Follow Up IRs

Exhibit 1: 1-Staff-100

Ref: 1-Staff-6b, d

Essex Powerlines estimated that only 5% of assets were replaced prematurely.

a) How is the write-off of these assets reflected in this application for regulatory purposes?

Essex Powerlines provided a table of spares for each year from 2010-2018. In 2017 and 2018 the number of spare transformers has increased close to 40% back to levels in 2012.

b) Please provide an explanation for the increase for 2017 and 2018 for spare transformers.

Response

a) Write-offs of assets occurred in the year in which they were written off for both regulatory and accounting purposes.

b) EPLC procured additional spare transformers in conjunction with and to accommodate anticipated customer demand.

Exhibit 1: 1-Staff-101

Ref: 1-Staff-7

Essex Powerlines stated that each redirection of load is unique and requires knowledge of the distribution system. The intent of the interrogatory was to understand the system capability on redirecting load. For example, if feeder 1 from transformer station A loses power then feeder 2 and feeder 3 from station A have the capability to take on the load.

a) Please provide a similar type of explanation in terms of capability for feeders

Response

a) EPLC has multiple feeders (at least three) that supply each of its four non-contiguous service territories. In two of four territories, EPLC has multiple feeders from different transformer stations that supply the area which would allow EPLC to redirect load in many instances.

Exhibit 2: 2-Staff-102

Ref: 2-SEC-20

a) Computer hardware is being replaced in preparation for cybersecurity. If they go third party and cloud why would you need hardware upgrades? Need specific examples of hardware upgrades.

Response

a) The hardware upgrades largely relate to servers. These servers are old, at end of life and are not compliant with EPLC's ongoing cybersecurity plans. As part of EPLC's cybersecurity plans, EPLC plans to use both locally hosted and cloud hosted solutions, dependent on which specific solution can meet both EPLC's organizational goals while also ensuring customer/company privacy and data integrity.

Exhibit 2: 2-Staff-103

Ref: 2-Staff-18

a) Please explain why the low voltage cost has increased by $1M from the bridge year.

Response

a) Revised low voltage rates have been calculated using 2017 actual expenditures as per table below:

Rate Class	2018 Test				
	Load Forecast	Loss Factor	Billing Determinant	Rate	Amount
Low Voltage Charges					
Residential	234,935,416	1.0000	234,935,416	$ 0.0035	$ 822,926
General Service Less Than 50 kW	64,810,159	1.0000	64,810,159	$ 0.0034	$ 219,448
General Service 50 to 4,999 kW	448,468	1.0000	448,468	$ 1.4462	$ 648,580
Unmetered Scattered Load	1,554,368	1.0000	1,554,368	$ 0.0034	$ 5,263
Sentinel Lighting	2,080	1.0000	2,080	$ 0.9942	$ 2,068
Street Lighting	7,877	1.0000	7,877	$ 0.9877	$ 7,780
Embedded Distributor	80,869	1.0000	80,869	$ -	$ -
Total					**$ 1,706,066**

Exhibit 2: 2-Staff-104

Ref: 2-Staff-28

a) Why has the duration of outages increased when there are 90% of the laterals with loop feed? Does Essex Powerlines have additional information about the outages the last 4 years?

Response

a) EPLC does not track this specific outage metric and therefore does not have supplemental information to provide.

Exhibit 3: 3-Staff-108

Ref: 3-Staff-51

In your responses, you confirm that 2016-2018 CDM savings will establish the LRAMVA Threshold for 2018. This is because the CDM savings in 2015 were historical, actual results that do not require further true-up in a future LRAMVA disposition.

a) Can we confirm whether actual 2015 savings was included in the 2018 base load forecast?
b) To be consistent with the methodology in Appendix 2-I, can you confirm whether the 2015 CDM impact can be added back to the LRAMVA Threshold?

Response

a) Confirmed that 2015 savings are now included in 2018 base load forecast.

b) Confirmed that 2015 CDM impact can be added back to the LRAMVA Threshold.

Exhibit 4: 4-Staff-109

Ref: 4-Staff-54

Essex Powerlines stated that there is still conversion work completed in 2018 and beyond.

a) What is the anticipated completion date of all conversion work?

Response

a) EPLC hopes to complete all conversion work in 2018 however much of the work relates to private plant and is largely out of the control of EPLC.

Exhibit 9: 9-Staff-113

Ref: 9-Staff-80

a) Was $1.8 M transferred to Account 1595 in 2015 per the Interim D&O?
b) If so, what is the balance remaining in this sub-account of 1595 (Account 1595 – Sub-Account 2015)?
c) Is Essex requesting disposition of this sub-account?

Response

a) Yes, the amounts transferred to account 1595 for Group 1 accounts 1550-1589 would have included the amounts as presented by Essex Powerlines in the 2015 IRM.

b) The closing balance in account 1595-2015, including new interest, as at December 31, 2017 is $2,682,533.44.

c) No, this account has not been requested to be disposed as part of the current rate application.

Exhibit 9: 9-Staff-115

9-Staff-82

Essex has listed Account 5610 as one of the types of costs that it has recorded in the calculation of Account 1518.

- According to the APH, only incremental costs should be used for the purpose of calculating balance in this account and Account 5610 Management Salaries and expenses is not one of the accounts mentioned in the APH. Please provide your comments and explanation.
- Essex has not reported any amounts in Account 4082 in 2.1.7. Please explain why.

Response

Upon further review of the Account 1518 balance, EPLC has determined the balance in Account 1518(exclusive of interest) currently should be restated from $158,620 to $9,583. EPLC will update the DVA continuity schedule to reflect this adjustment and to adjust for interest.

The RCVA monthly entry recorded up to December 2016 debited Account 4082 for all revenues received and credited this amount to Account 1518. EPLC also credited OM&A and debited Account 1518 for incremental costs associated to retailer transactions. The reduction of costs monthly was based on an analysis of what was considered to be incremental monthly costs associated to transactions with retailers. Upon further review, EPLC has determined that these costs were already included in the 2010 rate rebasing application and should not have been considered incremental. In addition to these costs, EPLC also included in the 2010 rate rebasing application a revenue offset of $33,424 annually. As such, the restated balance in Account 1518 is comprised of the difference between the revenue offset included in rates and actual revenues received.

	2010	2011	2012	2013	2014	2015	2016			
Revenue Received in 4082	-50,753.60	-38,904.80	-35,277.60	-28,674.77	-26,214.83	-23,453.60	-21,105.60			
Revenue Offsets include in Ratemaker	33,424.00	33,424.00	33,424.00	33,424.00	33,424.00	33,424.00	33,424.00	**Closing Final Balance**		
Variance	-17,329.60	-5,480.80	-1,853.60	4,749.23	7,209.17	9,970.40	12,318.40	9,583.20	**Owed to EPL**	

Exhibit 9: 9-Staff-116

Ref: 9-Staff-83

a) Please describe what is meant by "the amount settled with the IESO was financial accrued in 2016"?
b) Essex has indicated that it has reflected all trued-up amounts regarding IESO true-ups and GA proportions true-ups in the 2016 transactions. How long does Essex keep the books open for Essex to reflect actual true-ups with the IESO and for actual consumption for GA proportions in 2016 or the true-ups that were completed in 2017?
c) How does Essex explain the $2.8Million credit in Account 1588 if the RPP true-ups are already reflected in the amounts for disposition, as the true-ups are designed to bring the account balance in this account to minimal differences generally related to line losses and other unaccounted for differences in line losses.

Response

a) EPLC financially accrues the amount to actual to be settled with the IESO within the correct financial reporting year. Please refer to 9-Staff-118 for a detailed explanation regarding the true-ups performed for CT142.
b) EPLC's books are open into February or March of the following year.
c) EPLC's balance in Account 1588 for 2016 is as follows:

Principal and Interest Balances	
Opening Balance	2,148,217.00
Closing Balance	-2,744,288.00
2016 Activity	**-596,071.00**
2016 true-up for 2017 billed kWh for CT 148	368,285.00
2016 true-up for 2017 billed kWh for CT 142	-28,573.00
Total revision to Account 1588	**339,712.00**
Principal and Interest Balances - Revised	
Opening Balance	2,148,217.00
Closing Balance	-2,404,576.00
2016 Activity -revised	**-256,359.00**

The closing balance in Account 1588 as at December 31, 2015 is as reviewed by OEB audit staff and based on EPLC's position regarding Audit finding 10.1. Please refer to IR 9-Staff-80 for further information.

Exhibit 9: 9-Staff-117

Ref: 9-Staff-85
Please indicate how long after the year-end (December 31st) does Essex keep its books open to be able to record true-up entries in its books for commodity accounts based on actuals?

Response

Please refer to 9-Staff-116 b.

Exhibit 9: 9-Staff-118

Ref: 9-Staff-86

Please explain in detail the statement that "a true-up for consumption and GA final estimate are accrued". How is this done and the timeline?

Response

EPLC settles with the IESO monthly an estimated amount for CT142. This amount is trued-up based on billings and the second estimate of GA is updated to the final estimate of GA. Within the billing system EPLC is unable to identify the exact month of kWh consumption for RPP billings and has assumed that kWh's billed in one month were consumed in the previous month also the kWh's billed in the subsequent year have been consumed in December. However, EPLC is able to identify the consumption year for kWh flow. The consumption numbers used are aligned to the tiered or TOU classifications based on billed consumption.

For 2016, this true-up was originally completed using billings up to January 2017. The original amount determined as a true-up was financially accrued to actual based on the process described above in December 2016 and the accrual was reversed once settled with the IESO in the subsequent year.

This true-up has been revised to include billings post January 2017, as identified above in 9-Staff-83 c.

Exhibit 9: 9-Staff-119

Ref: 9-Staff-87

Essex's consumption data in the GA Workform does not agree to the 2.1.5.4 filings for 2016. Please explain provide the appropriate update to the GA Workform.

Response

Please see the reconciliation below:

GA Analysis Workform	530,892,679.00	
RRR reported 2.1.5.4	509,756,688.20	
Variance	**21,135,990.80**	
Reconciliation of Difference Above:		
less: WMP included in RRR 2.1.5.4	-11,283,652.00	
Add: HONI included in GA workform	32,419,643.65	
Total	**21,135,991.65**	
Unreconciled Difference	-0.85	immaterial

EPLC does not include the kWh consumed by Hydro One in the 2.1.5.4 RRR filing as Hydro One is not charged distribution charges by EPLC.

Exhibit 9: 9-Staff-120

Ref: 9-Staff-91

The question was not answered properly. OEB staff had asked to reconcile dispositions approved per the OEB D&O to the amounts shown under the Dispositions column for 2015 per the DVA Continuity Schedule. Please provide the requested reconciliation.

Response

a) N/A

Exhibit 9: 9-Staff-121

Ref: 9-Staff-92

a) According to the APH, OEB approval is required for recording variances in this account. Did Essex received OEB approval to record variances in this account?
b) If so, please provide reference.

Response

a) Current staff at EPLC is unable to locate OEB approval to record variances in account 1525. As such, EPLC is withdrawing the request to dispose of the balance in this account and will amend Schedule 2-M for regulatory costs related to the current application to include the principal amount showing presently on the DVA continuity schedule.

b) Not applicable.

Exhibit 9: 9-Staff-122

Essex has not followed OEB guidance regarding Accounts 1531, 1534 and 1535. Renewable capital related amounts are approximately $600K, and $100K for OM&A. In addition, Essex has not followed filing requirements and has not submitted Schedules 2-FA to 2-FC.

a) Why does Essex deem it appropriate to recover the socialized portion of costs through its ratepayers when the OEB policy is for these costs to be recovered through Provincial Rate Protection mechanism?
b) Please complete and provide the appropriate schedules.

Response

a) EPLC is not seeking to move the capitalized portions of these balances into rate base and the OM&A portions are not material year over year. When OM&A annual portions are not material socialization of costs is not required. This was discussed during the Orientation for Electricity Distributors Rebasing Rates held at the OEB offices on July 25, 2017.

b) These schedules are not required per the EPLC response above.

Exhibit 9: 9-Staff-123

Ref: 2-Staff-13

a) Essex does not appear to have made the change to the schedule per its response. Disposals under "cost" are still showing as debit. And there is no corresponding amount under "Accumulated Depreciation" disposals. Also please explain:
   i. Why are there inventory valuation related amounts in 2012 when Essex was CGAAP?
   ii. Why is inventory part of PP&E because it has to be used and useful for it to be in rate base?

Response

a) EPLC has provided revised appendices 2-BA, 2-C and 2-EC which reconcile these items.

Exhibit 9: 9-Staff-124

Depreciation expense per Appendix 2-C and 2-BA shows material variances that have not been explained. Please explain the variances.

Response

EPLC has provided revised Appendices 2-C and 2-BA which resolve the overall life-to-date material variances identified. These variances are as summarized below:

	Variance Noted
2015	-426,494.54
2016	-533,121.86
2017	982,751.90
Total	**23,135.50**

The variance for 2018 Appendix 2-C is $38,949.

EPLC also notes that there are two variances between Appendix 2-BA and Appendix 2-C for annual depreciation. These variances are noted below:

Fiscal Year	2-BA Depreciation - column J	2-C Depreciation - column R	Variance
2013	-$ 1,905,383	$ 1,905,383	$ -
2014	-$ 1,565,965	$ 1,565,965	$ -
2015	-$ 2,537,316	$ 1,432,441	-$ 1,104,875
2016	-$ 1,493,299	$ 1,493,299	$ -
2017	-$ 2,173,325	$ 3,194,108	$ 1,020,784
2018	-$ 2,387,056	$ 2,387,056	$ -

The 2015 difference is related to the inclusion of life-to-date smart meter accumulated amortization on Appendix 2-BA as an addition. The 2017 difference is related to the life-to-date correcting entry for amortization on capital contributions from 2015 and 2016.