5%
System Efficiency Studies (current and future)	5%
Demand Response and Load Controls	6%
Investigating and apply emerging/existing technologies to Smart Grid	28%
Power Quality and reliability	6%
Total	100%

The Special Customer Accounts Manager resource activities are shown in the table below with the approximate percentage of time. 100% of the activities below are devoted to the Green Energy and Green Economy Act activities.

Activity	2010 and future resource percentage
Complete understanding of the FIT and microFIT programs and roles of LDC and role out to LDC staff. Manage LDC readiness checklist.	10%
Customer Service Representatives must be prepared to answer questions and/or have a resource to meet customer expectations of inquiries.	3%
Update websites and Customer Information Systems	2%

Development of internal business process related to FIT to meet timing requirements outlined in DSC and FIT	7%
Provide a lead contact and schedule meetings with proponents who wish to connect projects	10%
Administer Connection Impact Assessments	7%
Specify metering and set-up settlement processes (and maintain) for proponents	5%
Distribution Availability Testing (DAT) administration & OPA interaction	7%
Economic Connection Test (ECT) administration & OPA interaction	2%
Connection Request administration (for microFIT) including look-ahead and forecasting through OPA interaction	7%
Administer any distribution changes required to facilitate the connection of FIT and microFIT projects	30%
Track and participate in OPA, OEB, MOEI, Hydro One, and EDA policy consultations and keep LDC staff updated with respect to the dynamic changes in policy and LDC requirements resulting from the GEGEA (including Smart Grid)	10%
Total	100%

15. Ref: Exhibit 4 / Tab 5 / Sch. 1 – Shared Corporate Services

In the above reference, page 1 line 16 – 18, it states: "The charges from EPC to EPL are based on fully allocated costs plus 6% that is referred to in the Master Services Agreement as a mark up but represents a return on invested capital."

a) Please provide a copy of the Master Service Agreement between EPC (Essex Power Corporation) and EPL (Essex).

Response:

Copy of the Master Service Agreement between EPC and EPL.

MASTER AGREEMENT

THIS AGREEMENT made this 25 day of Sept, 2002

BETWEEN:

(ESSEX POWER CORPORATION)

(hereinafter referred to as " **EPC** ")

OF THE FIRST PART

and

(ESSEX POWERLINES CORPORATION)

(hereinafter referred to as " **EPL**")

OF THE SECOND PART

WHEREAS EPC and EPL are duly incorporated pursuant to Section 142, Schedule A of the *Electricity Act, 1988.*

AND WHEREAS both EPC and EPL will operate as separate corporate entities, notwithstanding the provisions of this Agreement;

AND WHEREAS the parties have agreed that EPC will provide finance, engineering, and management support for EPL's electrical distribution system on a fee-for-service basis and EPC shall provide such and other products and as may be agreed by the parties from time to time.

AND WHEREAS the parties acknowledge and agree that in providing goods and services EPC acts as an independent contractor and not as an agent, partner, or servant;

AND WHEREAS the parties shall consult as frequently as may be desirable to ensure that EPL and its customers receive adequate, economical and effective electrical distribution and ancillary services;

NOW THEREFORE IN CONSIDERATION of the mutual covenants and agreements set forth, and for other good and valuable considerations for the sum of two ($2.00) dollars of lawful money of Canada now paid by each of the Parties to the other (the receipt and sufficiency of which is hereby expressly acknowledged), the Parties covenant and agree, with each other, as follows:

1. Definitions

1.01 **"Capital Cost"** means the cost incurred for materials, equipment, overhead, and labour to provide capital works.

1.02 **"Capital Works"** means those expansions and upgrades to EPL's electrical distribution system as may be agreed from time to time pursuant to Article 5 of this Agreement.

1.03 **"Customer "** means all related to customer, which without limiting the generality of the foregoing shall include customer billing collection of unpaid accounts, and customer relations, etc.

1.04 **"Direct Costs"** means the cost incurred directly by EPL for its own operations including but not limited to electrical power costs for Standard Supply Service, IMO costs, Hydro One Networks Incorporated Transmission costs, Debt Retirement Charge, Retail/Wholesale Settlement costs, Ministry of Finance OEB Regulatory costs, Board of Directors meetings and conferences, EDA dues, MEARIE insurance and other insurance premiums, legal, accounting, audit and consulting fees, etc.

1.05 **"Easements"** means any permissions, concessions, permits, licenses, interests, ways, privileges, easements and right-of-way to install, operate and maintain part or parts of the electrical distribution system over real property.

1.06 **"Extraordinary Costs"** means those unusual and unanticipated costs as more particularly described in Article 6.04.

1.07 **"Administration Costs"** means costs incurred by EPC to manage business, finances, and day to day operations.

1.08 **"Transition Costs"** means one-time costs of reconfiguring or adding any system, policy, procedure, legal arrangement, employee relationship, etc. necessary for the Parties to operate under this Agreement and under electric utility industry restructuring as defined in *The Energy Competition Act, 1998* and its associated regulations.

2. Term

2.01 Unless terminated in accordance with Article 10.01, the term of this Agreement shall be from January 1, 2002 to and including December 31, 2002 and renewed year by year thereafter, unless either party gives the other notice in writing not less than one hundred and eighty (180) days prior to the end of the term, or the end of renewal as the case may be that the Agreement is not to be extended.

3. Management Support

3.01 EPC agrees to manage in a professional manner, EPL's electrical distribution system in the areas serviced by EPL, in the former Municipality of Leamington, former Towns of Tecumseh, LaSalle, and Amherstburg, and the former Village of St. Clair Beach hereinafter referred to as the "EPL Service Area".

3.02 EPC shall safeguard and maintain EPL's management requirements including but not limited to: decision-making, contractual agreements, and OEB compliance.

4. **Finance Support**

4.01 EPC shall act in accordance with EPL's financial requirements including but not limited to: audited financial statements, variance analysis, retail services and settlements, variance accounts, reconciliation of approved regulatory taxes to actual taxes, internal audit reports, annual statistics, accounts receivable, accounts payable, budgeting, capital planning and wholesale market monitoring and compliance.

5. **Engineering Support**

5.01 EPC shall safeguard and maintain EPL's engineering requirements including but not limited to: OEB compliance, maintenance and capital standards, supply planning, and distribution system design.

5.02 EPC shall engineer and mange the required expansions and upgrades to EPL's electrical distribution system in a timely, competent and workmanlike manner at EPL's request, which shall hereinafter be referred to as "Capital Works" provided that such Capital Works have been designed in accordance with good engineering principles applicable in the Province of Ontario. EPL shall pay EPC the fees and charges for engineering support.

6. **Costs**

Direct Costs

6.01 EPL shall assume and be directly responsible for its Direct Costs.

Administration Costs

6.02 EPL shall reimburse EPC for its actual costs including overhead, which without limiting the generality of the foregoing shall include EPC direct labour, engineering design and review costs including overhead applicable to EPL, plus labour overhead calculated at 45% plus 6% rate of return on all costs.

6.03 Work may be progress billed or billed upon completion to EPL and EPL shall pay at least quarterly of receipt. Billing may include intercompany transfer and journal entries to record the transfer.

Extraordinary Costs

6.04 EPL agrees to reimburse EPC for any extraordinary costs over and above normal costs to which EPC may be put resulting from extraordinary unanticipated events such as fires, major storms, tornadoes, equipment failures, and the like provided such equipment failures are not caused by negligence on the part of EPC to provide management, engineering, and finance support.

Transition Costs

6.05 EPL shall pay EPC for transition costs associated with electric utility industry restructuring.

Renewal

6.06 Upon renewal of the term of this Agreement and any subsequent renewals, EPC may adjust the support costs and Extraordinary Costs upon ninety (90) days prior notice in writing to EPL provided that, if EPL does not accept the adjusted costs and the parties are unable to agree after negotiating in good faith, the adjusted costs may be submitted to arbitration pursuant to Article 8 of this agreement.

7 Payment

7.01 EPC shall submit to EPL at least quarterly, costs in providing support services. All costs shall provide sufficient detail of the costs incurred and the description of the undertaken by EPC. EPL shall transfer payment to EPC via intercompany transfers.

7.02 EPC will submit details of any extraordinary costs to EPL for review and EPL will pay as per Article 7.01 at least quarterly.

8 Confidentiality

8.01 EPC shall ensure confidential information relating to EPL's specific consumers, retailers, or generators is not disclosed to any party without the consent of EPL. EPC shall obtain in writing such consent except where confidential information is required to be disclosed for billing, market operations, law enforcement, legal requirement or for the processing of past due accounts.

9 Arbitration

9.01 The parties agree to consult with each other and to negotiate in good faith to resolve any differences or disputes which either party may have relating to the interpretation, application or implementation of this agreement, or any dispute which may arise over any costs, fees or other costs incurred and failing agreement the parties agree to resolve their disputes by arbitration as provided in Article 9.02.

9.02 Arbitration of a dispute shall be commenced by written notice by a party requesting arbitration to the other, which notice shall identify the issue or issues it wishes to submit to arbitration. Within thirty (30) days of the date of the notice, the Parties shall agree upon a single arbitrator and failing agreement then each party shall appoint an arbitrator and the two appointees shall within 45 days of the date of the notice of arbitration appoint a third person who shall act as Chair of the arbitration panel, and failing agreement the Chair shall be appointed by a judge of the Superior Court of Ontario pursuant to the provisions of the Arbitration's Act, RSO 1991 c.A.17.

9.03 The commencement of the arbitration and all rules of procedure for the arbitration shall be by agreement of the Parties, or failing agreement, as determined by the arbitrator or Chair of the arbitrator panel. The provisions of the Arbitration's Act, RSO 1991 c.A.17, as amended or any successor legislation shall apply to the arbitration.

9.04 All decisions of the arbitrator or arbitrators, as the case may be, shall be made in writing and shall be delivered to all Parties within ten (10) days from the conclusion of the arbitration. All decisions shall be final and binding upon the Parties, their respective successors and assigns, and shall not be subject to appeal.

9.05 Each Party shall pay its own costs incurred in respect of the arbitration including the payment of its appointee to the arbitration panel, and in the case of a three person panel the parties agree to share the fees of the Chair and other related costs equally.

10 **Termination**

10.01 In the event of non-performance by either party of its obligations under this Agreement, the other party may at its sole option elect to terminate this Agreement provided that the defaulting party shall be given written notice of the default and shall be given sixty (60) days to cure the default, and then only upon failure to cure the default the Agreement may be terminated.

11 **Insurance**

11.01 EPL and EPC shall jointly provide and keep in force an insurance policy in the amount of not less than $20 million in respect of the performed by EPC under the terms of this Agreement.

11.02 EPC agrees to endorse its insurance coverage with EPL as an additional named insured to cover any liability of EPL resulting or arising from any claims of injury, including injury resulting in death, loss of property, or damage due to the negligence of EPL, or to those for whom EPL is at law responsible.

11.03 All policies shall contain a clause requiring the insurer to give EPC or EPL, as the case may be, two hundred (200) days written notice prior to canceling insurance coverage.

11.04 Both Parties will notify the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE) regarding liability insurance implications.

12 **Warranty**

12.01 PC provides no warranty or guarantee for any defective or deficient equipment or materials supplied except for the manufacturer's or supplier's warranties or guarantees applicable to the defective or deficient equipment or materials.

13. **New Business Opportunities**

13.01 EPC intends to explore and develop new business opportunities for the retail sale of products and to its customers and those customers in areas now serviced by EPL.

13.02 EPC agrees to disclose to EPL its new business and marketing plans, including projected revenues and expenses as they pertain to EPL, for new business opportunities as they arise from time to time provided that such plans are treated as confidential as between the Parties unless otherwise agreed in writing by EPC.

14. **Notices**

14.01 All notices required to be given to either of the Parties under this Agreement shall be in writing and shall be delivered by prepaid unregistered post or hand delivery to the following:

a) to the President, EPC at: 360 Fairview Avenue West, Suite 218, Essex, Ontario N8M 3G4

b) to the General Manager, EPL at: 360 Fairview Avenue West, Suite 318, Essex, Ontario N8M 3G4

or to such other address or individual as may be designated by written notice to the other Party. Any notice given by personal delivery shall be deemed to have been given on the day of actual delivery hereof and if sent by prepaid post, on the third day after mailing.

15. **Amendments**

15.01 Amendments to this Agreement shall be in writing and executed by the Parties duly authorized signing officers.

16. **Headings**

16.01 The headings in this Agreement are for purposes of reference only and shall not be read or construed so as to abridge or modify the meaning of any provision in the main test of this Agreement.

17. **Governing Law**

17.01 This Agreement shall be construed in accordance with the laws of the Province of Ontario.

18. **Successors**

18.01 This Agreement shall ensure to the benefit of and be binding upon the Parties and their successors and assigns, respectively.

18.02 The Parties explicitly acknowledge and agree that the term of this Agreement shall remain in full force and effect and be binding upon new business corporations incorporated under the Business Corporations Act to whom assets and liabilities will be transferred as required pursuant to the provisions of the Energy Competition Act, 1998.

18.03 For the purposes of this Agreement, whenever the term EPC or EPL is used, the term shall be deemed to include all successor business corporations incorporated to whom assets and liabilities are transferred for the purpose of the installation, operation and maintenance of the Parties' electrical distribution systems.

19. **Regulatory Changes**

19.01 The Parties acknowledge that substantial changes to legislation and regulations and government policies are likely to occur during the term of this Agreement which are likely to affect the nature of the relationship between them, and as consequence the parties hereby agree to consult and negotiate in good faith any amendments to this Agreement which may be necessitated by changes in the regulatory environment, and failing agreement to submit their differences to arbitration as provided in Article 8.

7

20. **Relationship**

20.01 The parties acknowledge and agree that EPC shall act as an independent contractor providing its services under this Agreement and the Parties further acknowledge and agree that nothing in this Agreement shall be deemed or construed to be the formation of a partnership between EPC and EPL.

IN WITNESS WHEREOF the Parties have duly executed this Agreement on the date first above written:

ESSEX POWER CORPORATION

Per:

Chair

President

ESSEX POWERLINES CORPORATION

Per:

Chair

General Manager

b) The evidence indicates that services provided to Essex are charged at a cost-based price plus a mark up. Did Essex or EPC conduct a transfer pricing study to determine the fully allocated cost?

Response:

The transfer pricing as according to the master services agreement includes direct and indirect costs. The fully allocated costs include direct labour costs including applicable burdens and other costs that are directly attributable to EPL. Also included are indirect costs which include supplies, insurance, rent, office machine maintenance, computer maintenance etc. The indirect costs are allocated based on the direct labour allocation. Any directly attributable indirect costs are charged to the

appropriate subsidiary company. No external review of the transfer pricing has been completed.

c) If the answer to (b) is affirmative, please provide the results of the transfer pricing study.

Response:

See response to b).

d) Please explain how the mark up percentage was determined.

Response:
The return of 6% was originally determined when EPL's approved rate of return was 9.88%. It was determined that it was reasonable to include a return for EPC but it would not exceed EPL's rate of return and therefore 6% was selected. It should be noted that this return remains lower than the current Board approved deemed ROE.

16. Ref: Exhibit 4 / Tab 5 / Sch. 1 – Affiliate Transactions

In the above reference, page 4 line 13 – 20, it states: "With this corporate change, services are provided in the opposite direction with EPL providing labour, materials and trucks to EPS for street light and traffic light maintenance, sentinel light maintenance and other third party services. The agreement attached as Exhibit 1, Tab 2, Schedule 4, Attachment 1 page 25-31, is for services provided by EPL to EPS for street light, traffic light and miscellaneous other line services that are charged based on fully allocated costs plus a return of 7.64%. The agreement was amended in 2009, Exhibit 1, Tab 2, Schedule 4, Attachment 1, page 32-38 for a change in the fully allocated costs."

a) Please provide more details about the amendment made in 2009 for the agreement between EPL (Essex) and EPS (Energy Power Services).

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 being recovered could 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.

Reference can be made to the Schedule A's attached to the agreements dated January 1, 2008 and March 1, 2009. In summary, the Labour overhead was reduced from 2008 to 2009 from 100% to 52%, Material overhead was reduced from 2008 to 2009 from 41% to 15% and Truck overhead was reduced from 2008 to 2009 from 50% to 21%.

b) The evidence indicates that services provided to Energy Power Services are charged at a cost-based price plus a mark up. Did Essex or EPS conduct a transfer pricing study to determine the fully allocated cost?

Response:

No external transfer pricing study was conducted. As outlined in a) above, at the end of the fiscal year all costs including overheads from the prior year are reviewed and adjustments are made to the pricing structure to reflect appropriate changes.

c) If the answer to (b) is affirmative, please provide the results of the transfer pricing study.

d) Please explain how the mark up percentage of 7.64% was determined.

Response:

The mark up of 7.64% was based on EPL's overall weighted average cost of capital from the 2008 Board approved rate filing. As per the affiliate relationships code section 2.3.4.2 which states: "Where a reasonably competitive market does not exist for a service, product, resource or use of asset that a utility sells to an affiliate, the utility shall charge no less than its fully-allocated cost to provide that service, product, resource or use of asset. The fully-allocated cost shall include a return on the utility's invested capital. The return on invested capital shall be no less than the utility's approved weighted average cost of capital. "

Ontario

2008 INCENTIVE RATE MECHANISM ADJUSTMENT MODEL
Essex Powerlines Corporation
EB-2007-0878, EB-2007-0526, EB-2005-0363
Wednesday, October 31, 2007
Sheet 6 - K-Factor Derivation

Capital Structure Transition

Size of Utility (Rate Base)

Year	Small [$0, $100M)		Med-Small [$100M,$250M)		Med-Large [$250M,$1B)		Large >=$1B	
	Debt	Equity	Debt	Equity	Debt	Equity	Debt	Equity
2007	50.0%	50.0%	55.0%	45.0%	60.0%	40.0%	65.0%	35.0%
2008	53.3%	46.7%	57.5%	42.5%	60.0%	40.0%	62.5%	37.5%
2009	56.7%	43.3%	60.0%	40.0%	60.0%	40.0%	60.0%	40.0%
2010	60.0%	40.0%	60.0%	40.0%	60.0%	40.0%	60.0%	40.0%

Cost of Capital parameters

ROE	*A*	9.00%	(Board Approved 2006 EDR Model, Sheet 3-2, Cell E32)
Debt Rate	*B*	6.45%	(Board Approved 2006 EDR Model, Sheet 3-2, Cell C25)
Rate Base	*C*	$ 29,701,333	(Board Approved 2006 EDR Model, Sheet 3-1, Cell F21)
Size of Utility	*D*	Small	

Deemed Capital Structure

		Debt	Equity	
Current	*E1*	50.0%	50.0%	*E2*
2008	*F1*	53.3%	46.7%	*F2*

Based on *C*, copies the deemed D/E from row "2007" of the table
Based on *C*, copies the deemed D/E from row "2008" of the table

Cost of Capital

Current	*G*	7.725%	= (*E1* X *B*) + (*E2* X *A*)	***Weighted Average Cost of capital***
2008	*H*	7.64%	= (*F1* X *B*) + (*F2* X *A*)	

Return on Rate Base

Current	*I*	$ 2,294,427.97	= *C* X *G* / 100
2008	*J*	$ 2,269,434.30	= *C* X *H* / 100

Distribution Expenses and Revenue Requirement (before PILs)

Distribution Expenses (other than PILs)	*K*	$ 8,013,163	*(Board Approved 2006 EDR Model, Sheet 4-1, Cell F15)*
Base Revenue Requirement	*L*	$ 10,385,134	*(Board Approved 2006 EDR Model, Sheet 5-5, Cell F27)*
Transformer Allowance Credit	*M*	$ 105,214	*(Board Approved 2006 EDR Model, Sheet 6-3, Cell "Total" in Row R120)*

Revenue Requirement (before PILs)

Current	*N*	$ 10,307,590.97	= *I* + *K*
2008	*O*	$ 10,282,597.30	= *J* + *K*

Target Net Income (EBIT)

Current	$	1,336,559.99	*P1* = *I* - *P2*
2008	$	1,248,347.03	*Q1* = *J* - *Q2*

Interest Expense

Current	$	957,867.99	*P2* = *C* X (*B* X *E1* / 100)
2008	$	1,021,087.28	*Q2* = *C* X (*B* X *F1* / 100)

PILs

Tax Rate *R* 36.12% (Board Approved 2006 PILs Model, Sheet "Test Year PILS, Tax Provision", Cell D14)

Large Corporation Tax Allowance (if applicable) - grossed up			$ -	*S*	*(Board Approved 2006 PILs Model, Sheet "Test Year PILS, Tax Provision", Cell D31)*
OCT (Rate Base less $10,000,000 X 0.30%)			$ 74,612	*T*	*(Board Approved 2006 PILs Model, Sheet "Test Year PILS, Tax Provision", Cell D30)*
PILs Allowance			$ 943,488	*U*	*(Board Approved 2006 PILs Model, Sheet "Test Year PILS, Tax Provision", Cell D33)*
Taxable Income	Current	$	1,636,650	*AC*	*(Board Approved 2006 PILs Model, Sheet "Test Year PILS, Tax Provision", Cell D11)*
	2008	$	1,504,787	*AD*	= *AC* + (*Q1* - *P1*) * (*R* / 100)
Federal Tax (grossed up)	Current	$	868,876	*V*	= *AC* * (*R* / 100) / (1 - *R* / 100) 943,488
	2008	$	850,860	*W*	= *AD* * (*R* / 100) / (1 - *R* / 100)

Base Revenue Requirement Adjustment (including PILs)

Revenue Requirement (less LCT) *(LCT is removed as it was removed in from rates in 2007 EDR)*

Current	$	11,251,078.96	*X*	= *N* + *V* + *T*
2008	$	11,208,069.10	*Y*	= *O* + *W* + *T*

Base Revenue Requirement (plus transformer allowance credit)
(Transformer allowance credit needs to be added onto revenue requirement for full rate recovery - similar to LCT calculation in 2007 EDR)

Current	$	10,490,348.00	*Z*	= L + M
2008	$	10,447,338.14	*AA1*	= Z + (Y - X)
Difference	$	- 43,009.86	*AA2*	= *AA1* - *Z*
K-factor		-0.4%	*AB*	= *AA2* / *Z*

Depreciation and Amortization

17. Ref: Exhibit 4 / Tab 7 / Sch. 1 / Page 1 – Depreciation rates and Methodology

In the above reference, line 2 – 5, it states: "Essex Powerlines adheres to the 2006 Electricity Distribution Rate Handbook Appendix B, with the exception of the depreciation life for our service building. The service building included modification to an existing steel construction building so we are depreciating it over 25 years."

a) Please provide justification to use 25 years as the depreciation life for the service building instead of 50 years as stated in the Rate handbook.

Response:

The building was originally built in the 1960's, with additions in the late 1970's and early1990's. The building was basically a garage with 8 bays and small offices at each end. Essex expanded the offices by adding another floor along with some main floor changes. The building is primarily steel with a block foundation. As the original part of the building including the garage area is from the 1960's and already 40+ years old, it was determined that the building would not have an additional 50 years useful life, so depreciating it over 25 years reflected the building's useful life. Attached is an excerpt from the original environmental assessment of the building performed by Golder &Associates in 2001.

Golder Associates Ltd.

2465 McDougall Street, Suite 100
Windsor, Ontario, Canada N8X 3N9
Telephone (519) 250-3733
Fax (519) 250-6452

REPORT ON

PHASE I ENVIRONMENTAL SITE ASSESSMENT
2730 HIGHWAY NO. 3
TECUMSEH, ONTARIO

Submitted to:

Essex Power Services Corporation
360 Fairview Avenue West
Suite 218
Essex, Ontario
N8M 3G4

DISTRIBUTION:

2 Copies - Essex Power Services Corporation
2 Copies - Golder Associates Ltd.

December 5, 2001

011-4606

2.0 SITE DESCRIPTION

The subject property is triangular in shape and accessible via a right-of-way off of Highway No. 3. Two buildings are present on the property. The main (larger) building is a slab-on-grade structure which is constructed with a concrete block and steel frame design. The building has metal siding and a flat, metal deck, built up roof. At the time of the November 19, 2001 site visit, the building was being used as a truck maintenance garage. The original building was apparently constructed in the 1960s, with subsequent additions in the late 1970s and early 1990s. The second building, which is located north of the main building, is a slab-on-grade structure which is constructed with a concrete slab and wood frame design. The building has metal siding and an a roof surfaced with asphalt shingles. At the time of our site visit, the building was being utilized for road salt storage.

With respect to the site grounds, an asphalt parking lot is present south of the main building, while the remainder of the yard areas are surfaced with gravel. Reportedly, a portion of the property is leased for agricultural land use. It is noted that the subject site is in an area of significant agricultural land use, with some industrial and residential subdivisions nearby.

b) Please provide the percentage of the modification book value as compared to the book value of the entire service building.

Response:

88% of the book value is for modifications made to the building. Essex questions the relevance of this number, since the useful life of the modifications is tied to the entire building.

c) Please provide the impact on the total 2010 depreciation expense amount if Essex used the depreciation life of 50 years for its service building.

Response:

The 2010 depreciation expense amount would decrease from $79,410 to $39,705.

PILs

18. Ref: Exhibit 4 / Tab 8/ Sch. 3/ Page 2 – Tax Rates

Effective July 1, 2010, Ontario's small business income tax rate will drop from 5.5% to 4.5% and the surtax will be eliminated.

a) Please explain whether Essex has included these changes in tax rates in its PILs calculation and how it has interpreted the capital tax and income tax changes that will become effective on July 1, 2010 with respect to proration in 2010. Please include all relevant calculations.

Response:

All the tax rates have been incorporated into our PILs calculation but an error was detected in applying the small business clawback of 4.25% which should not apply. Essex does not qualify for the small business deduction as outlined in section 2368.05 due to its association with its affiliates and the total capital employed exceeds $15 million. See copy of section 2368.05 below.

T2, Page 4 — Small Business Credit; Accelerated Tax Reduction; Resource Income Deduction

¶2368 Small business deduction — Calculation

A corporation that was a Canadian-controlled private corporation ("CCPC" — see ¶2288) throughout the full taxation year is eligible for the small business deduction on the first $400,000 ($300,000 for 2006) of active business income, subject to the association rules at ¶7300, and to a phase-out for corporations with more than $10 million of taxable capital, as discussed under heading (3), below. [The 2009 federal Budget proposed that the business limit be increased to $500,000, effective January 1, 2009. This amendment is included in Bill C-10, which received first reading in the House of Commons on February 6, 2009. Corporations whose taxation years straddle the end of calendar year 2008 will prorate their small business limits based on the number of days in the taxation year after 2008 and before 2009.]

The small business deduction is a rate reduction/credit of 17% on "active business income", as determined on Schedule 7 (see ¶4404), subject to the limitations below. Prior to 2008, the rate reduction was 16%. The rate change took effect on January 1, 2008. For taxation years that straddle December 31, 2007 the two rates were prorated based on the number of days in each calendar year.

A comprehensive table of effective rates for recent years precedes Chapter 1.

Certain businesses do not qualify for the low rate at all; these include specified investment businesses (¶4376) — essentially small holding companies for real estate or other investment activities — and personal service businesses. A "personal service business" of a corporation is a corporate activity that results from interposing the corporation in what would normally constitute an employer–employee relationship. There is also a restriction on the expenses that are deductible by the corporation in computing its income from such a business (see ¶3796).

¶2368.05 Business Limit Reduction

The business limit reduction (amount E) phases out the small business deduction for larger corporations, regardless of income. In theory, the objective is to reduce the business limit where a corporation's (or corporate group's) taxable capital employed in Canada exceeds $10 million. The reduction is on a straight-line basis and the small business rate is eliminated completely where capital exceeds $15 million.

Taxable capital employed in Canada is measured for this purpose by reference to the definition used for Part I.3 tax (also called large corporation tax or "LCT"), even though that tax has been discontinued for 2006 and later taxation years. Accordingly, taxable capital employed in Canada is most readily calculated on Schedule 33 (Schedule 34 for financial institutions, Schedule 35 for insurance companies). These schedules were reissued in 2007, primarily (it would seem) for the purpose of accommodating this calculation, which now appears as Part 10 of the revised schedules. Corporations that (together with related corporations) have taxable capital in excess of $10 million are directed to complete the forms even if no Part I.3 tax is payable. However, the 2008 T2 return available when this was written does not make reference to these schedules.

On the T2 return, the CRA uses the term "taxable capital employed in Canada" in place of the term "gross Part I.3 tax" to describe the amount that should be used in the

box 415 calculation; otherwise the calculation remains unchanged from prior years. It is the taxable capital employed in Canada of the corporate group minus $10 million, multiplied by a notional .225% LCT rate. The $11,250 divisor takes into account the notional .225% Part I.3 tax rate and the $10 million reduction, so that where applicable corporate capital is $15 million, there will be a notional Part I.3 tax of $11,250 (.225% of $5 million), and the formula will give a deduction equal to the business limit, for an effective business limit of nil. Where applicable capital is between $10 million and $15 million, there is a straight-line proration of the business limit reduction.

Where the corporation is associated with exactly the same group of other corporations in both the current and the preceding taxation year, taxable capital employed in Canada is the aggregate of the taxable capital employed in Canada for each corporation for its last taxation year ending in the preceding year.

[For taxation years commencing after December 20, 2002, pending legislation will require a corporation to base its business limit deduction on gross Part I.3 tax for the current year calculation where it is associated with more, fewer, or different corporations in the current taxation year than in the preceding year. The resulting associated corporation calculation is intended to be more accurate if, inevitably, more complex. See the discussion of Schedule 23 at ¶7313.]

Note that it is association rules only, and not related company rules, which force inclusion of the LCT of other companies. See ¶7313.

Related References:
Income Tax Act:
125ITA 125
Interpretation Bulletins:
IT-73ITB IT-73

b) If Essex has not already included the July 1, 2010 tax changes in its PILs calculation, please provide revised calculations reflecting the appropriate tax changes.

Response:

See revised tax table below for page 16 of 16 in Exhibit 4, Tab 8, Schedule 3, Attachment 1:

Essex Powerlines (ED-2002-0499)

PILs Calculations for 2010 EDR Application (EB-2009-0143) version: v0.1
August 28, 2009

P8 Total PILs Expense

Enter tax credit amounts

	2009 Projection	2010 Projection [1]	2010 Test [1]
Regulatory Taxable Income/(Loss)	1,913,497	397,459	1,395,291
Combined Income Tax Rate	33.00%	16.00%	31.00%
Total Income Taxes	631,454	63,593	432,540
Investment & Miscellaneous Tax Credits			
Income Tax Payable	**631,454**	**63,593**	432,540
Large Corporations Tax (LCT)			
Ontario Capital Tax (OCT)	55,703	19,868	19,868
Grossed-up Income Tax			626,870
Grossed-up LCT			
Total PILs Expense	**687,157**	**83,461**	**646,738**

[1] *'Projection' per existing rates; 'Test' based on proposed revenue requirement*

Cost of Capital

19. Ref: Exhibit 5 / Tab 1/ Sch. 1 / Page 1

The Board's short-term debt rate identified in the Cost of Capital Parameter Updates issued on February 24, 2009 is 1.33%. Please explain the rationale for using a short-term debt rate of 1.13%.

Responses:

The rate of 1.13% used for short-term debt rate was used in error. Essex agrees that the short-term debt rate should have been 1.33%
Response:

20. Ref: Exhibit 5 / Tab 1/ Sch. 2 / Page 1

Page 12 of Essex's 2008 Audited Financial statements (Exhibit 1 / Tab 4 / Sch. 2) provides the long term principal repayments for the next 5 years. Please confirm whether Essex has taken into account these repayments in its long-term debt calculation for 2010. Please provide a detailed response.

Response:

The current portion of the long term debt payments included on the financial statements is accurate and reflects the obligation to the corporation for the repayment of debt. Part of the current portion of long term debt includes repayment on the loans held by the shareholder municipalities. This amount is at the discretion of the municipality holding the debt to request the payments or they can allow the principal to accumulate and request part or all of the accumulated principal payments owing in a future year. For example, at the end of 2008, the long term principal repayments for 2009 are $ 1,539,365. $61,483 is the principal repayment for the mortgage on the building. The remaining $1,477,882 is for principal repayments to the municipalities. This includes principal payments for 2008 and 2009 of $738,941 each year. The municipalities have to provide their intention to get repayment by March of each year for repayment in Oct of each year. They have a total of 5 payments available to them.

If the towns request payment, EPL will arrange alternative financing to replace these loans. Therefore, EPL has included them as ongoing debt commitments for the purpose of interest expense for 2010 under the assumption the municipalities will not be requesting payment and if they do, we would replace it with new debt.

The interest swaps of $6.3 million do not include any principal repayments.

The new loan will have some principal repayments but for the purpose of calculating the interest expense for 2010, Exhibit 5, Tab 1, Schedule 2, Attachment 1, is reasonably accurate.

21. Ref: Exhibit 5 / Tab 1/ Sch. 2 / Page 1

At the above reference, Essex states that: "The fixed rate loan for $10,000,000 is being negotiated with either Infrastructure Ontario or a bank. The rate for this loan is estimated to be no more than 6%. It will either be a 20 year loan with Infrastructure Ontario or it could be a 10 year loan with a bank. This will be determined in the next few months."

a) Please provide any update, if any, regarding this $10 million fixed rate loan.

Response:

Essex has signed a fixed term loan agreement with TD Bank for $10 million as included in the application on November 8, 2009. The loan has been split as $6 million amortized over 20 years at a rate of 4.99%. The remaining $4 million is amortized over 10 years at a rate of $4.49%. A revised Exhibit 5, Tab 1, Schedule 2, Attachment 1 is included with these changes.

Weighted Average Cost of Debt

Description	Amount	Issue Date (dd-mmm-yyyy)	Term Date (dd-mmm-yyyy)	Interest Rate (a)	Other Costs (b)	Due to Affiliate?	Annual Cost (c)
Long Term Loan Payable (Town of Leamington)	2,150,296	1-Jan-2008	31-Dec-2012	6.00%		NO	129,018
Long Term Loan Payable (Town of Tecumseh)	1,544,408	1-Jan-2008	31-Dec-2012	6.00%		NO	92,664
Fixed Rate Loan TD Bank	5,985,046	9-Nov-2009	9-Nov-2019	4.99%		NO	298,654
TD Bank/TD Securities Interest Swaps	3,000,000	3-Jun-2003	3-Jun-2013	7.05%		NO	211,500
TD Bank/TD Securities Interest Swaps	3,300,000	4-Nov-2008	4-Nov-2018	5.94%		NO	196,020
United Communities Mortgage	723,376	19-Sep-2008	19-Sep-2013	5.90%		NO	42,679
Fixed Rate Loan TD Bank	3,973,313	9-Nov-2009	9-Nov-2019	4.49%		NO	178,402

Description	Effective Rate	Days o/s in 2010	Average Balance	2010 Cost	2010 Ending Balance	Debt o/s USA #	Int. Expense USA #
Long Term Loan Payable (Town of Leamington)	6.00%	365	2,150,296	129,018	2,150,296	2525	6005
Long Term Loan Payable (Town of Tecumseh)	6.00%	365	1,544,408	92,664	1,544,408	2525	6005
Fixed Rate Loan TD Bank	6.00%	365	5,985,046	298,654	5,985,046	2520	6005
TD Bank/TD Securities Interest Swaps	7.05%	365	3,000,000	211,500	3,000,000	2520	6005
TD Bank/TD Securities Interest Swaps	5.94%	365	3,300,000	196,020	3,300,000	2520	6005
United Communities Mortgage	5.90%	365	723,376	42,679	723,376	2520	6005
Fixed Rate Loan TD Bank	4.49%	365	3,973,313	178,402	3,973,313		
TOTAL	5.56%		20,676,439	1,148,937	20,676,439		

(a) For debt held issued prior to 12-Apr-2006 (prior Test Year approval, per sheet A1), represents the previously approved rate.
(b) Annual charges other than interest (e.g. commitment fees, amortization of issuance costs, etc.)
(c) For debt issued to an affiliate since 12-Apr-2006, represents the lower of (i) actual cost and (ii) cost based on the deemed debt rate (7.62%, per sheet Y1)

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b) Please provide the details of the projects or programs that this $10 million loan will be used to finance.

Response:

The $10 million was required to replace funds used out of cash reserves and includes:

2010 Capital expenditures $ 4.1 million
2007 - 2010 Smart meter program $6 million
2009 Capital Expenditures $2.9 million
2008 Capital Expenditures $2 million
Intercompany loan owing to EPSC $1.7 million for 2008 purchase of assets

These amounts total to more than 10 million and the remainder will be funded through cash flow from regular operations.

22. Ref: Exhibit 5 / Tab 1/ Sch. 2 / Page 1

At the above reference, Essex states that: "The TD Bank/TD Securities loans are bankers acceptances from the TD Bank that are in an interest swap with TD Securities. The $3,000,000 loan is due to mature in 2013 and has overall rate of 7.05%. The $3,300,000 loan is due to mature in 2018 and has an overall rate of 5.94%."

On page 12 of Essex's 2008 Audited Financial statements (Exhibit 1 / Tab 4 / Sch. 2), the interest rate for the $3,000,000 was listed as 5.8% and the interest rate for the $3,300,000 was listed as 4.69%. Please explain the reason for the differences.

Response:

The TD Bank recently advised that the current stamping fee of .5% would be increasing to 1.75% before the end of 2009.

23. Ref: Exhibit 5 / Tab 1/ Sch. 2 / Attachment 2 / Page 2

At the above reference, Essex states that: "Essex Powerlines Corporation (EPLC) does not hold any Affiliate Debt Instruments. At the end of 2008, EPLC did have an intercompany payable to Essex Power Corporation for $1,320.537. The bulk of this payable amount was due to temporary cash advancement to EPLC that will be repaid in 2009 when other loan arrangements are completed. At the end of 2008, EPLC had an intercompany payable to Essex Power Services Corporation for $1,738,283. The bulk of this payable amount is the outstanding balance of the cost of the assets transferred (book value of approximately $3.1 million). No interest is being charged on these amounts."

Please explain how this intercompany payable to Essex Power Services Corporation of $1,783,283 is related to the proposed cost of debt.

Response:

The repayment of the $1,783,283 for the purchase of assets from EPS is part of the requirement to borrow the $10 million from the TD Bank. Once the funding is completed, the intercompany payables will be paid.

Cost Allocation

24. Ref: Exhibit 7 / Tab 1/ Sch. 1 / Attachment 1 – 2010 Cost Allocation study – page 14

On page 14, line 6 – 7, it states: "Note that the total revenue to cost ratio for EPL-2010 is less than 100% because it represents the revenue to cost ratio for 2010 at current rates." On the same page, lines 12-14, it states: "Table 8 represents the revenue responsibility (i.e., allocation of the total revenue requirement to the rate classes) in each of the models. This revenue responsibility is presented in both dollar and percentage terms."

Please use the EPL-2010 revenue as stated in Table 8 to recalculate the revenue to cost ratio for EPL-2010 so that the total revenue to cost ratio for EPL-2010 is equal to 100%.

Response:

The revenue responsibility percentages shown in Table 8 under EPL-2010 represent an allocation of revenue which, if applied to the proposed revenue requirement, would result in 2010 revenue to cost ratios of 100% for each rate class.

The actual allocation of revenue which EPL is proposing for 2010 appears in Table 3 of Exhibit 7 / Tab 2 / Schedule 2, and reflects a total revenue to cost ratio of 100% based on the EPL-2010 Cost Allocation model. The revenue allocation yielding these ratios appears on sheet F4 of the submitted RateMaker model.

25. Ref: Exhibit 7 / Tab 1/ Sch. 1 / Attachment 1 – 2010 Cost Allocation study – page 11-13 – 2010 Essex CA Model

a) Please provide a Cost allocation study in which all the data (i.e. demand and customer data) for Embedded distribution delivery points are included as a separate class and recalculate the revenue to cost ratio for all the classes. (Please ensure the total revenue to cost ratio is equal to 100%.)

Response:
The requested Cost Allocation model has been filed electronically with the Board under file name EPL-2010-OEB25. The revenue to cost ratios on sheet O1 are based on existing rates, as were the ratios in the EPL-2010 file. Row 80 of sheet O1 presents these ratios scaled up to an overall revenue-to-cost ratio of 100%.

b) Please confirm for the new calculated revenue to cost ratio as indicated in (a) whether Essex would want to propose new revenue to cost ratios in the Test year for the embedded distributor class.

Response:
EPL will not submit changes to its previously proposed revenue to cost ratios at this time, not is it proposing the ratios appearing in cost allocation model EPL-2010-OEB25, as EPL is not proposing to introduce a distinct rate class for Embedded Distribution. Were the Board to determine that this additional rate class should be introduced, EPL's position would be that the revenue to cost ratios for each rate class should be derived in a manner consistent with the approach described in Exhibit 7 / Tab 2 / Schedule 2.

Rate Design

26. Ref: Exhibit 8 / Tab 2/ Sch. 1/ Attachment 1 – Fixed/Variable Revenue Split

a) Please confirm whether the existing rates are based on 2009 approved rates, and if not then which rates were used.

Response:

In Essex's filing the incorrect rates were used for the 2009 current rates in the comparison's with the 2010 rates. Essex provided Board Staff with corrected rate impacts which were used in the published Notice of Application.

b) If the answer to (a) is negative, please provide a revised fixed and variable revenue split based on 2009 approved rates.

Response:

F5 Fixed/Variable Rate Design

Customer Class Name	Existing Rates (1)			Cost Allocation - Minimum Fixed Rate (2)			Cost Allocation - Maximun Fixed Rate (2)		
	Rate	Fixed %	Variable %	Rate	Fixed %	Variable %	Rate	Fixed %	Variable %
Residential	$10.95	45.54%	54.46%	$4.07	14.00%	86.00%	$15.07	51.81%	48.19%
General Service Less Than 50 kW	$12.60	43.75%	56.25%	$12.03	24.36%	75.64%	$32.50	65.80%	34.20%

General Service 50 to 2,999 kW	$343.51	41.63%	58.37%	$49.73	6.03%	93.97%	$343.51	41.67%	58.33%
General Service 3,000 to 4,999 kW	$4,076.03	51.01%	48.99%	$87.38	2.35%	97.65%	$4,076.03	109.74%	-9.74%
Unmetered Scattered Load	$8.92	24.58%	75.42%	$6.87	19.04%	80.96%	$23.06	63.91%	36.09%
Sentinel Lighting	$0.72	36.48%	63.52%	$0.96	16.51%	83.49%	$8.74	150.57%	-50.57%
Street Lighting	$0.38	36.32%	63.68%	$0.96	19.63%	80.37%	$8.59	175.57%	-75.57%

	Existing Fixed/Variable Split (3)			Rate Application			Resulting Usage		(4) Existing
Customer Class Name	**Rate**	**Fixed %**	**Variable %**	**Rate**	**Fixed %**	**Variable %**	**Rate**	**per**	**Usage Rate**
Residential	$13.24	45.54%	54.46%	$13.24	45.53%	54.47%	$0.0181	kWh	$0.0150
General Service Less Than 50 kW	$21.61	43.75%	56.25%	$21.61	43.76%	56.24%	$0.0086	kWh	$0.0050
General Service 3,000 to 4,999 kW	$1,894.61	51.01%	48.99%	$1,894.61	51.01%	48.99%	$2.2355	kW	$4.8094
Unmetered Scattered Load	$8.87	24.58%	75.42%	$8.87	24.58%	75.42%	$0.0307	kWh	$0.0309
Sentinel Lighting	$2.12	36.48%	63.52%	$2.12	36.54%	63.46%	$6.8996	kW	$4.5442
Street Lighting	$1.78	36.32%	63.68%	$1.78	36.36%	63.64%	$5.4817	kW	$3.4074

c) Please explain why the monthly fixed charge for General Service 3,000 to 4,999kW has been reduced from $4,059.65 to $2,113.87.

Response:

This change is due to the cost allocation results.

Loss Factors

27. Ref: Exhibit 8, Tab 3, Sch. 3, Page 1-2

On page 1, lines 16-17, it states: "EPL calculated its weighted average supply facility loss factor by summing energy delivered at each of its 12 supply points."
For all the points of supply under Essex's four service territories please identify how many points are supplied by Hydro One transmission and how many points are supplied by Hydro One distribution system.

Response:

All points are supplied by the Hydro One distribution system.

28. Ref: Exhibit 8, Tab 3, Schedule 3, Attachment 1

a) If Essex is fully embedded in the Hydro One distribution system, i.e. 100% of Essex's supply points are fed by Hydro One distribution, please explain why Essex did not use a SFLF of 1.0340 (3.4% losses) to account for losses upstream of EPL's distribution system, i.e. at the point of supply to Hydro One distribution and within Hydro One's distribution system.

Response:

Essex did not use a SFLF of 1.0340 (3.4% losses) as Essex is not fully embedded in the Hydro One distribution system.

b) If Essex is partially embedded within the Hydro One distribution system, i.e. some of Essex's supply points are fed by Hydro One distribution while the balance are fed by Hydro One transmission, please reconfirm that the weighted average SFLF was calculated by factoring in a SFLF of 1.0340 (3.4% losses) to account for supply losses related to the component of Essex's distribution system that is embedded within the Hydro One distribution system.

Response:

Essex is an IESO market participant and is not fully embedded in the Hydro One distribution system. Hydro One does not bill Essex for commodity charges. Essex did not use the 3.4% because we had better representative data by meter points with varying loss factors and used this data to determine a weighted average SFLF.

The following table contains the information used to calculate the weighted average for each year:

2004				
Meter Point	Gross Energy kwhrs	Loss Factor	Total Losses	Weighted SFLF
Keith:M5 Import	99,788,599.2	0.0340	3,392,812.37	
Canard	(79,638,407.3)	0.0270	(2,150,237.00)	
Detroit	73,407,713.3	0.0558	4,096,150.40	
Malden	159,637,049.5	0.0340	5,427,659.68	
Kingsville	155,073,063.3	0.0340	5,272,484.15	
Lauzon	128,698,160.8	0.0340	4,375,737.47	
Heinz (REG)	20,673,787.1	(0.0327)	(676,032.84)	
Total	557,639,965.9		19,738,574.24	**0.0354**

(REG = retail embedded generator)

2005				
Meter Point	Gross Energy kwhrs	Loss Factor	Total Losses	Weighted SFLF
Keith:M5 Import	98,843,713.1	0.0340	3,360,686.25	
Canard	(77,246,423.6)	0.0270	(2,085,653.44)	
Detroit	69,916,976.7	0.0558	3,901,367.30	
Malden	175,481,679.6	0.0340	5,966,377.11	
Kingsville	163,109,783.1	0.0340	5,545,732.63	
Lauzon	131,881,124.9	0.0340	4,483,958.25	
Heinz	15,800,831.3	(0.0327)	(516,687.18)	
Total	577,787,685.1		20,655,780.90	**0.0357**

2006				
Meter Point	Gross Energy kwhrs	Loss Factor	Total Losses	Weighted SFLF

Keith:M5 Import	85,203,252.1	0.0340	2,896,910.57	
Canard	(65,225,708.8)	0.0270	(1,761,094.14)	
Detroit	57,910,350.3	0.0558	3,231,397.55	
Malden	175,848,638.1	0.0340	5,978,853.70	
Kingsville	150,074,591.3	0.0340	5,102,536.10	
Lauzon	126,293,383.3	0.0340	4,293,975.03	
Heinz	20,076,882.8	(0.0327)	(656,514.07)	
Total	550,181,389.1		19,086,064.74	**0.0347**

2007				
Meter Point	Gross Energy kwhrs	Loss Factor	Total Losses	Weighted SFLF
Keith:M5 Import	69,489,671.6	0.0340	2,362,648.83	
23M3	17,806,661.4	0.0060	106,839.97	
23M4	2,298,886.4	0.0060	13,793.32	
Canard	(45,673,185.6)	0.0270	(1,233,176.01)	
Detroit	38,111,957.2	0.0558	2,126,647.21	
Malden	227,460,647.8	0.0340	7,733,662.03	
Kingsville	151,018,927.0	0.0340	5,134,643.52	
Lauzon	127,412,877.6	0.0340	4,332,037.84	
Heinz	21,864,977.8	(0.0327)	(714,984.77)	
Total	609,791,421.2		19,862,111.93	**0.0326**

2008				
Meter Point	Gross Energy kwhrs	Loss Factor	Total Losses	Weighted SFLF
Keith:M5 Import	34,213,630.0	0.0340	1,163,263.42	
23M3	44,191,942.7	0.0060	265,151.66	
23M4	50,672,757.7	0.0060	304,036.55	
Canard	(1,522,169.6)	0.0270	(41,098.58)	
Detroit	958,625.7	0.0558	53,491.31	
Malden	199,962,846.1	0.0340	6,798,736.77	
Kingsville	133,734,430.2	0.0340	4,546,970.63	
Lauzon	124,809,436.3	0.0340	4,243,520.83	

Heinz	23,158,874.6	(0.0327)	(757,295.20)	
Total	610,180,373.7		16,576,777.39	**0.0272**

c) Please populate row 'A1' in the table provided in the above reference such that the ratio of kWh values provided in rows 'A1' and 'A2' are consistent with SFLF value provided in row 'H'. With respect to populating row 'A1', please note:

i. If directly connected to IESO controlled grid, kWh pertains to the virtual meter on the primary or high voltage side of the transformer at the interface with the transmission grid. This corresponds to the "With Losses" kWh value provided by the IESO's MV-WEB. This corresponds to the higher of the two kWh values provided by MV-WEB.

ii. If fully embedded within a host distributor, kWh pertains to the virtual meter on the primary or high voltage side of the transformer at the interface between the host distributor and the transmission grid. For example, if the host distributor is Hydro One, kWh from the Hydro One invoice corresponding to "Total kWh w Losses" should be reported. This corresponds to the higher of the two kWh values provided by the Hydro One invoice.

iii. If partially embedded, kWh pertains to sum of the above.

Response:

Schedule 10-5: Determination of Loss Factors						
		Year 1 2004	Year 2 2005	Year 3 2006	Year 4 2007	Year 5 2008
	Losses in Distributor's System					
A1	"Wholesale" kWh delivered to distributor (higher value)	577,378,540	600,488,443	573,974,325	633,859,385	611,186,634
A2	"Wholesale" kWh delivered to distributor (lower value)	557,639,966	579,762,078	554,730,451	613,864,602	595,021,673
B	Portion of "Wholesale" kWh delivred to distributor for Large User Customer(s)	0	0	0	0	0

C	Net "Wholesale" kWh delivered to distributor (A2)-(B)	557,639,966	579,762,078	554,730,451	613,864,602	595,021,673
D	"Retail" kWh delivered by distributor	530,887,792	566,660,238	528,969,909	584,280,689	576,502,983
E	Portion of "Retail' kWh delivered by distributor for Large Use Customer(s)	0	0	0	0	0
F	Net "Retail" kWh delivered by distributor (D)-(E)	530,887,792	566,660,238	528,969,909	584,280,689	576,502,983
G	**Loss Factor in distributor's system [C/F]**	**1.0504**	**1.0231**	**1.0487**	**1.0506**	**1.0321**
	Losses Upstream of Distributor's System					
H	**Supply Facility Loss Factor**	**1.0354**	**1.0357**	**1.0347**	**1.0326**	**1.0272**
	Total Losses					
I	**Total Loss Factor [(G)x(H)]**	**1.0876**	**1.0597**	**1.0851**	**1.0849**	**1.0602**

29. Ref: Exhibit 8, Tab 4, Schedule 4, Attachment 1 Page 3

a) Essex proposed the Total Loss Factor (TLF) for Secondary and Primary metered customers greater than 5,000 kW of 1.0602. Please explain the reason for proposing TLF values for such customers when Essex does not appear to have any large user customers as indicated by zero values provided in both rows 'B and 'E' in the table in the Exhibit 8 / Tab 3 / Sch. 3 / Attachment 1.

Response:

Essex should not have proposed Total Loss Factors for the large user class. These cells should have been denoted by N/A.

b) Essex proposed the TLF values for Secondary and Primary metered customers less than 5,000 kW of 1.0602. Please explain the reason for proposing the same TLF value for Primary and Secondary customers, as this would ignore the Primary Metering Adjustment of 0.99 which accounts for assumed 1% losses in the primary to secondary transformer.

Response:

Essex agrees that the TLF for the Primary Metered customers should not be 1.0602 but rather 1.0496 to account for the 1% primary metering adjustment.

Bill Impacts

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

Essex provided bill impacts resulting from the proposed rate changes in the above reference.

a) Please confirm whether the bill impacts calculation is based on current rates (2009) or not.

Response:

In Essex's filing the incorrect rates were used for the 2009 current rates in the comparison's with the 2010 rates. Essex provided Board Staff with corrected rate impacts which were used in the published Notice of Application.

b) If the answer to (a) is negative, please correct the bill impacts calculation as shown in Exhibit 8/ Tab 4/ Schedule 4/ Attachment 1 & 2.

Response:

Essex Powerlines Corporation

	2009			2010			Change Impact	
	Volume	Rate	Charge	Volume	Rate	Charge	$	%
Residential								
800 kWh's								
Monthly Service Charge			$10.95			$12.94		
Distribution	800	0.0150	$12.00	800	0.0177	$14.16		
smart meter rate rider			$1.00			$2.40		
Regulatory Assets	800	0	$0.00	800	-0.0030	-$2.40		
Transmission -Network	843.52	0.0049	$4.13	848.16	0.0051	$4.33		
Transmission -Connection	843.52	0.0043	$3.63	848.16	0.0050	$4.24		
Total Delivery			**$31.71**			**$35.67**	**$3.96**	**12.5%**

	2009			2010			Change Impact	
	Volume	Rate	Charge	Volume	Rate	Charge	$	%
General Service								
2000 kWh's								
< 50 kW								
Monthly Service Charge			$12.60			$21.74		
Distribution	2000	0.0050	$10.00	2000	0.0087	$17.40		
smart meter rate rider			$1.00			$2.40		
Regulatory Assets	2000	0	$0.00	2000	-0.0030	-$6.00		
Transmission -Network	2108.8	0.0043	$9.07	2120.4	0.0045	$9.54		
Transmission -Connection	2108.8	0.0040	$8.44	2120.4	0.0047	$9.97		
Total Delivery			**$41.10**			**$55.05**	**$13.94**	**33.9%**

Deferral and Variance Accounts

31. Ref: Exhibit 9 / Tab 2 / Sch. 1 / Page 1 – Recovery period

In the above reference, Essex states: "The amount to be disposed of is the audited principal balances as of December 31, 2008 plus interest forecasted to April 30, 2010. The proposed method of recovery is allocated to rate classes on the basis of the applicable cost drivers over a one-year period." However in Exhibit 1 / Tab 1/ Sch. 3 / Page 3, Essex requested approval to dispose of the Deferral and Variance Account balances over a four-year period. Please clarify what recovery period Essex is requesting for disposition.

Response:

Essex is proposing to dispose of it's deferral and variance account balances over a 4 year period, as stated in Exhibit 1, Tab 1, Schedule 3, page 3, line 1 – 2. The recovery period noted on Exhibit 9, Tab 2, Schedule 1, page 1, line 15 – 16. should state "over a four-year period".

32. Ref: Exhibit 9 / Tab 2 / Sch. 1 – Accounts 1588

a) On October 15, 2009, the Board's Regulatory Audit & Accounting group issued a bulletin related to Regulatory Accounting & Reporting of Account 1588 RSVAPower and Account 1588 RSVAPower Sub-account Global Adjustment. Please confirm whether or not Essex plans on making any changes to its filing with respect to Account 1588.

   Response:

   Essex has re-filed it's figures for the changes as per the Boards Regulatory Audit & Account group bulletin. Essex was only affected by the RPP requirements and made the necessary changes to reallocate the RPP to the correct accounts.

b) Please identify separately, the balance associated with the Global Adjustment sub-account in Account 1588 Power, as of December 31, 2008 for the principle balance and April 30, 2010 for carrying charges.
   Response:

   December 31, 2008 balance - Global Adjustment sub account $5,884,623.76
   April 30, 2010 interest balance $745,332.41.

c) Please provide an allocation of the December 31, 2008 balance of the Global Adjustment sub-account (plus interest to April 30, 2010) based on the 2008 kWhs for non-RPP customers.

Deferral / Variance Account	Total Recovery Amount	Allocation Basis	Residential	General Service Less Than 50 kW	General Service 50 to 2,999 kW	General Service 3,000 to 4,999 kW	Unmetered Scattered Load		
1588-RSVAPOWER	5,884,624	non-rpp kwhrs	1,051,041	250,478	3,566,302	960,405	7,155		
Total Recoveries Required (1 years)	**5,884,624**		**1,051,041**	**250,478**	**3,566,302**	**960,405**	**7,155**		
Annual Recovery Amounts	5,884,624		1,051,041	250,478	3,566,302	960,405	7,155		
Annual Volume			47,176,081	11,242,714	160,073,778	43,107,877	321,161		
Proposed Rate Rider per			**$0.0223** kWh	**$0.0223** kWh	**$0.0223** kW	**$0.0223** kW	**$0.0223** kWh		

d) Please calculate a separate rate rider for the recovery of the proposed Global Adjustment balance using the allocated amounts in (c) and the 2010 non-RPP consumption data (kWh or kW as applicable) as the billing determinant.
Response:

See c) above

33. Ref: Exhibit 9 / Tab 2 / Sch. 1 / Attachment 1 – Accounts requested for Disposition – Account 1525

In the above reference, Essex shows an amount of $2,175,088 for account 1525 in 2009. However, this amount is not recorded in the Continuity Schedule (Exh9/Tab1/Sch2/Attachment1). This amount is also shown in Essex's Audited Financial Statements as of Dec. 31, 2008, under Deferred Charges.

a) Please clarify if this amount is for a regulatory asset account. If so, did Essex receive Board approval to record what appears to be Intangible Assets in account 1525?

Response:

This amount is not for a regulatory asset account. See note 5 to the 2008 Audited Financial Statements.

b) Please provide a breakdown of the components that are included in this account.

Response:

The amounts included in this account are as follows:

Deferred debit from formation of organization in 2000	$2,001,513
Deferred debit for development of Springboard Health and Safety system	$169,445
Misc deferred credit – OPA Funds	$(5,870)

c) Although Essex is not proposing disposition of this account in its application at this time; can Essex provide precedent to include such costs in the regulatory asset account 1525?

Response:

Essex is not proposing any disposition of this account since these items are not regulatory assets.

34. Ref: Exhibit 9 / Tab 2 / Sch. 1 / Attachment 1 – Accounts requested for Disposition – Account 1562

In the above reference, Essex shows an amount of $157,430 for account 1562 for disposition. However, under Exhibit 9 / Tab 2 / Sch. 1 / Page 1, Essex stated that Essex is **not** requesting the disposition of account 1562 – Deferred PILs. Please confirm that Essex is not requesting disposition of Account 1562 at this time.
Response:

Essex confirms that it is not requesting disposition of Account 1562 at this time as stated in Exhibit 9, Tab 2, Schedule 1.

35. Ref: Exhibit 9 / Tab 2 / Sch. 1 / Attachment 1 – Accounts requested for Disposition – Account 1518

In the above reference, Essex shows an amount of $6,657 for account 1518.

a) Please state the amount reported to the Board for account 1518 in Essex's 2008 annual filing pursuant to RRR 2.1.7.

Response:

Essex filed $6,657 in the April 30, 2009 2.1.7 filing for the December 31, 2008 balance under account 1508 in error. This filing will be revised and re-submitted to the OEB.

b) Please reconcile the two amounts if different and confirm which amount is correct for disposition.

Response:

N/A

36. Ref: Exhibit 9 / Tab 2 / Sch. 1 / Attachment 1 – Accounts requested for Disposition – Account 1565 & 1566

In the above reference, Essex shows an amount of $23,834 for account 1565 and -$23,834 for account 1566.

a) Please confirm whether Essex is requesting to dispose account 1565 and account 1566.

Response:

Essex is not requesting disposition of Account 1565 & 1566 at this time as stated in Exhibit 9, Tab 2, Schedule 1.

b) If the answer to (a) is affirmative, please explain why Essex believes these two accounts need to be disposed in the light of the fact that these two accounts are tracking accounts and would offset each other.

Response:
N/A

37. Ref: Exhibit 9 / Tab 2 / Sch. 1 / Attachment 1 – Accounts requested for Disposition – Account 1565 & 1566

The 1565 account balance as of December 31, 2008 is shown as $23,834. Staff notes that the 2008 CDM annual report filed by Essex states that the total approved CDM expenditure is $756,304 and Essex has spent $755,591.16.

a) Please explain why the balance in account 1565 (and the corresponding offsetting balance in 1566) is not equal to the difference between the actual spending and the approved CDM amount as stated in the 2008 CDM annual report.

Response:

The balance in account 1565 is not equal to the difference between the actual spending and the approved CDM amount stated in the 2008 CDM annual report as the annual report stated the amount available to spend on the Co-Generation projects was $75,000 while the General Ledger account shows the actual amount spent of $100,000. The variance between the filing and the general ledger is primarily the $25,000 over expenditure.

b) Please provide a schedule showing all entries in accounts 1565 and 1566 from their inception to December 31, 2008 that includes a summary of the total debit and credit balances at each year-end.

Response:

Year	Description	Amount	Yr-End Balance
2004	Funding		
	Expenditures	36,304.88	36,304.88
2005	Funding	(641,578.74)	
	Expenditures	272,457.54	

			(332,816.32)
2006	Funding	(58,325.34)	
	Expenditures	221,447.95	(169,693.71)
2007	Funding	(37,970.31)	
	Expenditures	138,278.79	(69,385.23)
2008	Funding	(18,898.35)	
	Expenditures	112,117.45	23,833.87

c) Please confirm that all entries made in accounts 1565 and 1566 are consistent with the accounting procedures in Article 220 of the Accounting Procedures Handbook and the Board's FAQs dated December 2005.

Response:

Essex has followed the account procedures in Article 220 to record the entries into accounts 1565 & 1566

Smart Meters

38. Ref: Exhibit 9 / Tab 3 / Sch. 2 / Attachment 1 – Smart Meter Revenue Requirement calculation 2010

Please provide Essex's views, with reasons, as to whether it considers it appropriate to update the proposed smart meter revenue requirement calculation based on cost of capital parameters, tax rates, and other findings in the Board's decision on this Application.

Response:

If the Board requests these updates be completed, Essex will comply. Essex was seeking approval to increase the smart meter adder to provide additional cash flows for the smart meter program and therefore does not think any changes to update these parameters will not provide or take away significant funds either way.

General

39. Ref: Responses to Letter of comment

Following publication of the Notice of Application, has Essex received any letters of comment? If so, please confirm whether a reply was sent from Essex to the customer. If confirmed, please file that reply with the Board. If not confirmed, please explain why a response was not sent and confirm if Essex intends on responding. If so, please file that response with the Board.

Response:

Essex received two letters of comment that included general comments on Essex's rate increase as well as the effect of the implementation of the HST. Essex is not responsible for the HST. The applicant chose to refrain from replying to the letters of

comment, in accordance with section 24.04 of the Board's Rules of Practice and Procedure which provides:

24.04 Any party **may** file a reply to the letter of comment, and shall serve it on the person who filed the letter and such other persons as directed by the Board.