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April 21, 2015

VIA COURIER, EMAIL AND RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Essex Powerlines Corporation ("EPL")
Response to Undertakings given by EPL
Board File No. EB-2014-0072 & EB-2014-0301

We are co-counsel to the Applicant, Essex Powerlines Corporation (**"EPL"**), in the above noted proceeding.

Pursuant to the schedule set at the oral hearing that took place on April 14, 2015, please find attached the response to undertakings given by EPL.

If there are any questions, please contact the undersigned.

Yours very truly,

AIRD & BERLIS LLP

Scott Stoll

Scott Stoll

SAS/bm

cc: Case Manager, Georgette Vlahos *(via email)*
Board Counsel, Richard Lanni (via email)
All Intervenors (via email)
Co-Counsel, George Vegh

Encl.

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Essex Powerlines Corporation

EB-2014-0072

April 21, 2015

Undertaking Responses:

Undertaking J1: To provide an explanation for inconsistencies between the yearbook data for billed consumption and the responses for billed consumption.

The consumption numbers identified by Board staff in Tab 4 of the Compendium referred to "Wholesale Consumption" and not "Billing Consumption" (which was the basis of EPLC's numbers). EPLC used the Billing Consumption as those volumes are used for the rate riders. EPLC's Billing Consumption numbers, as originally filed, are consistent with previously filled RRR values with modifications being made to account for system losses and unbilled revenue. These two items account for all material variances between the "Wholesale Consumption" and "Billing Consumption" values.

Undertaking J2: To explain Essex Powerlines' rationale for using the second option; to describe the benefits or the cons to Essex as a utility and the benefits and cons to rate-making implications.

At the Hearing on April 14th, we discussed the use of a second estimate. Essex Powerlines was referring to the use of the second estimate from the IESO for GA on the 1598 form for settlement with the IESO, not for billing purposes. The second estimate is used as it is the most accurate number available to meet the IESO due date for the 1598 of the fourth business day. The final number is available too late to meet the deadline. Any difference between the second estimate used and the final is trued up once a year.

EPLC uses the first Global Adjustment estimate for billing purposes. The first estimate is used to ensure all billings are completed and sent to customers on a timely basis given EPLC's current billing cycles. In terms of any rate making implications, the difference between the first estimate and the final is captured in the appropriate variance accounts and settled with customers when the accounts are approved for disposition. EPLC realizes no monetary gains or losses as a result of using this option.

According to the IESO website, any of the three GA options are acceptable choices for billing purposes.
http://www.ieso.ca/Pages/Participate/Settlements/Global-Adjustment-for-Class-B.aspx

Undertaking J3: To calculate at what percentages of the return do the cash flow issues not occur.

A greater than 10% reduction in the regulated return would cause EPLC to be operating at the immediate edge of violating its debt covenants. From this point, any negative variation in routine operational revenues or expenditures could then trigger a financing and liquidity issue with our lender. It is not prudent to manage a business with no margin with respect to being off-side regarding debt covenants.

Further, and more importantly, given EPLC's current 3 year outlook, there is not a scenario where cash flow issues would not occur. It is important to note that that there is the potential for contributed capital required from EPLC related to the new Leamington Transformer Station (EB-2013-0421). This is not an EPLC initiated project. The cost of this station has been estimated at $5.4 million for Transmission costs, $3.75 million for Hydro One Distribution costs plus EPLC's cost of $600k for a total of $9.75 million to be paid in the 2016 to 2017period. The financing associated with the cost of this project and the resulting interest expense will put EPLC outside the required debt service coverage ratio and will require negotiation with the bank or an alternate lender to acquire the necessary funding. Any removal of a portion of our regulated rate of return will increase the risk for the lender and therefore they will be seeking higher interest rates for the financing for this project which will ultimately be included in rates charged to electricity consumers.

Undertaking J4: To reproduce Table 5 for 2013 with (Heinz) volumes excluded.

The revised Table 5 is shown below. The volumes for the intermediate user (Heinz) in Leamington were decreasing in 2013 to the point where there was no consumption in 2014 until the plant closed at the end of May 2014. It should be noted that there is a large Non-Utility Generator on the premises which serves to offset the vast majority of this customer's load. The Board should also note that this intermediate user (Heinz) did not receive any rate rider credits in 2014 due to zero consumption. The removal of these volumes from the table reduces the non RPP split from 41.23% to 41.00%.

Table 5 Revised for Removal of Heinz Consumption

	Billed Consumption					Heinz Consumption kWhs (1)	Revised Non-RPP with Heinz removed	Revised Billed Consumption with Heinz removed	Revised Non-RPP%
	A	B	C			D	E	F	
							C-D	A-D	E/F
2013	Total	RPP	Non-RPP	RPP %	Non-RPP %		Non-RPP	Revised Total	Non-RPP %
January	49,529,549.32	32,128,083.96	17,401,465.36	64.87%	35.13%	-	17,401,465	49,529,549	35.13%
February	44,335,514.04	26,567,530.02	17,767,984.02	59.92%	40.08%	-	17,767,984	44,335,514	40.08%
March	44,911,511.38	26,217,765.35	18,693,746.03	58.38%	41.62%	-	18,693,746	44,911,511	41.62%
April	40,432,858.92	22,770,951.89	17,661,907.03	56.32%	43.68%	-	17,661,907	40,432,859	43.68%
May	39,105,575.49	22,522,833.69	16,582,741.80	57.59%	42.41%	-	16,582,742	39,105,575	42.41%
June	38,321,811.88	22,173,268.10	16,148,543.78	57.86%	42.14%	85,613	16,062,931	38,236,199	42.01%
July	47,582,839.11	28,631,787.67	18,951,051.44	60.17%	39.83%	613,044	18,338,007	46,969,795	39.04%
August	56,250,242.72	34,724,124.69	21,526,118.03	61.73%	38.27%	492,548	21,033,570	55,757,695	37.72%
September	52,563,891.53	31,775,075.53	20,788,816.00	60.45%	39.55%	835,398	19,953,418	51,728,494	38.57%
October	49,318,539.68	28,296,623.25	21,021,916.43	57.38%	42.62%	7,019	21,014,897	49,311,521	42.62%
November	40,677,366.34	21,994,596.88	18,682,769.46	54.07%	45.93%	-	18,682,769	40,677,366	45.93%
December	37,238,417.11	19,701,657.43	17,536,759.68	52.91%	47.09%	72,713	17,464,047	37,165,704	46.99%
Total	**540,268,117.52**	**317,504,298.46**	**222,763,819.06**	**58.77%**	**41.23%**	**2,106,335**	**220,657,484**	**538,161,783**	**41.00%**

1) Heinz had no consumption in 2014 and therefore did not receive any rate rider credits

Undertaking J5: To explain the credit of $50,000

The Board is not being requested to approve disposition of this amount.

During the 2012 audit, there was an entry of $50,000 made to account 4705 (Cost of Power) that was not included in the RSVA clearing entry to the 1588 account. Subsequently, the Board audit staff recommended an entry be made to credit the 1588 account and offset Retained Earnings. This entry was done in 2013 and therefore would not have been recorded during the 2012 RRR filing. The net effect at the end of 2013 is a zero dollar impact on the 1588 account.