

**E-Staff-30**

**Ref 1: Energy+, Rate Generator Model, Tab 3 – Continuity Schedule**

**Ref 2: EB-2018-0028, DVA Continuity Schedule, Tab 2b – 2017 Continuity Schedule<sup>21</sup>**

OEB staff notes that the closing interest balance as of Dec 31, 2017 for Energy+'s Account 1568 LRAMVA in rate generator model does not match the amount in Energy+'s continuity schedule as part of its previous rates proceeding, EB-2018-0028. The interest amount shown in the current continuity schedule is \$43,319. The interest amount shown in the previous continuity schedule is \$16,055.

Please reconcile the two amounts and update the rate generator model as necessary.

**RESPONSE**

Energy+ confirms that the closing interest balance in the General Ledger at Dec 31, 2017 was \$16,055.

In the 2020 IRM Rate Generator Model submitted, Energy+ included interest balances related to amounts claimed in the 2019 Cost of Service Application (EB-2018-0028) in the Dec 31, 2017 closing interest balance so that the 2018 interest activity in the D&V Continuity schedule reconciled with the interest balances in the LRAMVA work form.

Energy+ has revised the Continuity Schedule in the 2020 IRM Rate Generator Model to correct the closing December 31, 2017 interest balance, and the 2018 interest activity column.

**E-Staff-31**

**Ref 1: Energy+, Rate Generator Model, Tabs 11 & 12**

**Ref 2: Brantford Power 2019 Tariffs**

Energy+ provides the following billing data under the “Extra Host (I)” section in tab 12:

<b>Add Extra Host Here (I)</b> <i>(if needed)</i>	<b>Network</b>			<b>Line Connection</b>			<b>Transformation Connection</b>			<b>Total Connection</b>
<b>Month</b>	<b>Units Billed</b>	<b>Rate</b>	<b>Amount</b>	<b>Units Billed</b>	<b>Rate</b>	<b>Amount</b>	<b>Units Billed</b>	<b>Rate</b>	<b>Amount</b>	<b>Amount</b>
January	7,754	\$ 2.4295	18,838		\$ -		7,754	\$ 1.7948	13,916	\$ 13,916
February	7,577	\$ 2.4295	18,408		\$ -		7,577	\$ 1.7948	13,599	\$ 13,599
March	7,095	\$ 2.4295	17,238		\$ -		7,095	\$ 1.7948	12,734	\$ 12,734
April	6,813	\$ 2.4295	16,066		\$ -		6,813	\$ 1.7948	11,869	\$ 11,869
May	6,953	\$ 2.4295	16,892		\$ -		6,953	\$ 1.7948	12,479	\$ 12,479
June	7,379	\$ 2.4295	17,928		\$ -		7,379	\$ 1.7948	13,245	\$ 13,245
July	7,590	\$ 2.4295	18,441		\$ -		7,590	\$ 1.7948	13,623	\$ 13,623
August	7,533	\$ 2.4300	18,305		\$ -		7,533	\$ 1.7948	13,520	\$ 13,520
September	7,652	\$ 2.4295	18,590		\$ -		7,652	\$ 1.7948	13,733	\$ 13,733
October	6,485	\$ 2.4295	15,755		\$ -		6,485	\$ 1.7948	11,639	\$ 11,639
November	7,099	\$ 2.4295	17,247		\$ -		7,099	\$ 1.7948	12,741	\$ 12,741
December	7,194	\$ 2.4295	17,478		\$ -		7,194	\$ 1.7948	12,912	\$ 12,912
<b>Total</b>	<b>86,924</b>	<b>\$ 2.43</b>	<b>\$ 211,186</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>86,924</b>	<b>\$ 1.79</b>	<b>\$ 156,012</b>	<b>\$ 156,012</b>

- a) Please confirm that Energy+ is partially embedded within the Hydro One Networks Inc. and Brantford Power Inc. distribution systems.

**RESPONSE**

Energy+ confirms that it is partially embedded within the Hydro One Networks Inc. and Brantford Power Inc. distribution systems.

**E-Staff-31**

**Ref 1: Energy+, Rate Generator Model, Tabs 11 & 12**

**Ref 2: Brantford Power 2019 Tariffs**

- b) Please confirm that the billing data under “Extra Host (I)” refers to billing from Brantford Power Inc. If not, please indicate the host distributor.
  - i. OEB staff notes that, in Brantford Power Inc.’s 2019 Tariffs, the RTSRs for the embedded distributor class is \$2.4118 (network) and \$1.8282 (Line and Transformation). If part b) is confirmed, please explain the difference between the rates shown in the picture above and the RTSRs in Brantford Power Inc.’s tariffs.

**RESPONSE**

- b) Energy+ confirms that the billing data under “Extra Host (I)” refers to billing from Brantford Power Inc.
  - i. The data populated in “Extra Host (I)” section of Tab 12 is for Brantford Power Inc. and was related to 2018. The 2018 rates were \$2.4295 (Network) and \$1.7948 (Line and Transformation) for their Embedded Distributor class.

**E-Staff-31**

**Ref 1: Energy+, Rate Generator Model, Tabs 11 & 12**

**Ref 2: Brantford Power 2019 Tariffs**

- c) Please update Tab 11 with the RTSRs for Brantford Power Inc. under the “If needed, add extra host here. (I)” section.

**RESPONSE**

Energy+ has updated the data under the “Extra Host (I)” section in Tab 11 with the 2019 Network Service Rate and Transformation Connection Service Rate for Brantford Power Inc.

**E-Staff-32**

**Ref 1: Energy+, Rate Generator Model, Tab 18 – Additional Rates**

**Ref 2: Energy+, IRM Application, Page 30**

Tab 18 has been filled with the ICM rate riders and the Gain on Sale rate riders, both of which have been set to expire December 31, 2022. In the IRM application, Energy+ indicates its intention for the ICM rate riders to be effective until its next rebasing scheduled for 2023, and for the Gain on Sale rate riders to be aligned with the ICM rate riders.

OEB staff notes that Energy+ last rebased in 2019 and that 2023 would be the fourth IRM year.

- a) Please confirm that Energy+'s next rebasing is scheduled for 2024.

**RESPONSE**

Energy+ confirms its next rebasing is scheduled for 2024.

**E-Staff-32**

**Ref 1: Energy+, Rate Generator Model, Tab 18 – Additional Rates**

**Ref 2: Energy+, IRM Application, Page 30**

Tab 18 has been filled with the ICM rate riders and the Gain on Sale rate riders, both of which have been set to expire December 31, 2022. In the IRM application, Energy+ indicates its intention for the ICM rate riders to be effective until its next rebasing scheduled for 2023, and for the Gain on Sale rate riders to be aligned with the ICM rate riders.

OEB staff notes that Energy+ last rebased in 2019 and that 2023 would be the fourth IRM year.

- b) Please confirm that Energy+ intends for the ICM rate riders to be effective until the next cost of service-based rate order and that Energy+ intends for the ICM rate riders to remain in effect in the event that Energy+'s next rebasing is deferred.
  - i. If yes to b), please update the effective date (column E) for the ICM rate riders in Tab 18 to "the effective date of the next cost of service-based rate order".
  - ii. If yes to a) and b), and Energy+ intends for the Gain on Sale rate riders to remain aligned with the ICM rate riders, please confirm whether Energy+ will update the Gain on Sale rate riders to be effective until December 31, 2023. If no, please explain the reasoning for the effective date chosen by Energy+.

**RESPONSE**

Energy+ confirms that it intends for the ICM rate riders to be effective until the next cost of service-based rate order, and to remain in effect in the event that the next rebasing is deferred.

- i. Energy+ has updated the effective date for the ICM rate riders in Tab 18 to "the effective date of the next cost of service-based rate order".
- ii. Energy+ has updated the effective date for the Gain on Sale rate riders in Tab 18 to be "effective until December 31, 2023".

**E-Staff-33**

**Ref 1: Energy+, IRM Application, Page 25**

**Ref 2: Energy+, Rate Generator Model, Tab 4 – Billing Det. For Def-Var**

**Ref 3: Energy+, GA Workform – GA 2018**

In the Manager’s Summary on page 25, Energy+ notes that the Non-RPP Class A consumption in the GA workform should be corrected and updated to 312,372,764 kWh.

In addition to the change above, it appears there are additional mismatches between the consumption data in the Rate Generator Model and the GA Workform. The total metered kWh consumption excluding WMP in the Rate Generator Model (Cell I30) is 1,725,712,365 kWh whereas the GA Workform (Cell D14) is 1,664,945,457. OEB staff notes that the difference of 60,766,908 seems to arise from missing kWh consumption for the “Embedded Distributor – Waterloo North Hydro” class, which has a total consumption of 60,766,638 kWh. There remain other discrepancies between the two sets of data. OEB staff has produced the table below summarizing the consumption data found in the two models:

<b>2018 Consumption Data</b>	<b>GA Workform</b>	<b>Rate Generator Model</b>	
			<b>References from Rate Generator Model</b>
Total Metered excluding WMP	1,664,945,457	1,725,712,365	(A) Tab 4 - Cell I30
RPP	714,025,368	714,025,756	(B) = (A) - (C)
Non RPP	950,920,089	1,011,686,609	(C) Tab 4 - Cell E30
Non-RPP Class A	316,960,390	312,372,794	(D) Tab 6.1a - Cell D20 + Cell D21
Non-RPP Class B*	633,959,699	699,313,815	(E) Tab 6.1a - Cell D22

OEB staff has corrected the GA Workform to match the consumption data in the rate generator model.

a) Please confirm that the data in the updated GA Workform is correct.

**RESPONSE**

Energy+ has updated the consumption data in Rate Generator Model and GA Analysis Workform and have attached the models in live Excel format under the following file names:

- EnergyPlus\_2020\_IRM-Rate-Generator-Model\_IR\_Update.XLSB
- EnergyPlus\_2020\_GA\_Analysis\_Workform\_IR\_Update.XLSB

The GA Analysis work form has been updated to reflect the correct Non-RPP Class A consumption of 312,372,794 kWh.

The Rate Generator Model has been updated to reflect the inclusion of Embedded Distributor – Waterloo North Hydro’s consumption of 60,766,908 kWh in the WMP consumption figures. This update corrected the Total Metered excluding WMP, Non RPP and Non RPP Class B consumption figures.

These corrections have aligned the consumption data in the Rate Generator Model and the GA Analysis Workform. The following table summarizes the revised consumption data.

2018 Consumption Data	GA Workform	Rate Generator Model	References from Rate Generator Model
Total Metered excluding WMP	1,664,945,727	1,664,945,727	(A) Tab 4 - Cell I30
RPP	714,025,756	714,025,756	(B) = (A) - (C)
Non RPP	950,919,971	950,919,971	(C) Tab 4 - Cell E30
Non-RPP Class A	312,372,794	312,372,794	(D) Tab 6.1a - Cell D20 + Cell D21
Non-RPP Class B*	638,547,177	638,547,177	(E) Tab 6.1a - Cell D22



**E-Staff-33**

**Ref 1: Energy+, IRM Application, Page 25**

**Ref 2: Energy+, Rate Generator Model, Tab 4 – Billing Det. For Def-Var**

**Ref 3: Energy+, GA Workform – GA 2018**

- b) If no to a), please provide the correct consumption data for OEB staff to update the GA Workform and an explanation for any discrepancies with the consumption data found in the Rate Generator Model.

**RESPONSE**

Please see response to E-Staff-33a.

**E-Staff-33**

**Ref 1: Energy+, IRM Application, Page 25**

**Ref 2: Energy+, Rate Generator Model, Tab 4 – Billing Det. For Def-Var**

**Ref 3: Energy+, GA Workform – GA 2018**

- c) If the corrected consumption data in either parts a) or b) is different than Energy+'s RRR data, please contact OEB Licensing & Performance Reporting staff to revise any incorrect RRR data as necessary.

**RESPONSE**

Energy+ has submitted a RRR Data Revision Request Form on November 4, 2019 to revise the total consumption of 60,766,638 kWh for Embedded Distributor - Waterloo North Hydro.

**E-Staff-34**

**Ref: Energy+, IRM Application, Page 15**

Energy+ is requesting disposition of Group 1 accounts as at December 31, 2018. Please clarify whether Energy+ is requesting interim or final disposition of December 31, 2018 balances.

**RESPONSE**

Energy+ is requesting interim disposition of the December 31, 2018 balances of Group 1 accounts.

**E-Staff-35**

**Ref: Energy+, IRM Application, Pages 23-24**

Per the letter *Accounting Guidance related to Accounts 1588 RSVA Power, and 1589 RSVA Global Adjustment*, dated February 21, 2019, the OEB expects that distributors will consider the new accounting guidance in the context of their historical balances.

- a) Please explain whether Energy+ has reviewed the 2017 balance approved on an interim basis with consideration of the new accounting guidance.

**RESPONSE**

Energy+ has not yet reviewed the 2017 balances for accounts 1588 RSVA Power and 1589 Global Adjustment with respect to the new accounting guidance.

**E-Staff-35**

**Ref: Energy+, IRM Application, Pages 23-24**

Per the letter *Accounting Guidance related to Accounts 1588 RSVA Power, and 1589 RSVA Global Adjustment*, dated February 21, 2019, the OEB expects that distributors will consider the new accounting guidance in the context of their historical balances.

- b) If yes, please explain why no adjustments similar to that identified for the 2018 balance have been identified for 2017.

**RESPONSE**

Not applicable.

**E-Staff-35**

**Ref: Energy+, IRM Application, Pages 23-24**

Per the letter *Accounting Guidance related to Accounts 1588 RSVA Power, and 1589 RSVA Global Adjustment*, dated February 21, 2019, the OEB expects that distributors will consider the new accounting guidance in the context of their historical balances.

- c) If no, please perform the review and quantify any adjustments needed to the 2017 balance.
  - i) Please explain the adjustments and provide the analysis performed.

**RESPONSE**

Energy+ was not able to perform the review for the 2017 balance prior to submitting the 2020 IRM Application and is currently faced with resource and time constraints.

As the OEB is aware, Energy+ Regulatory resources were involved with the completion and implementation of Energy+'s 2019 Cost of Service Application, including an oral hearing and submissions that extended well into the latter part of April 2019. The Decision was received in June 2019 and new distribution rates were effective August 1, 2019. Immediately following the work on the 2019 Cost of Service Application, Energy+ prioritized implementing the new accounting guidance for 2019 and reviewing the 2018 balances in order to complete the 2020 IRM Application, which was filed on August 26, 2019.

Energy+ resources have not been available to review the 2017 balance. Culling the data required to complete the review is labour intensive and is expected to take additional time to complete.

Energy+ commits to providing the review of the 2017 balances as part of the 2021 IRM application.

**E-Staff-35**

**Ref: Energy+, IRM Application, Pages 23-24**

Per the letter *Accounting Guidance related to Accounts 1588 RSVA Power, and 1589 RSVA Global Adjustment*, dated February 21, 2019, the OEB expects that distributors will consider the new accounting guidance in the context of their historical balances.

- d) If an adjustment is identified, please provide the GA Analysis Workform for 2017 and revise the DVA Continuity Schedule as needed.

**RESPONSE**

Not applicable.

**E-Staff-35**

**Ref: Energy+, IRM Application, Pages 23-24**

Per the letter *Accounting Guidance related to Accounts 1588 RSVA Power, and 1589 RSVA Global Adjustment*, dated February 21, 2019, the OEB expects that distributors will consider the new accounting guidance in the context of their historical balances.

- e) Please clarify whether Energy+ is requesting final disposition for the 2017 balance.

**RESPONSE**

Energy+ is not requesting final disposition for the 2017 balances. As explained in E-Staff-35 b), Energy+ has committed to reviewing the 2017 balances in accordance with the new Accounting Guidance. As such, Energy+ believes that it would be appropriate to delay any request for final disposition for 2017, pending the completion of the review.



**E-Staff-36**

**Ref 1: Energy+, IRM Application, Page 23-24**

**Ref 2: Energy+, Appendix A GA Methodology Description**

Energy+ identified adjustments to Accounts 1588 and 1589 balances for 2018 as a result of the new accounting guidance. Previously Energy+ performed RPP settlements based on its billing cycle and not the previous calendar month. Energy+ will revisit its process by August 31, 2019 to be in line with the new accounting guidance.

- a) Please confirm that Energy+ has implemented the new accounting guidance by August 31, 2019. If not, please provide a timeline for the implementation.

**RESPONSE**

Energy+ confirms that it has implemented the new accounting guidance by August 31, 2019.

**E-Staff-36**

**Ref 1: Energy+, IRM Application, Page 23-24**

**Ref 2: Energy+, Appendix A GA Methodology Description**

- b) Please explain how the year-end RPP settlement and subsequent true up was done before the process change. Please explain whether the RPP true up at year-end trued up consumption to the total billed in the year or actual consumption in the year.
- i. If the consumption was trued up to the actual consumption in the year, please explain why there would be adjustments identified.
  - ii. If consumption was trued up to the consumption billed in the year, please confirm that the adjustments are only for the differences in unbilled to actual consumption at the beginning and end of the year. If not, please explain why not.

**RESPONSE**

Prior to adopting the new accounting guidance, the year-end RPP settlement was based on billed consumption, with actual GA rates where available and the 2<sup>nd</sup> estimate GA rates for any billed consumption for December.

- i. Not applicable - consumption was trued up to billed consumption.
- ii. The adjustments identified correct the differences between unbilled and actual consumption at the beginning and end of the year, as well as any rate differences resulting from not billing consumption at the 1<sup>st</sup> Estimate GA rate.

Energy+'s RPP settlements were based on billed consumption and, based on the billing cycle, can include three separate months. Determining the actual consumption required pro-ration of the billed consumption based on the date of the meter reading. This proration results in varying GA rates by month that do not align with the published GA estimated and actual rates.

As part of the review, Energy+ used the OEB model as a guideline to calculate the expected account balances had the new accounting guidance been adopted throughout 2018, using actual

consumption and the 1<sup>st</sup> GA Estimate. The final adjustment was arrived at by calculating the difference between the 2018 actual transactions and the expected amounts from the model.

**E-Staff-36**

**Ref 1: Energy+, IRM Application, Page 23-24**

**Ref 2: Energy+, Appendix A GA Methodology Description**

- c) Page 24, Table 11 shows principal adjustments to revenue and expense. Please confirm that the revenue adjustment is to reflect the reduction of the higher of revenues and expenses. If not, please explain why revenues would be adjusted as a result of a change in the RPP settlement process, which is recorded as an expense.

**RESPONSE**

The adjustments identified in Table 11 address the changes to the entire commodity account process, not just the RPP settlement process specifically.

Energy+ used the OEB model as a guideline to calculate the expected account balances had the new accounting guidance been adopted throughout 2018. The principal adjustments result from correcting both revenue and expense to be captured on an actual consumption, which addressed any inaccuracies from using billed consumption or unbilled estimates for revenue. The correction also addresses the RPP/non-RPP split of GA costs on an actual consumption basis.

**E-Staff-36**

**Ref 1: Energy+, IRM Application, Page 23-24**

**Ref 2: Energy+, Appendix A GA Methodology Description**

- d) In Appendix A #4, Energy+ indicated that it also changed its allocation of charge type 148 from a billed basis to an actual consumption basis.
- i. Please confirm that the change in allocation basis for charge type 148 form part of the adjustments identified in Table 11.
  - ii. If not confirmed, please explain why adjustments to Account 1589 are identified in Table 11 as adjustments to charge type 1142 should be recorded only in Account 1588.
  - iii. Please explain whether a true up of charge type 148 was performed before the process change on August 31, 2019 and explain how the true up was done.
  - iv. In Appendix A #5b, 2017 principal adjustments included an RPP/non-RPP allocation correction. Please explain what the error was and how it is different than the allocation issue noted in the current application.

**RESPONSE**

- i. Energy+ confirms that the change in allocation basis for charge type 148 is included in Table 11.
- ii. Not applicable.
- iii. Energy+ has not performed a true-up of charge type 148 based on the adjustments identified. Energy+ will complete the true-up upon completion of the 2020 IRM Application.
- iv. The 2017 Principal Adjustment to correct the RPP/non-RPP allocation was required as a result of the inclusion of Energy+'s consumption from embedded distribution with Hydro One in the initial calculation.

The adjustment within this application is required to align the account balances to the new accounting guidelines by correcting the allocation differences caused by using billed consumption instead of actual consumption.

**E-Staff-36**

**Ref 1: Energy+, IRM Application, Page 23-24**

**Ref 2: Energy+, Appendix A GA Methodology Description**

Energy+ identified adjustments to Accounts 1588 and 1589 balances for 2018 as a result of the new accounting guidance. Previously Energy+ performed RPP settlements based on its billing cycle and not the previous calendar month. Energy+ will revisit its process by August 31, 2019 to be in line with the new accounting guidance.

- e) Please provide the analysis performed regarding Energy+'s assessment of the Account 1588 and Account 1589 balances in consideration of the new accounting guidance.

**RESPONSE**

The Excel model used to analyze Account 1588 and Account 1589 balances has been attached under the file name EnergyPlus\_2018\_Commodity\_Analysis.xlsx.

**E-Staff-37**

**Ref 1: Energy+, IRM Application, Page 18 – Table 8**

**Ref 2: Energy+, GA Analysis Workform and Appendix A GA Methodology Description**

Table 8 shows the principal adjustments for the 2018 balances. Appendix A #5b shows the principal adjustments approved for the 2017 balances. For Account 1589,

- a) Appendix A #5b shows total principal adjustment of \$3,768,756 to the 2017 balance. The DVA Continuity Schedule, dated July 18, 2019 from Energy+'s 2019 cost of service proceeding shows principal adjustment of \$3,435,588 to the 2017 balance. Please explain the difference and revise the table in Appendix A #5b as needed.

**RESPONSE**

Energy+ has revised the response to Appendix A #5b. The principal adjustment of \$3,435,588 to the 2017 balance is correct.



**E-Staff-37**

**Ref 1: Energy+, IRM Application, Page 18 – Table 8**

**Ref 2: Energy+, GA Analysis Workform and Appendix A GA Methodology Description**

Table 8 shows the principal adjustments for the 2018 balances. Appendix A #5b shows the principal adjustments approved for the 2017 balances. For Account 1589,

- b) In Appendix A #5b, there is a 2017 principal adjustment for “current year end unbilled to actual revenue differences” of (\$209,336). Please explain why this is not a reversal in the 2018 principal adjustments. Please revise Table 8 and the DVA Continuity Schedule as needed.
  - i. Please also explain why this is not identified as reconciling item 2a in the GA Analysis Workform. Please revise the GA Analysis Workform as needed.

**RESPONSE**

Energy+ has revised the row labels in the table in response to Appendix A #5b. The adjustments referenced are related to 2015 and 2016 that were recorded in 2017. The 2017 amount is the reversal, and there was no impact in 2018.

**E-Staff-37**

**Ref 1: Energy+, IRM Application, Page 18 – Table 8**

**Ref 2: Energy+, GA Analysis Workform and Appendix A GA Methodology Description**

Table 8 shows the principal adjustments for the 2018 balances. Appendix A #5b shows the principal adjustments approved for the 2017 balances. For Account 1589,

- c) Appendix A, #5b shows a 2017 principal adjustment for “IESO overbilling – Class A timing difference” of (\$595,817). Please confirm that this was a reversal of a principal adjustment that pertained to a year prior to 2017 but was recorded in the GL in 2017. If not confirmed, please further explain why this adjustment does not impact 2018. Please revise Table 8 and the DVA Continuity Schedule as needed.

**RESPONSE**

Energy+ confirms that the principal adjustment of \$595,817 is a reversal of a principal adjustment that pertained to a year prior to 2017, but was recorded in 2017.

**E-Staff-37**

**Ref 1: Energy+, IRM Application, Page 18 – Table 8**

**Ref 2: Energy+, GA Analysis Workform and Appendix A GA Methodology Description**

Table 8 shows the principal adjustments for the 2018 balances. Appendix A #5b shows the principal adjustments approved for the 2017 balances. For Account 1589,

- d) In Appendix A #4e, Energy+ indicates that the October to December 2018 true up of charge type 148 is recorded in the 2019 GL. Please confirm that this true up has been included in the (\$4,541) adjustment in Table 8 resulting from the new accounting guidance review. If not, please quantify the true up, and revise Table 8 and the DVA Continuity Schedule as needed.
- i. Please also explain whether the year-end true up of charge type 148 is included in reconciling item 9 of (\$4,541) in the GA Analysis Workform. If not, please quantify the true up and include this as reconciling item 1b in the GA Analysis Workform.
  - ii. Please explain whether the prior year reversal of the charge type 148 true up is included in reconciling item 8 of (\$640,180) in the GA Analysis Workform. If not, please explain why there is no reconciling item identified for 1a. Please quantify the reversal true up and include this as reconciling item 1a in the GA Analysis Workform.

**RESPONSE**

Energy+ confirms that the October to December 2018 true up of charge type 148 has been included in the (\$4,531) adjustment in Table 8 and the GA Analysis Workform.

Energy+'s approach to making the adjustments was to evaluate what the account balances should have been if actual consumption had been used throughout the year instead of billed consumption. Energy+ calculated the difference between what was recorded in the GL in 2018 and the expected account balances to determine the principal adjustments. By preparing the adjustments on this basis, the effect of the prior year and current year unbilled amounts are also corrected.

Inherent in the adjustment of (\$4,531) are the differences caused by: i) the October to December 2018 true up of charge type 148; and ii) the prior year reversal of the charge type 148 true up.

**E-Staff-38**

**Ref: Energy+, GA Analysis Workform**

In the GA Analysis Workform, reconciling item 7 for differences in actual system losses and billed total loss factor of \$514,641 is identified. Please provide the calculation for this difference.

**RESPONSE**

The calculation of the differences in actual system losses and billed total loss factor are broken down by service territory on Table 14 of tabs "OEB Model (CND)" and "OEB Model (BCP)" in the attached file named EnergyPlus\_2018\_Commodity\_Analysis.xlsx.

Energy+ notes that the reconciling item submitted was \$518,641, and not \$514,641.

**E-Staff-39**

**Ref 1: Energy+, Appendix A GA Methodology Description**

**Ref 2: Energy+, IRM Application, Page 18 – Table 8**

In the reconciliation of Account 1588 shown in Appendix A, #1:

- a) The 2018 beginning balance is (\$1,739,794). This does not agree to the Account 1588 transactions of (\$1,701,671) in the DVA Continuity Schedule. Please explain the difference and revise the evidence as needed.

**RESPONSE**

In Appendix A #1, the Balance for Disposition – 1588 row indicates that the amount should match the Total Claim column on the DVA Continuity schedule.

The Total Claim column includes interest balances, which are not captured in the 1588 transaction value of \$1,701,671.

Energy+ included the following amounts to ensure the Balance for Disposition matched the Total Claim.

Transactions during 2018	(1,701,671)
Interest balances on 2018 transactions	(29,324)
Projected Interest from Jan 1, 2019 to Dec 31, 2019 on 2018 transactions	(8,799)
<b>Total</b>	<b>(1,739,794)</b>

**E-Staff-39**

**Ref 1: Energy+, Appendix A GA Methodology Description**

**Ref 2: Energy+, IRM Application, Page 18 – Table 8**

In the reconciliation of Account 1588 shown in Appendix A, #1:

- b) Appendix A #3d and 4d indicate that the true up of charge types 1142 and 148 for October to December 2018 is recorded in the GL in 2019. Please confirm that the true up for these charge types are included as a principal adjustment in #9 of the Account 1588 reconciliation of \$669,995. If not confirmed, please quantify the true ups and revise the Account 1588 reconciliation.

**RESPONSE**

Energy+ confirms that the true up of charge types 1142 and 148 are included as a principal adjustment in #9 of the Account 1588 reconciliation of \$669,995.

**E-Staff-40**

**Ref 1: Energy+, Rate Generator Model, Tab 19 – Final Tariff Schedule**

**Ref 2: Energy+, Rate Generator Model, Tab 20 – Bill Impacts**

OEB staff noted an error in the rate generator model in tab 19 that caused certain rates for the “Embedded Distributor Service Classification – Hydro One #2” class to be displayed incorrectly, see below:

**MONTHLY RATES AND CHARGES - Delivery Component**

Service Charge	\$	70.52
Rate Rider for Disposition of Account 1508 - Gain on Sale of Property - effective until December 31, 2022	\$	(18.90)
Rate Rider for Recovery of Incremental Capital - effective until December 31, 2022	\$	55.92
Rate Rider for Application of Forgone Revenue Adjustment - effective until December 31, 2020	\$	(11.19)

**MONTHLY RATES AND CHARGES - Regulatory Component**

<b>Rate Rider for Disposition of Deferral/Variance Accounts (2020) - effective until December 31, 2020</b>	\$/kW	(0.2070)
<b>Rate Rider for Disposition of Capacity Based Recovery Account (2020) - effective until December 31, 2020 Applicable only for Class B Customers</b>	\$/kW	(0.0205)
<b>Rate Rider for Disposition of Global Adjustment Account (2020) - effective until December 31, 2020</b>		
<b>Applicable only for Non-RPP Customers</b>	\$/kWh	(0.0020)
Wholesale Market Service Rate (WMS) - not including CBR	\$/kWh	0.0030
Capacity Based Recovery (CBR) - Applicable for Class B Customers	\$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0005
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

The error also caused the bill impacts not to include the CBR rate rider for this class. OEB staff has fixed the error and provided an updated rate generator model. Please confirm that tabs 19 and 20 in the updated model are correct.

**RESPONSE**

Energy+ has reviewed Tab 19 of the updated model and confirms that it has been updated correctly.



**E-Staff-41**

**Ref: Energy+, Rate Generator Model, Tab 20 – Bill Impacts**

The “Embedded Distributor – Waterloo North Hydro” class is missing the input for consumption (kWh). Please update the Rate Generator Model with the consumption (kWh) for the “Embedded Distributor – Waterloo North Hydro” class.

**RESPONSE**

Energy+ does not apply any charges to Waterloo North Hydro on a kWh basis and as a result has not revised the Bill Impacts in the Rate Generator Model. Waterloo North Hydro settles commodity charges directly with the IESO.

**E-Staff-42**

If the updates made to the rate generator model, in response to the interrogatories, result in bill impacts that are 10% or greater for any rate class, please provide plans for rate mitigation or an explanation for why rate mitigation is not required.

**RESPONSE**

The updates to the Rate Generator Model do not result in any additional rate classes exceeding the 10% bill impact threshold.

The Embedded Distributor – Waterloo North Hydro class remains above the 10% threshold, however Energy+ is not proposing rate mitigation for the reasons explained in Section 4.3.4 of the IRM Application.

The following table compares the bill impacts from the initial submission to updates made in response to interrogatories.

Bill Impacts - Initial Submission	kWh	kW	Distribution (Fixed & Volumetric)				Total Bill			
			Current 2019	Proposed 2020	\$ Change	% Impact	Current 2019	Proposed 2020	\$ Change	% Impact
Residential	750	-	\$ 28.03	\$ 28.07	\$ 0.04	0.1%	\$ 103.38	\$ 104.59	\$ 1.21	1.2%
Residential	320	-	\$ 26.91	\$ 28.07	\$ 1.16	4.3%	\$ 61.41	\$ 62.32	\$ 0.91	1.5%
GS < 50 kW	2,000	-	\$ 46.96	\$ 47.52	\$ 0.56	1.2%	\$ 240.37	\$ 247.30	\$ 6.94	2.9%
GS >50 to 999 kW	20,000	60	\$ 329.40	\$ 332.86	\$ 3.45	1.0%	\$ 3,103.04	\$ 2,962.82	\$ (140.21)	-4.5%
GS >1,000 to 4,999	800,000	2,000	\$ 8,492.41	\$ 8,581.49	\$ 89.08	1.0%	\$ 109,838.30	\$ 108,690.66	\$ (1,147.64)	-1.0%
Large Use	6,600,000	16,000	\$ 35,656.07	\$ 36,030.32	\$ 374.25	1.0%	\$ 894,040.25	\$ 861,663.56	\$ (32,376.69)	-3.6%
Unmetered Scattered Load	100		\$ 7.25	\$ 7.33	\$ 0.08	1.1%	\$ 16.86	\$ 17.59	\$ 0.73	4.3%
Street Lighting	400,000	700	\$ 11,755.18	\$ 11,878.61	\$ 123.43	1.1%	\$ 74,875.56	\$ 61,767.75	\$ (13,107.81)	-17.5%
Sentinel Lighting	10,000	29	\$ 1,224.08	\$ 1,236.94	\$ 12.85	1.1%	\$ 2,560.85	\$ 2,353.00	\$ (207.85)	-8.1%
EMB - HONI	1,382,000	2,574	\$ 5,431.65	\$ 5,488.80	\$ 57.14	1.1%	\$ 177,061.64	\$ 175,498.03	\$ (1,563.61)	-0.9%
EMB - WNH	-	8,280	\$ 13,563.47	\$ 13,705.88	\$ 142.42	1.0%	\$ 28,619.24	\$ 46,692.59	\$ 18,073.34	63.2%
EMB - BPI	50,000	27	\$ 253.14	\$ 255.80	\$ 2.66	1.0%	\$ 6,400.18	\$ 6,200.85	\$ (199.33)	-3.1%
EMB - HON #1	1,300,000	2,340	\$ 2,833.10	\$ 2,862.84	\$ 29.75	1.0%	\$ 161,794.98	\$ 159,642.21	\$ (2,152.78)	-1.3%
EMB - HON #2	1,990,000	4,050	\$ 69.79	\$ 70.52	\$ 0.73	1.0%	\$ 230,880.29	\$ 229,099.37	\$ (1,780.92)	-0.8%

Bill Impacts - IR Update	kWh	kW	Distribution (Fixed & Volumetric)				Total Bill			
			Current 2019	Proposed 2020	\$ Change	% Impact	Current 2019	Proposed 2020	\$ Change	% Impact
Residential	750	-	\$ 28.03	\$ 28.07	\$ 0.04	0.1%	\$ 103.38	\$ 104.82	\$ 1.43	1.4%
Residential	320	-	\$ 26.91	\$ 28.07	\$ 1.16	4.3%	\$ 61.41	\$ 62.46	\$ 1.05	1.7%
GS < 50 kW	2,000	-	\$ 46.96	\$ 47.52	\$ 0.56	1.2%	\$ 240.37	\$ 247.44	\$ 7.08	2.9%
GS >50 to 999 kW	20,000	60	\$ 329.40	\$ 332.86	\$ 3.45	1.0%	\$ 3,103.04	\$ 2,967.79	\$ (135.25)	-4.4%
GS >1,000 to 4,999	800,000	2,000	\$ 8,492.41	\$ 8,581.49	\$ 89.08	1.0%	\$ 109,838.30	\$ 108,746.89	\$ (1,091.41)	-1.0%
Large Use	6,600,000	16,000	\$ 35,656.07	\$ 36,030.32	\$ 374.25	1.0%	\$ 894,040.25	\$ 862,046.16	\$ (31,994.09)	-3.6%
Unmetered Scattered Load	100		\$ 7.25	\$ 7.33	\$ 0.08	1.1%	\$ 16.86	\$ 17.62	\$ 0.76	4.5%
Street Lighting	400,000	700	\$ 11,755.18	\$ 11,878.61	\$ 123.43	1.1%	\$ 74,875.56	\$ 61,763.25	\$ (13,112.31)	-17.5%
Sentinel Lighting	10,000	29	\$ 1,224.08	\$ 1,236.94	\$ 12.85	1.1%	\$ 2,560.85	\$ 2,354.47	\$ (206.38)	-8.1%
EMB - HONI	1,382,000	2,574	\$ 5,431.65	\$ 5,488.80	\$ 57.14	1.1%	\$ 177,061.64	\$ 175,539.58	\$ (1,522.06)	-0.9%
EMB - WNH	-	8,280	\$ 13,563.47	\$ 13,705.88	\$ 142.42	1.0%	\$ 28,619.24	\$ 49,219.72	\$ 20,600.48	72.0%
EMB - BPI	50,000	27	\$ 253.14	\$ 255.80	\$ 2.66	1.0%	\$ 6,400.18	\$ 6,209.34	\$ (190.84)	-3.0%
EMB - HON #1	1,300,000	2,340	\$ 2,833.10	\$ 2,862.84	\$ 29.75	1.0%	\$ 161,794.98	\$ 159,674.34	\$ (2,120.64)	-1.3%
EMB - HON #2	1,990,000	4,050	\$ 69.79	\$ 70.52	\$ 0.73	1.0%	\$ 230,880.29	\$ 228,801.47	\$ (2,078.82)	-0.9%

Differences - (Inc)/Dec	kWh	kW	Distribution (Fixed & Volumetric)				Total Bill			
			Current 2019	Proposed 2020	\$ Change	% Impact	Current 2019	Proposed 2020	\$ Change	% Impact
Residential	750	-	\$ -	\$ -	\$ -	0.0%	\$ -	\$ (0.22)	\$ (0.22)	-0.2%
Residential	320	-	\$ -	\$ -	\$ -	0.0%	\$ -	\$ (0.14)	\$ (0.14)	-0.2%
GS < 50 kW	2,000	-	\$ -	\$ -	\$ -	0.0%	\$ -	\$ (0.14)	\$ (0.14)	-0.1%
GS >50 to 999 kW	20,000	60	\$ -	\$ -	\$ -	0.0%	\$ -	\$ (4.96)	\$ (4.96)	-0.2%
GS >1,000 to 4,999	800,000	2,000	\$ -	\$ -	\$ -	0.0%	\$ -	\$ (56.23)	\$ (56.23)	-0.1%
Large Use	6,600,000	16,000	\$ -	\$ -	\$ -	0.0%	\$ -	\$ (382.60)	\$ (382.60)	0.0%
Unmetered Scattered Load	100		\$ -	\$ -	\$ -	0.0%	\$ -	\$ (0.03)	\$ (0.03)	-0.2%
Street Lighting	400,000	700	\$ -	\$ -	\$ -	0.0%	\$ -	\$ 4.50	\$ 4.50	0.0%
Sentinel Lighting	10,000	29	\$ -	\$ -	\$ -	0.0%	\$ -	\$ (1.47)	\$ (1.47)	-0.1%
EMB - HONI	1,382,000	2,574	\$ -	\$ -	\$ -	0.0%	\$ -	\$ (41.55)	\$ (41.55)	0.0%
EMB - WNH	-	8,280	\$ -	\$ -	\$ -	0.0%	\$ -	\$ (2,527.13)	\$ (2,527.13)	-8.8%
EMB - BPI	50,000	27	\$ -	\$ -	\$ -	0.0%	\$ -	\$ (8.48)	\$ (8.48)	-0.1%
EMB - HON #1	1,300,000	2,340	\$ -	\$ -	\$ -	0.0%	\$ -	\$ (32.13)	\$ (32.13)	0.0%
EMB - HON #2	1,990,000	4,050	\$ -	\$ -	\$ -	0.0%	\$ -	\$ 297.89	\$ 297.89	0.1%

**E-Staff-43**

**Ref: Energy+, IRM Application, Page 188**

The Memorandum of Understanding between Brantford Power Inc. and Energy+ Inc. include the following clauses under section “2. Joint Use Agreement”:

[...]

(b) BPI will retain complete control of all decisions relating to the project, and shall maintain sole responsibility for managing the project, along with any consultant or contractor retained by BPI in BPI’s sole and absolute discretion;

[...]

(d) Energy+ will have a limited ability to make changes to the design during the Design Phase, subject to such changes being at the cost of Energy+ and creating no delay for BPI or the project;

(e) Energy+ will have input into the functional design of the leased space; however, Energy+ will not have input into the overall design of the project.

[...]

a) What input did Energy+ have in the site selection process of the new facility?

**RESPONSE**

Energy+ did not have direct input into the selection of the Savannah Oaks Dr. facility. The Savannah Oaks Dr. facility had been identified by BPI as a suitable location for its new facility.

Energy+ assessed the suitability of the Savannah Oaks Dr. facility on its merits and agreed to an Amended Memorandum of Understanding.

As documented in the Facilities Business Plan, and in the 2020 IRM Application, a shared facility with BPI, and specifically the Savannah Oaks Dr. shared facility, is the preferred option to service the customers in Energy+’s Brant Service territory based on the following merits:

- The estimated costs of the Savannah Oaks Dr. facility are less than the estimated costs of Garden Ave. or a newly constructed operations centre for Energy+;
- The Savannah Oaks Dr. facility is approximately 5km from the current facility on Dundas St. and is close to major thoroughfares. The location selected is central to Energy+'s Brant County service territory with good access to major arterial roads. The new location will have minimal operational impact and will enable Energy+ to service the anticipated customer growth in the City of Brantford (now part of Energy+ service territory), as well as the existing customer base in the Brant County service territory. Please refer to Figure 1: Energy+ Location of Facilities.
- Provides an opportunity to share costs of the construction, as opposed to each utility taking on its own project independently;
- The opportunity for shared services, including inventory, warehousing, fueling stations, purchasing and stores, vehicle maintenance, etc.;
- Emergency preparedness considerations, as more fully described in Response to Interrogatory E-Staff-49.
- Customer growth is expected in the City of Brantford in future years. As a result of the annexation of the municipal boundaries between the County of Brant and the City of Brantford, Energy+ will service the majority of the expected growth. Both Energy+ and Brantford Power will be operating within the City of Brantford. Combining operations facilities with BPI demonstrates collaboration between the two utilities and should result in reducing customer confusion with respect to two utilities operating within the City of Brantford.
- This innovative approach provides with future flexibility in the case of potential mergers or acquisitions.

**E-Staff-43**

**Ref: Energy+, IRM Application, Page 188**

- b) Given the limitations in the clauses above, please explain how Energy+ ensured the new facility is right-sized for Energy+'s needs.

**RESPONSE**

While Energy+ notes that the MOU with Brantford Power includes a statement that “BPI will retain complete control of all decisions related to the project” and “Energy+ will have limited ability to make changes to the design during the Design Phase...” OEB Staff’s emphasis on BPI’s control is overstated in the context of how both utilities are working together collaboratively on this project.

Energy+ has been actively engaged with BPI and its design consultants on the dedicated Energy+ space, including the design of the vehicle garage and the operations space (locker rooms, etc.).

Energy+ outlined the needs analysis process in Section 4.4.2.2.5 of the 2020 IRM Application.

In total, Energy+ has identified the need for approximately 14,229 sq. ft of exclusive dedicated space, with approximately 926 sq. ft identified for administration and 13,303 sq. ft for a vehicle garage and locker facilities.

Energy+ has also been actively engaged with BPI with respect to the design and specifications for the shared space requirements (mechanics bay and warehouse). There are regular meetings between BPI and Energy+ with respect to project status, progress reporting, etc.

**E-Staff-43**

**Ref: Energy+, IRM Application, Page 188**

- c) Please explain how Energy+ is able to manage costs of the new facility, i.e. how is Energy+ able to minimize project delays or cost overruns if Brantford Power retains complete control of all decisions relating to the project?

**RESPONSE**

Given that BPI has already purchased the land and building at Savannah Oaks Dr., the probability of significant project delays impacting Energy+ and BPI are lower than in comparison to the construction of a new facility.

As noted in the Section 2 e), Energy+ will continue to have input into the functional design of the leased space. That includes both the Energy+ exclusive space and that of the shared facilities (mechanics bay, warehouse). Both parties have a vested interest in ensuring that the shared facilities are designed to function for both parties.

With respect to minimizing project delays and the potential for cost overruns, BPI and Energy+ are currently governed by the Memorandum of Understanding (“MOU”). Both parties have agreed to governing business principles with respect to this project, including the principle with respect to Customer Benefits:

“ This principle takes into account the total benefits that may be received by a customer of either Party as a result of proceeding with the agreements, which will be no worse than would have been the case if either Party proceeded with the obtaining, operation, and maintenance of their own, single use building.”

With respect to minimizing project delays, BPI, has committed to milestones with respect to the Notice of Occupancy date to Energy+ (to be provided by BPI no later than 6 months prior to the Occupancy date, expected on or before June 30, 2020) and a timeline for Full Occupancy (On or before December 31, 2020). In a worst-case scenario, if the building is not ready for occupancy by January 1, 2022, Energy+ may terminate the agreement with BPI without cost or liability, unless the building is not ready for occupancy as a result of actions or inactions of Energy+ or any third party.

Energy+ has mitigated some of the risk associated with the potential for project delays by ensuring that it has options for extensions on the lease agreement with respect to the Dundas St. location.

With respect to cost overruns, the MOU provides for a cap (maximum) on the lease payment, unless a change is agreed to by both parties.

BPI continues to provide regular status reporting to Energy+ on the progress of the project.



**E-Staff-44**

**Ref 1: Energy+, IRM Application, Page 61**

**Ref 2: EB-2018-0028, Application, Exhibit 9, Page 36**

In the current application, Energy+ provides the following values in its gain on sale calculations:

	Original Cost	Acc. Amort.	NBV
<b>Regulatory Net book value, as at April 3, 2018</b>			
Land	87,795	-	87,795
Building	550,700	253,271	297,429
<b>Total</b>	<b>638,495</b>	<b>253,271</b>	<b>385,224</b>

In Energy+'s 2019 cost of service proceedings, Energy+ provided, at that time, the following values in its gain on sale calculations:

	Original Cost	Acc. Amort.	NBV
<b>Regulatory Net book value, as at December 31, 2017</b>			
Land	87,795	-	87,795
Building	544,100	273,198	270,902
<b>Total</b>	<b>631,895</b>	<b>273,198</b>	<b>358,697</b>

- a) Please explain why the "Original Cost" of the building has changed and increased by \$10,600.

**RESPONSE**

The Gain on Sale calculation provided with the 2020 IRM Application agrees to the Computation of the Gain on Sale updated by Energy+ in its 2019 Cost of Service Application (EB-2018-0028) in Response to Interrogatory 9-Staff-103 (d). The original amounts provided in Table 9-19A in the 2019 Cost of Service Application were based on estimates.

The "original cost" amount of the building changed to \$550,700 from \$544,100 to reflect actual additional miscellaneous building costs related to the Dundas St. facility to be disposed that were

recorded separately in the fixed asset subledger and that were not included in the original estimate.

**E-Staff-44**

**Ref 1: Energy+, IRM Application, Page 61**

**Ref 2: EB-2018-0028, Application, Exhibit 9, Page 36**

- b) Please explain why the accumulated amortization of the building has decreased rather than increased as time has progressed.

**RESPONSE**

As previously explained, the Gain on Sale computation was updated as part of Energy+'s Response to Interrogatory 9-Staff-103 (d) to reflect actual costs, compared to the original computation which was based on estimates. The original estimate of the accumulated amortization incorrectly included the estimated depreciation amount for 2017 related to the fair market increase paid by the former CND on the acquired building.

**E-Staff-44**

**Ref 1: Energy+, IRM Application, Page 61**

**Ref 2: EB-2018-0028, Application, Exhibit 9, Page 36**

c) Please provide Energy+'s calculations for the gain on sale rate riders.

**RESPONSE**

Table 1 summarizes the original calculations for the gain on sale rate riders by customer class.

As noted in Response to Interrogatory E-Staff-32, Energy+ incorrectly computed the gain on sale rate riders over three years. Energy+ intended for the Gain on Sale rate riders to remained aligned with the ICM rate riders, and therefore has revised the gain on sale rate riders, as summarized in Table 2.

**Table 1: Original Computation of Gain on Sale Rate Rider (3 Years: 2020-2022)**

**Calculation of Annual Fixed Rate Rider**

Total DVA Claim	(411,859.74)
Number of Years For Disposition	3
Amount Claimed per Year	(137,286.58)

Rate Class	Service Charge %	Distribution	Distribution	Service Charge	Distribution	Distribution	Total Revenue by	Billed Customers or	Service Charge Rate
	Revenue	Volumetric Rate %	Volumetric Rate %	Revenue	Volumetric Rate	Volumetric Rate	Rate Class	Connections	Rider
	<i>From Sheet 7 of ICM Model</i>	<i>From Sheet 7 of ICM Model</i>	<i>From Sheet 7 of ICM Model</i>	<i>Col C * Col I<sub>total</sub></i>	<i>Col D * C7</i>	<i>Col E * C7</i>	<i>Col F to Col H</i>	<i>From Sheet 4 of ICM Model</i>	<i>Col I / Col K / 12</i>
RESIDENTIAL	52.71%	3.48%	0.00%	\$ (72,361)	\$ (4,781)	\$ -	\$ (77,142)	58,677	\$ (0.11)
GENERAL SERVICE LESS THAN 50 kW	3.32%	8.90%	0.00%	\$ (4,564)	\$ (12,216)	\$ -	\$ (16,781)	6,451	\$ (0.22)
GENERAL SERVICE 50 TO 999 kW	2.82%	0.00%	17.00%	\$ (3,878)	\$ -	\$ (23,335)	\$ (27,213)	800	\$ (2.83)
GENERAL SERVICE 1,000 TO 4,999 kW	0.89%	0.00%	6.05%	\$ (1,226)	\$ -	\$ (8,302)	\$ (9,528)	27	\$ (29.41)
LARGE USE	0.62%	0.00%	1.58%	\$ (849)	\$ -	\$ (2,174)	\$ (3,023)	2	\$ (125.95)
STREET LIGHTING	1.06%	0.00%	0.48%	\$ (1,462)	\$ -	\$ (660)	\$ (2,122)	16,260	\$ (0.01)
UNMETERED SCATTERED LOAD	0.10%	0.09%	0.00%	\$ (137)	\$ (128)	\$ -	\$ (266)	499	\$ (0.04)
SENTINEL LIGHTING	0.02%	0.00%	0.04%	\$ (22)	\$ -	\$ (57)	\$ (79)	168	\$ (0.04)
EMBEDDED DISTRIBUTOR	0.01%	0.00%	0.81%	\$ (17)	\$ -	\$ (1,118)	\$ (1,134)	5	\$ (18.90)
<b>Total</b>	<b>61.56%</b>	<b>12.47%</b>	<b>25.96%</b>	<b>\$ (84,516)</b>	<b>\$ (17,126)</b>	<b>\$ (35,645)</b>	<b>\$ (137,287)</b>	<b>82,889</b>	

**Table 2: Revised Computation of Gain on Sale Rate Rider (4 Years: 2020-2023)**

**Calculation of Annual Fixed Rate Rider**

Total DVA Claim	(411,859.74)
Number of Years For Disposition	4
Amount Claimed per Year	(102,964.93)

Rate Class	Service Charge %	Distribution	Distribution	Service Charge	Distribution	Distribution	Total Revenue by	Billed Customers or	Service Charge Rate
	Revenue	Volumetric Rate %	Volumetric Rate %	Revenue	Volumetric Rate	Volumetric Rate	Rate Class	Connections	Rider
	<i>From Sheet 7 of ICM Model</i>	<i>From Sheet 7 of ICM Model</i>	<i>From Sheet 7 of ICM Model</i>	Col C + Col I <sub>total</sub>	Col D* C7	Col E* C7	Col F to Col H	<i>From Sheet 4 of ICM Model</i>	Col I / Col K / 12
RESIDENTIAL	52.71%	3.48%	0.00%	\$ (54,270)	\$ (3,586)	\$ -	\$ (57,856)	58,677	\$ (0.08)
GENERAL SERVICE LESS THAN 50 kW	3.32%	8.90%	0.00%	\$ (3,423)	\$ (9,162)	\$ -	\$ (12,585)	6,451	\$ (0.16)
GENERAL SERVICE 50 TO 999 kW	2.82%	0.00%	17.00%	\$ (2,909)	\$ -	\$ (17,501)	\$ (20,410)	800	\$ (2.12)
GENERAL SERVICE 1,000 TO 4,999 kW	0.89%	0.00%	6.05%	\$ (920)	\$ -	\$ (6,226)	\$ (7,146)	27	\$ (22.06)
LARGE USE	0.62%	0.00%	1.58%	\$ (637)	\$ -	\$ (1,630)	\$ (2,267)	2	\$ (94.46)
STREET LIGHTING	1.06%	0.00%	0.48%	\$ (1,096)	\$ -	\$ (495)	\$ (1,591)	16,260	\$ (0.01)
UNMETERED SCATTERED LOAD	0.10%	0.09%	0.00%	\$ (103)	\$ (96)	\$ -	\$ (199)	499	\$ (0.03)
SENTINEL LIGHTING	0.02%	0.00%	0.04%	\$ (17)	\$ -	\$ (43)	\$ (59)	168	\$ (0.03)
EMBEDDED DISTRIBUTOR	0.01%	0.00%	0.81%	\$ (12)	\$ -	\$ (838)	\$ (851)	5	\$ (14.18)
<b>Total</b>	<b>61.56%</b>	<b>12.47%</b>	<b>25.96%</b>	<b>\$ (63,387)</b>	<b>\$ (12,844)</b>	<b>\$ (26,734)</b>	<b>\$ (102,965)</b>	<b>82,889</b>	

**E-Staff-44**

**Ref 1: Energy+, IRM Application, Page 61**

**Ref 2: EB-2018-0028, Application, Exhibit 9, Page 36**

- c) Please explain how the gain on sale credit amount was allocated to each rate class and the reasoning for the method chosen.

**RESPONSE**

Please refer to Table 2 included in response to E-Staff-44 c) for the allocation of the gain on sale to each rate class. In summary, Energy+ allocated the annual amount of the gain to each rate class based on the same revenue proportions as used in the ICM Model (Sheet 7), which is effectively the same proportions of revenue by rate class as approved in Energy+'s 2019 Cost of Service Application. Energy+ believes that this method aligns the gain on sale rate rider with the ICM rate rider.

**E-Staff-45**

**Ref 1: Energy+, IRM Application, Page 9**

**Ref 2: Energy+, IRM Application, Page 61**

In the Manager's Summary, Energy+ states that the total disposition amount of the gain on sale of the former operations facility in Paris is (\$411,861). On page 61 of the application, in table 23, the computation of the gain on sale shows a net gain of \$402,807.

Please reconcile the two amounts and indicate the correct amount that Energy+ is proposing to refund to customers.

**RESPONSE**

The difference between the amount of \$411,861 identified in the Manager's Summary and the amount of \$402,807 is \$9,053 and represents an amount for projected interest from January 1, 2019 to December 31, 2019.

The amount of \$411,861, which is the amount of the gain plus interest, is what Energy+ is proposing to refund to customers.



**E-Staff-46**

**Ref 1: Energy+, IRM Application, Page 61**

**Ref 2: EB-2014-0217/EB-2014-0223, Decision and Order, Pages 4-5**

On page 61, the computation of the gain on sale shows a deduction of \$479,581 from the proceeds of the property for the “Fair value increase paid by former [Cambridge and North Dumfries Hydro Inc. (CND)] on Acquisition” less the accumulated depreciation.

In the Decision and Order (EB-2014-0217/EB-2014-0223) granting approval for CND to acquire Brant County Power Inc., the decision notes that CND is paying a premium of approximately \$16.3 million above the \$23.9 million net book value of Brant County Power Inc.’s assets as at December 31, 2013.

- a) Please confirm that the “fair value increase” in reference 1 refers to the portion of premium that the predecessor CND’s shareholders paid, attributable to the Paris facility.

**RESPONSE**

As explained in Response to Interrogatory 9-Staff-103 e) i) (EB-2018-0028), the “Fair Value Increase paid by Former CND on Acquisition” represents the fair value increase over the book value that was paid by the former CND for the Dundas St. property (land and building). The fair value of the property was determined based on a market valuation report completed at the time of the acquisition.

**E-Staff-46**

**Ref 1: Energy+, IRM Application, Page 61**

**Ref 2: EB-2014-0217/EB-2014-0223, Decision and Order, Pages 4-5**

- b) Please explain how Energy+ calculated “the fair value increase” amount of \$479,581 from the total premium paid of \$16.3 million.

**RESPONSE**

As noted above, the fair value of the land and building acquired was based on a market valuation report. The confidential Appraisal Report was prepared by an independent third-party company, Regional Appraisals, in December 2014.

The estimated market value of the property was determined to be \$1,025,000, which was based on the average of two approaches used for the valuation: (i) a Direct Comparison Approach; and (ii) an Income Approach.

The allocation to the land was determined by using the appraised value of the land on a per acre basis multiplied by the number of acres of the property. The building value was determined to be the difference between the estimated value of the property in total, less the amount allocated to the land.

The following is the breakdown of the appraised value:

Land (2.95 Acres at the rear of the property)	\$148,000
Land (1.94 Acres)	<u>97,000</u>
Total Land	<u>\$245,000</u>
Building	<u>\$780,000</u>
Total Land and Building (“A”)	<u><u>\$1,025,000</u></u>

At the time of the acquisition, November 28, 2014, the net book value of the land and building was as follows:

Land	\$87,795
Building	<u>\$381,789</u>
Total ("B")	<u>\$469,584</u>
Fair value increase paid by the former CND ("C" = A-B)	<u>\$555,416</u>

The amount of \$479,581 used in the computation of the gain on sale computation is comprised of the fair value increase paid (amount "C"), less the amount of amortization on the fair value increase to the date of sale, April 3, 2018 (\$75,835).

Energy+ would note that the fair value increase and the amortization were not included in the former CND's or Energy+'s rate base.

**E-Staff-46**

**Ref 1: Energy+, IRM Application, Page 61**

**Ref 2: EB-2014-0217/EB-2014-0223, Decision and Order, Pages 4-5**

- c) In light of the above, please explain why it is appropriate to extract the premium paid by the former CND on acquisition of Brant County Power Inc. from the gain on sale proceeds to ratepayers.

**RESPONSE**

As noted in response to part b), Energy+ confirms that neither the former CND or Energy+ have included the fair value increase of the land and building into rate base or as part of the revenue requirement and is therefore not part of future rates.

As Energy+ explained in both its 2019 Cost of Service Application<sup>1</sup> and in the 2020 IRM Application<sup>2</sup>, Energy+ believes that it is appropriate to reduce the overall proceeds from the sale of the property by this amount since the actual gain that has been realized on the sale of the property is computed based on the actual total costs incurred in purchasing the land and building (which in the case of Energy+ is the fair market value of the property acquired at the time of the purchase of the former Brant County Power Inc.), compared to the net proceeds received for the sale of the property.

Energy+ Inc. notes that this is also consistent with the basis upon which the tax is calculated.

<sup>1</sup> EB-2018-0028, Response to IR 9-Staff-103 e).

<sup>2</sup> EB-2019-0031, Page 61 of 255.

**E-Staff-47**

**Ref: Energy+, IRM Application, Page 29**

Energy+ states that it currently occupies the Dundas St. facility as part of a leaseback arrangement and that it expects to terminate the lease in 2020 once it occupies the new facility with Brantford Power.

- a) What is the annual lease of the Dundas St. facility currently being paid by Energy+?

**RESPONSE**

The annual lease amount paid by Energy+ is \$48,000. The lease is an operating lease and is expensed as part of OM&A expenses.

**E-Staff-48**

**Ref: Energy +, IRM Application Pages 29 and 61**

Energy + entered into a sale leaseback transaction for Dundas St. facility in 2018.

- a) Please explain the financial accounting treatment and the regulatory accounting treatment of the lease aspect.

**RESPONSE**

The sale of the Dundas St. property was recorded separately from the lease transaction for both financial accounting and regulatory accounting purposes.

Energy+ entered into a separate lease agreement with the purchaser of the Dundas St. property at the time of the sale of the property to continue to occupy the existing building and the operations yard (approximately 15,000 sq. ft on 4.75 acres of land).

In July 2018, Energy+ vacated the front office building, as the landlord was able to secure a new tenant, and continued to lease the back portion of the building (vehicle bay, small operations space, and storage) and the operations yard. The lease amount was reduced from \$5,312 per month to \$4,000 per month.

Based upon the terms of the lease (the original lease and the amended lease), the lease was accounted for as an operating lease and the annual lease payments were expensed to OM&A for both financial accounting and regulatory accounting purposes.

**E-Staff-48**

**Ref: Energy +, IRM Application Pages 29 and 61**

Energy + entered into a sale leaseback transaction for Dundas St. facility in 2018.

- b) Please discuss how the proceeds of \$1.5M from the sale was determined. Please explain if the \$1.5M proceeds represented the fair value of the asset. If not, please explain how the difference in fair value and proceeds were treated for financial accounting and regulatory purposes.

**RESPONSE**

The proceeds of \$1.5MM was at market value of the property based on a Purchase and Sale Agreement with a third party for the sale of the Dundas St. property.

**E-Staff-49**

**Ref: Energy+, IRM Application, Page 39**

On page 39 of 255, Energy+ included “Emergency preparedness considerations – allowing both utilities to respond to emergencies in a more efficient and effective manner” as one of the reasons to share a facility with Brantford Power.

Please elaborate how a shared facility with Brantford Power will enable more efficient and effective responses to emergencies.

**RESPONSE**

The shared facility with Brantford Power will be Energy+'s Operations Centre to provide services to customers in the Brant service territory. As a result of the land annexation in the City of Brantford, and the planned development of these lands, the customers serviced by Energy+ will also include new customers in the City of Brantford.

The sharing of facilities with Brantford Power will provide for the ability for Energy+ resources to provide Brantford Power with emergency assistance, and visa versa, in the case of an emergency or extreme weather event impacting one of the utilities in the areas serviced by Energy+ Inc. or Brantford Power.

As emergencies impacting the City of Brantford may need to be co-ordinated with each of the utilities (e.g. fire, police, City of Brantford, County of Brant, etc.), depending upon the extent and area(s) impacted by the emergency, having a centralized emergency response centre at the shared facilities location would be more efficient and effective. Energy+ and Brantford Power will be able to provide the necessary resources (people, vehicles, and inventory) in a timelier fashion. In addition, joint efforts can be co-ordinated for any third-party resources required.

Energy+ believes that this approach is in the spirit of the Renewed Regulatory Framework of customer focus, operational effectiveness and financial performance. It also aligns to the government's desire to encourage partnerships between LDCs and creating efficiencies.



**E-Staff-50**

**Ref: Energy+, IRM Application, Appendix F, Exhibit VI – Project Timelines**

According to the project timelines provided in Appendix F, construction of the new facility is not expected to begin until November 2019 and Energy+ is not expected to take occupancy of the new facility until late 2020.

- a) What assurances does Energy+ has from Brantford Power that the construction will be completed on time?

**RESPONSE**

Brantford Power Inc. has contractually committed to milestone dates in accordance with the Memorandum of Understanding (Appendix F, Exhibit II). On or before June 30, 2020, Brantford Power is to provide the Notice of Occupancy date, which is to be no later than 6 Months prior to Occupancy date. The deadline for Full Occupancy has also been set to be on or before December 31, 2020.

The Memorandum of Understanding includes a commitment on the part of both parties with respect to making every effort to keep the project within budget and timelines.<sup>3</sup>

Energy+ is monitoring the status of the construction portion of this project through regular update meetings and communication with Brantford Power.

<sup>3</sup> EB-2019-0031, Appendix F, Exhibit II, Memorandum of Understanding, Section D Milestones, Page 196 of 255.

**E-Staff-50**

**Ref: Energy+, IRM Application, Appendix F, Exhibit VI – Project Timelines**

According to the project timelines provided in Appendix F, construction of the new facility is not expected to begin until November 2019 and Energy+ is not expected to take occupancy of the new facility until late 2020.

- b) What are Energy+'s plans in the event that construction is delayed and, subsequently, Energy+ is not able to occupy the new facility on the originally planned date?
  - i. If the response to b) is to continue the existing lease for the Dundas St. facility until the new facility is completed, please explain if Brantford Power will compensate Energy+ for additionally incurred costs as a result of the delayed move-in.

**RESPONSE**

In the event that the construction of the facility is delayed and Energy+ is not able to occupy the shared facility with Brantford Power on the planned date, Energy+ will continue to lease the Dundas St. facility. The Dundas St. lease provides for three, one-year extensions following the two-year term (i.e. April 2020 marks the commencement of the first one-year extension).

Energy+ is not expected to incur "additional" costs as a result of any delayed move-in. In the absence of being able to occupy the shared facilities space, Energy+ will not incur lease payments to Brantford Power.

Energy+ notes, however, the following provision in the Memorandum of Understanding:

**“ Delays** The parties make every effort to keep the project within budget and timelines. Should either party cause any material or new or unidentified increase in costs, or cause material delays to the timeline, the Party that did not cause the increase or delay, may, within its sole discretion, charge the incremental costs directly to the party that did cause the increase or delay. Upon being notified of such incremental costs, the Party that receives such notice will forthwith pay such costs to the other party.”

**E-Staff-51**

**Ref: Energy+, IRM Application, Page 51**

Energy+ states it had a space needs analysis performed for its requirements at the new facility.

- a) Who performed the space needs analysis?

**RESPONSE**

J.L Richards was the Design Consultant that assisted with the space needs analysis.

As explained in the Application, Energy+ worked with Brantford Power and its Design Consultant, J.L Richards, to detail Energy+'s dedicated space requirements. Energy+ notes that the space needs analysis was originally conducted for the Garden Avenue facility (based on a new build).

Attached as Appendix E-Staff-51 is the space needs analysis for Energy+ Inc. based on the Garden Ave. facility. This analysis was also filed as part of the 2019 Cost of Service Application in Response to Interrogatories 2-Staff-15 e) ii) (EB-2018-0028).

Following the acquisition of the Savannah Oaks Dr. purchase by Brantford Power, BPI and Energy+ have been working with its Project Manager and with AECOM to transfer the detailed requirements and designs developed for the Garden Avenue facility and apply them to the Savannah Oaks Drive facility where possible, including the dedicated space for Energy+.

**E-Staff-51**

**Ref: Energy+, IRM Application, Page 51**

Energy+ states it had a space needs analysis performed for its requirements at the new facility.

- b) What are Energy+'s requirements in terms of total square footage of space as identified by the analysis?

**RESPONSE**

The following is a summary of the Energy+ dedicated space analysis that was developed for the Garden Ave. facility, compared to the Savannah Oaks facility:

	Sq. Ft	
	Garden Ave.	Savannah Oaks
Administration		926
Operations		3,043
Administration and Operations	4,273	3,969
Garage	10,470	10,260
	14,743	14,229

As outlined in the 2020 IRM Application, the space requirements identified the need for the following:

Administration – two offices; a meeting room; and a lunch room

Operations – a locker room, parking for eight large trucks, and indoor parking for smaller operations vehicles.

**E-Staff-51**

**Ref: Energy+, IRM Application, Page 51**

Energy+ states it had a space needs analysis performed for its requirements at the new facility.

c) Please provide the analysis.

**RESPONSE**

The Space Needs Analysis prepared for the former proposed site at Garden Ave. is included in Appendix E-Staff-51.

The space requirements identified for Savannah Oaks was provided as part of the 2020 IRM Application in Appendix F Exhibit III.

**E-Staff-52**

What is the approximate travel time between Energy+'s operations center in Cambridge and the new operations center at 150 Savannah Oaks Dr. in Brant County?

**RESPONSE**

The approximate travel time between Energy+'s operations centre in Cambridge and 150 Savannah Oaks Dr. is 30-35 minutes.

Energy+ Inc. notes that the approximate travel time between Energy+'s operations centre in Cambridge and the current Dundas St. facility is approximately 30 minutes.

**E-Staff-53**

**Ref: Energy+, IRM Application, Page 54**

On page 54, the application states that “[In considering option 3: Acquire/Lease New Space in Brant County], Energy+ was also able to leverage the detailed work completed by [Brantford Power].”

OEB staff notes that the detailed work referenced above was performed according to Brantford Power’s criteria for a new facility, not that of Energy+’s.

- a) Did Energy+ review sites that could be solely dedicated for Energy+ use (i.e. not shared with Brantford Power)?
  - i. If no to a), why not?
  - ii. Please explain how reliable the estimate of \$6.8 million would be for option 3, given that the estimate is based off of a shared facility with Brantford Power, not a dedicated facility for Energy+.
  - iii. If yes to a), please provide examples and the associated costs.

**RESPONSE**

- i. As outlined in Energy+’s Facilities Business Plan (EB-2018-0028), Energy+ completed a comprehensive, multi-year review of various alternatives, including renovating/rebuilding currently owned buildings, purchasing/renovating alternative facilities and leasing alternative facilities and construction of new facilities. This review was completed on the basis of the overall needs of Energy+ to service both the Cambridge and Brant service territories.

During the review of its options, Energy+ determined that the optimal solution for its space needs, from a customer and financial perspective, would be to maintain an operations centre in both the City of Cambridge and the County of Brant.

Energy+ did not review sites that could be solely dedicated for Energy+’s use for the Brant Service territory (i.e. not shared with Brantford Power Inc.). Given the proximity of Energy+’s Brant

Service Territory and Brantford Power Inc.'s service territory, combined with the expected future customer growth in the City of Brantford that is planned in the Energy+ service territory, Energy+ believed that the opportunity to co-locate with Brantford Power Inc. was an innovative, collaborative, and cost-effective approach to its overall facilities plan.

While Brantford Power Inc.'s needs from an overall facilities perspective reflected both operations and administration requirements, the requirements from an operations perspective for both utilities are very similar. Both utilities require vehicle storage, a warehouse, mechanics bay, and space for operations personnel.

The opportunity presented by Brantford Power provided Energy+ with the opportunity to leverage the market research completed by Brantford Power, as well as to utilize the outcome of the design work and construction tender to assess the viability of the options for Energy+.

- ii. Energy+ utilized the \$6,771,987 for an estimate of Option 3 as it represented the estimated construction costs of a new facility for Energy+ based on its dedicated space requirements. Energy+ utilized this estimate to ensure that the option was an appropriate comparison to Option 2 (e.g. apples to apples comparison).

As highlighted by OEB Staff in E-Staff-62, alternatively Energy+ could compare the costs of Option 2 and 3 on the basis of the overall costs based on Energy+'s total required space, which includes both dedicated space and the shared space.

Energy+ Garden Ave. total allocated costs – \$9,543,404

Energy+ Savannah Oaks total allocated costs – \$8,987,792

It is important to note, however, that Option 2 provides for the sharing of a mechanics bay. If Energy+ were to construct its own facility, the costs of the mechanics bay would not be shared, and would require 100% funding by Energy+. In addition, design costs and project management costs would not be shared. This would have the impact of increasing the costs of Option 3, from the amounts presented.

- iii. Not applicable.



**E-Staff-54**

**Ref: Energy+, IRM Application, Page 52**

Energy+ states that rebuilding a new facility on the land at Dundas St. would incur a similar cost per square foot relative to option 3.

Please provide the cost per square foot assumed above, and a calculation of the total costs for rebuilding a new facility on the land at Dundas St.

**RESPONSE**

Energy+'s statement that rebuilding a new facility on the land at Dundas St. would incur a similar cost per square foot relative to Option 3 was made on the premise that the estimated costs for the Garden Ave. facility, which were based on a Class C estimate, were at estimated market prices for construction. Energy+ would have no reason to assume that its costs to construct a new facility would be any less than the prices that were estimated for the Garden Avenue facility, and in particular the dedicated and shared spaces, as they were designed based on the needs of Energy+.

The total cost per square footage for the Garden Avenue facility was \$476.33 (\$30,717,190/64,487)<sup>4</sup>, including a total cost per square footage for the Energy+ dedicated space of \$459.21 (\$6,771,987/14,747)<sup>5</sup> and a cost per square footage for the shared space of \$581.19 (\$5,542,834/9,537 sq. ft).

If Energy+ were to have constructed its own dedicated facility, using the same dedicated square footage and shared space, and based on the Class C estimate for square footage used for the Garden Ave. facility, an estimated capital cost of \$9,543,084 would be derived.

Dedicated Space	14,747 @ \$459.21	\$6,771,970 (used in Table 19: Option Summary)
Shared Space (1/2 x 9,537)	4,768 @ \$581.19	<u>\$2,771,114</u>
Estimated Capital Cost for new Energy+ facility		<u>\$9,543,084</u>

<sup>4</sup> EB-2019-0031, Page 55 of 255, ICM Table 10-B Garden Avenue reproduced from EB-2019-0022, Page 22 of 40.

<sup>5</sup> Ibid.

Energy+ would also note that these estimated costs do not include or consider the following:

- Costs that would be incurred for the demolition of the existing building;
- Included in the Garden Ave. estimated costs is an assumption with respect to the sharing of various soft cost between Energy+ and BPI (e.g. Project Management, Architectural and Design costs, etc.). In the absence of a sharing arrangement, Energy+ would be responsible for 100% of these costs.

Energy+ would also note that BPI did not receive any responses to the RFP for Garden Ave. based on the Class C estimated costs, and therefore, it would be possible to assume that the project costs for Garden Ave. as stated are too low.

**E-Staff-55**

**Ref 1: Energy+, IRM Application, Page 56**

**Ref 2: EB-2018-0028, Application, Exhibit 2, Table 2-44**

The estimated cost of Energy+'s option 3 is based on the estimate cost of the Garden Ave. facility of \$6,771,987. The cost estimate of the same facility presented in Energy+'s previous rate application, EB-2018-0028, is \$4,400,000.

- a) Please explain why the cost estimate of the Garden Ave. facility increased by over \$2 million

**RESPONSE**

The principle reason for the increase in cost estimate was the move from a Class D estimate to a Class C estimate.

The \$4,400,000 cost estimate presented in Energy+'s 2019 Cost of Service Application (EB-2018-0028) was based on a Class D estimate prepared in the latter part of 2017, and submitted as part of the Application in April 2018.

As explained in Brantford Power's 2020 IRM Application, throughout 2018, BPI continued to work with the Design consultant to further detail the requirements at the new facility, with Energy+ providing input into its requirements, including both the dedicated space and the shared space.

In late 2018, BPI issued an RFP for a builder of the facility at Garden Ave., with a cap on the bids of \$27MM for the construction of the facility only. The cap was based on Class C level estimates from the design consultant, verified by cost consultants. Additional project costs, including soft costs, permits and fees, and furniture and fixtures and equipment would bring the total project costs to \$32MM.

BPI did not receive any bids on its RFP, and based on follow up consultation with the firms which reviewed the RFP, the informal feedback indicated that the cap on the project was too low to make the project commercially attractive.

A secondary reason is inflation in the construction industry which arose over the passage of time, as best reflected in The Statistics Canada “Building Construction Price Index”<sup>6</sup>, and the Construction Prices Indexes for Non-Residential Buildings (Toronto).<sup>7</sup>

The construction industry is susceptible to micro and macro-economic inflation, along with local market forces that can influence pricing by both General Contractors and sub-trades. Concrete, formwork and roofing sub-trades have been in higher than usual demand and can have the effect of driving up costs above forecasted inflation. As a result of the tariffs imposed on steel, raw steel and aluminum prices have increased steel work costs at the end of 2018. Since Canada is a net importer of steel, this has had an effect of increase raw steel prices of between 20-40%, which has been passed on to steel suppliers and sub-trades within the construction sector.

<sup>6</sup> Statistics Canada “Building Construction Index”  
<http://www23.statcan.gc.ca/imdb/p2SV.pl?Function=getSurvey&SDDS=2317>

<sup>7</sup> Table 18-10-0135-01 Building construction price indexes, by type of building

**E-Staff-55**

**Ref 1: Energy+, IRM Application, Page 56**

**Ref 2: EB-2018-0028, Application, Exhibit 2, Table 2-44**

The estimated cost of Energy+'s option 3 is based on the estimate cost of the Garden Ave. facility of \$6,771,987. The cost estimate of the same facility presented in Energy+'s previous rate application, EB-2018-0028, is \$4,400,000.

- b) Please explain whether the \$4,400,000 estimate would be a more accurate proxy for estimating the cost of option 3 (Energy+ acquiring or leasing a new space).

**RESPONSE**

No, Energy+ does not believe that the \$4,400,000 estimate would be a more accurate proxy for estimating the cost of option 3 (Energy+ acquiring or leasing a new space). While \$4,400,000 approximates the capital lease value of the Savannah Oaks facility, the capital lease value is for the dedicated space only. If Energy+ were to acquire or lease a new space, separate from BPI, it would need the dedicated space, plus inventory storage and a mechanics bay.

Please refer to Response to IR E-Staff-54 for an estimated cost of Option 3.

**E-Staff-56**

**Ref: Energy+, IRM Application, Page 37**

Energy+ notes that a shared facility with Brantford Power is an innovative approach to reducing costs by sharing facilities and services.

- a) Please quantify the amount of savings Energy+ expects to achieve.

**RESPONSE**

The sharing of facilities and services is expected to achieve economies of scale, and as well as this collaboration is expected to achieve operating synergies in the future that will benefit customers. Achieving economies of scale and/or operating synergies will not always equate to a reduction of operating costs in a single year. It also means that future costs are avoided, efficiencies can lead to a greater number of activities being achieved with existing resources (preventing future hires), or costs can be spread over a larger customer base resulting in lower unit costs.

Energy+ notes that there are both operating and capital expenditure synergies/economies of scale that are expected to result from the Shared Services, which would equate to lower future expenditures between the two utilities. The potential savings is difficult to quantify at this time.

Specific areas of economies of scale identified include:

- Sharing space for mechanical/vehicle bays, stock room and outdoor space.

The sharing of a mechanical bay, stock room, and outdoor space results in a sharing of warehousing and other equipment (e.g. forklifts, tools and equipment used by the mechanic, etc.) as opposed to each utility acquiring its own, as well as reducing the number of future capital replacements.

- Exploring the option of sharing the services of a Purchasing Manager, reducing the combined requirement of 2 FTEs to 1 FTE.

Energy+ will experience a retirement of one FTE in this role in 2020. BPI currently does not have a full-time Purchasing Manager and outsources certain purchasing activities. There is

an opportunity for Energy+ and BPI to explore the sharing of purchasing services. As purchasing costs represent an overhead cost, these would be shared over a greater base, and impact both operating and capital costs.

- Sharing a stock room, allowing a reduction to the overall level of inventory required for either company, while offering greater flexibility and efficiency related to inventory management for both companies.

Combining inventory levels is expected to result in increased purchasing power for various inventory parts that could lead to lower per unit costs. Inventory costs impact both operating and capital expenditures. Lower inventory levels would result in lower working capital requirements and increased cash flow (potential impact on interest income and revenue offsets which benefit customers).

- Improved service levels to customers and reduce costs to third party mechanical services as a result of an in-house mechanic to provide mechanical services provided to Energy+.

The implementation of on-site fueling, as well as a mechanical bay to service vehicles, is expected to result in productivity improvements in both operating and capital activities (an increase in tool time for outside crews), including: (i) a reduction in travel time (non-tool time) as a result of fueling on-site; and (ii) vehicles are available sooner as a result of having inspections, maintenance and small repairs completed on-site.

**E-Staff-56**

**Ref: Energy+, IRM Application, Page 37**

Energy+ notes that a shared facility with Brantford Power is an innovative approach to reducing costs by sharing facilities and services.

b) How will the costs savings be reflected to customers?

**RESPONSE**

Customers will benefit from a lower ICM rate rider based on a shared facility with Brantford Power Inc. in comparison to what Energy+ would otherwise require constructing its own facility in the Brant service territory.

In the future, as part of Energy+'s next rebasing, any operating or capital savings achieved (either through an actual reduction in operating or capital costs, or avoided future costs) from the shared services will be reflected as part of Energy+'s revenue requirement (OM&A and depreciation) and would help to offset the incremental operating costs associated with the operating lease for the shared facilities.



**E-Staff-56**

**Ref: Energy+, IRM Application, Page 37**

Energy+ notes that a shared facility with Brantford Power is an innovative approach to reducing costs by sharing facilities and services.

- c) Has Energy+ considered using the savings identified in part a) to offset the incremental revenue requirement of the ICM? Please explain why or why not.

**RESPONSE**

No. The ICM incremental revenue requirement is based on the capital expenditure requirements of this project. As the capital expenditure amount is based on the estimated costs of the project, all inherent savings (i.e. cost avoidance as a result of sharing construction and related costs) from a capital expenditure perspective are incorporated into the capital costs of the project.

In addition, as Energy+ noted in the 2020 IRM Application, the incremental OM&A costs associated with the lease of the shared facility and shared services have not been incorporated into the ICM request. Any operating savings achieved (either through actual reduction in operating costs, or avoided future costs) from the shared services would be reflected as part of Energy+'s next rebasing and utilized to help offset the incremental operating costs associated with the operating lease for the shared facilities.

**E-Staff-56**

**Ref: Energy+, IRM Application, Page 37**

Energy+ notes that a shared facility with Brantford Power is an innovative approach to reducing costs by sharing facilities and services.

- d) Did Energy+ identify any disadvantages in having a shared facility with Brantford Power?  
If yes, please provide the disadvantages and Energy+'s reasons to proceed with the shared facility despite the disadvantages.

**RESPONSE**

Energy+ did not identify any disadvantages in having a shared facility with Brantford Power. Energy+ has worked collaboratively with Brantford Power Inc. to ensure that its requirements for a dedicated space are met.

**E-Staff-57**

**Ref: Energy+, IRM Application, Page 46**

Energy+ indicates that the shared facilities and common space would be treated as an operating contract.

- a) Please explain whether Energy+ has evaluated if there is an embedded lease in the operating contract.

**RESPONSE**

With the consultation of its auditor, Energy+ evaluated the operating contract for the shared and common elements within the context of IFRS 16 and determined that it would not meet the criteria for a lease.

Under IFRS 16, a contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified assets' use and to obtain substantially all the economic benefits from that use.

The shared and common areas would not be considered identified assets because they are not physically distinct (i.e. Energy+'s space cannot be identified from the BPI's space). As a result, Energy+ would not control or have the ability to direct the use of the shared and common areas and will not be the sole economic beneficiary of its use.

**E-Staff-57**

**Ref: Energy+, IRM Application, Page 46**

Energy+ indicates that the shared facilities and common space would be treated as an operating contract.

b) If yes, what are the results of Energy+'s assessment?

**RESPONSE**

See response to E-Staff-57 a).

**E-Staff-57**

**Ref: Energy+, IRM Application, Page 46**

Energy+ indicates that the shared facilities and common space would be treated as an operating contact.

- c) Has Energy+ consulted its auditor regarding the assessment? If yes, please discuss the auditors' views.

**RESPONSE**

Yes. Please refer to response to E-Staff-57 a).

**E-Staff-58**

**Ref 1: Energy+, IRM Application, Page 53**

**Ref 2: Energy+, Appendix F, Exhibit II – MOU**

**Ref 3: Energy+, Appendix F, Exhibit V – Calculation of Lease Rates**

Page 53 of the application states that the rent rate was based on the annuity payments required to recover the capital costs over the 41-year useful life of the assets, discounted at Brantford Power's approved 2017 cost of capital rate, grossed-up for PILS, divided by the square footage.

- a) The Memorandum of Understanding indicates that the initial term is 20 years, followed by a potential 20-year renewal period, totaling 40 years. In the calculation of lease rates, a 44 years lease term is used. Please clarify the lease term.

**RESPONSE**

The lease term for Energy+ is 40 years, which is computed based on the initial term of 20 years, plus the option to extend the lease term up to an additional 20 years.

Under IFRS 16, a lease results in a right-of-use asset to be recognized which is depreciated at the earlier of: i) the end of the useful life of the right-of-use asset; or ii) the end of the lease term. Therefore, Energy+ has utilized 40 years.

Energy+ understands that the methodology BPI utilized to calculate the lease rates established base rent to cover the cost of capital in keeping with the OEB's determination of revenue requirement. BPI assumed a useful life of the assets of 44 years. Since the revenue requirement associated with an asset spans its entire useful life, the 44 year useful life of the facility was used in calculating the lease rates.

**E-Staff-58**

**Ref 1: Energy+, IRM Application, Page 53**

**Ref 2: Energy+, Appendix F, Exhibit II – MOU**

**Ref 3: Energy+, Appendix F, Exhibit V – Calculation of Lease Rates**

- b) On page 3 of the Memorandum of Understanding, section j(i)(3)(a)(i) states that the base rent calculation will include the recovery of amortization, PILS and return on invested capital for the portion of the project that relates to Energy+'s exclusive use. Please explain how the annuity payment calculation mentioned above will achieve recovery referenced in the Memorandum.

**RESPONSE**

The annuity calculation is a proxy for the recovery of amortization, PILS and return on invested capital. This approach smooths the impact of the declining return on investment that occurs as the asset depreciates. The depreciation is represented by the annual principal repayment, and the return on investment and PILs impacts are addressed through the discount rate in the annuity.

The cumulative rent payments over the useful life of the asset using the rates provided would total \$29,738,546.

<b>Component</b>	<b>Square Feet</b>	<b>Rate</b>	<b>Annual Payment</b>	<b>Cumulative Payments</b>
Exclusive Space	14,229	\$ 23.23	\$ 330,565.92	\$ 14,544,900.55
Shared Space	13,705	\$ 25.20	\$ 345,310.13	\$ 15,193,645.59
<b>Total</b>	<b>27,934</b>	<b>\$ 24.20</b>	<b>\$ 675,876.05</b>	<b>\$ 29,738,546.14</b>

The following table estimates a total revenue requirement of \$29,659,352 for BPI that is associated with the \$8,987,792 of capital costs allocated to the Energy+ space. The total revenue requirement is \$79,194 less than the cumulative rent payments over the same time frame. This difference is not material when viewed in the context of the 44 year timeline.

Year	Asset NBV	Revenue Requirement Components				Total
		Depreciation	Regulated Return	PILS		
1	\$ 8,987,792	\$ 204,268	\$ 531,789	\$ 265,381	\$ 1,001,438	
2	\$ 8,783,524	\$ 204,268	\$ 531,789	\$ 265,381	\$ 1,001,438	
3	\$ 8,579,256	\$ 204,268	\$ 531,789	\$ 265,381	\$ 1,001,438	
4	\$ 8,374,988	\$ 204,268	\$ 531,789	\$ 265,381	\$ 1,001,438	
5	\$ 8,170,720	\$ 204,268	\$ 531,789	\$ 265,381	\$ 1,001,438	
6	\$ 7,966,452	\$ 204,268	\$ 470,664	\$ 243,343	\$ 918,274	
7	\$ 7,762,184	\$ 204,268	\$ 470,664	\$ 243,343	\$ 918,274	
8	\$ 7,557,916	\$ 204,268	\$ 470,664	\$ 243,343	\$ 918,274	
9	\$ 7,353,648	\$ 204,268	\$ 470,664	\$ 243,343	\$ 918,274	
10	\$ 7,149,380	\$ 204,268	\$ 470,664	\$ 243,343	\$ 918,274	
11	\$ 6,945,112	\$ 204,268	\$ 409,539	\$ 221,304	\$ 835,111	
12	\$ 6,740,844	\$ 204,268	\$ 409,539	\$ 221,304	\$ 835,111	
13	\$ 6,536,576	\$ 204,268	\$ 409,539	\$ 221,304	\$ 835,111	
14	\$ 6,332,308	\$ 204,268	\$ 409,539	\$ 221,304	\$ 835,111	
15	\$ 6,128,040	\$ 204,268	\$ 409,539	\$ 221,304	\$ 835,111	
16	\$ 5,923,772	\$ 204,268	\$ 348,413	\$ 199,266	\$ 751,947	
17	\$ 5,719,504	\$ 204,268	\$ 348,413	\$ 199,266	\$ 751,947	
18	\$ 5,515,236	\$ 204,268	\$ 348,413	\$ 199,266	\$ 751,947	
19	\$ 5,310,968	\$ 204,268	\$ 348,413	\$ 199,266	\$ 751,947	
20	\$ 5,106,700	\$ 204,268	\$ 348,413	\$ 199,266	\$ 751,947	
21	\$ 4,902,432	\$ 204,268	\$ 287,288	\$ 177,228	\$ 668,784	
22	\$ 4,698,164	\$ 204,268	\$ 287,288	\$ 177,228	\$ 668,784	
23	\$ 4,493,896	\$ 204,268	\$ 287,288	\$ 177,228	\$ 668,784	
24	\$ 4,289,628	\$ 204,268	\$ 287,288	\$ 177,228	\$ 668,784	
25	\$ 4,085,360	\$ 204,268	\$ 287,288	\$ 177,228	\$ 668,784	
26	\$ 3,881,092	\$ 204,268	\$ 226,163	\$ 155,189	\$ 585,620	
27	\$ 3,676,824	\$ 204,268	\$ 226,163	\$ 155,189	\$ 585,620	
28	\$ 3,472,556	\$ 204,268	\$ 226,163	\$ 155,189	\$ 585,620	
29	\$ 3,268,288	\$ 204,268	\$ 226,163	\$ 155,189	\$ 585,620	
30	\$ 3,064,020	\$ 204,268	\$ 226,163	\$ 155,189	\$ 585,620	
31	\$ 2,859,752	\$ 204,268	\$ 165,038	\$ 133,151	\$ 502,457	
32	\$ 2,655,484	\$ 204,268	\$ 165,038	\$ 133,151	\$ 502,457	
33	\$ 2,451,216	\$ 204,268	\$ 165,038	\$ 133,151	\$ 502,457	
34	\$ 2,246,948	\$ 204,268	\$ 165,038	\$ 133,151	\$ 502,457	
35	\$ 2,042,680	\$ 204,268	\$ 165,038	\$ 133,151	\$ 502,457	
36	\$ 1,838,412	\$ 204,268	\$ 103,913	\$ 111,113	\$ 419,294	
37	\$ 1,634,144	\$ 204,268	\$ 103,913	\$ 111,113	\$ 419,294	
38	\$ 1,429,876	\$ 204,268	\$ 103,913	\$ 111,113	\$ 419,294	
39	\$ 1,225,608	\$ 204,268	\$ 103,913	\$ 111,113	\$ 419,294	
40	\$ 1,021,340	\$ 204,268	\$ 103,913	\$ 111,113	\$ 419,294	
41	\$ 817,072	\$ 204,268	\$ 24,450	\$ 82,463	\$ 311,181	
42	\$ 612,804	\$ 204,268	\$ 24,450	\$ 82,463	\$ 311,181	
43	\$ 408,536	\$ 204,268	\$ 24,450	\$ 82,463	\$ 311,181	
44	\$ 204,268	\$ 204,268	\$ 24,450	\$ 82,463	\$ 311,181	
<b>Total</b>		<b>\$ 8,987,792</b>	<b>\$ 12,811,832</b>	<b>\$ 7,859,728</b>	<b>\$ 29,659,352</b>	



**E-Staff-58**

**Ref 1: Energy+, IRM Application, Page 53**

**Ref 2: Energy+, Appendix F, Exhibit II – MOU**

**Ref 3: Energy+, Appendix F, Exhibit V – Calculation of Lease Rates**

- c) Please explain whether the discount rate used for the annuity payments is considered the “implicit lease rate”.

**RESPONSE**

Energy+ has assumed that the discount rate used for the annuity payments is the implicit lease rate under IFRS 16.

**E-Staff-58**

**Ref 1: Energy+, IRM Application, Page 53**

**Ref 2: Energy+, Appendix F, Exhibit II – MOU**

**Ref 3: Energy+, Appendix F, Exhibit V – Calculation of Lease Rates**

- d) Has Energy+ consulted its auditor regarding the assessment? If yes, please discuss the auditors' views.

**RESPONSE**

Energy+ has consulted with its auditors. Energy+ understands, based on these consultations and based on our understanding of IFRS 16, that if the rate used to discount the lease payments is known then that rate would be the implicit lease rate. If the rate is not known, then Energy+'s incremental borrowing rate would be used.

**E-Staff-59**

**Ref: Energy+, ICM Model, Tab 11 – Rate Rider Calc**

OEB staff notes that Energy+ has proposed fixed only rate riders for all rate classes for its ICM.

Please provide the rationale for choosing fixed only rate riders. In particular, please discuss why Energy+ did not choose fixed and variable rate riders in order to better align with standard rate design once the new facility is included in rate base.

**RESPONSE**

Energy+ chose a fixed rate rider for both the ICM component and the disposition of the gain on sale in an effort to provide a stable rate to customers during the IRM period. The amount billed to customers will be the same every month during the IRM period and will not be subject to fluctuation as a result of changes in consumption. As the rider is specific to a request to fund the construction of the shared facility, Energy+ believes that it would be easier for customers to understand and would also provide Energy+ with a stable revenue requirement to fund its investment.

Energy+ did not choose a fixed and variable rate rider for the reasons noted above, however, Energy+ acknowledges OEB Staff's comment that this approach would align with standard rate design once the new facility is included in rate base.

**E-Staff-60**

**Ref 1: Energy+, ICM Model, Tab 9b – Proposed ACM ICM Projects**

**Ref 2: Energy+, IRM Application, Page 34**

The ICM Model includes an amortization expense of \$107,216 and CCA of \$175,834 for the proposed ICM capital of \$4,395,862.

- a) Please confirm that the amortization expense and CCA do not include any amortization expense or CCA for land. If no, please remove the land portion of the amortization expense and CCA from the model.

**RESPONSE**

Energy+ confirms that the amortization expense and CCA do not include any amortization expense or CCA for land. Under IFRS 16, a lease results in a right-of-use asset to be recognized which is depreciated at the earlier of: i) the end of the useful life of the right-of-use asset; or ii) the end of the lease term. The right-of-use asset is an intangible asset and is not further broken down into components.

Energy+ has prepared revisions to the ICM model based on its understanding of the lease accounting and tax treatment. The updates include:

1. Revising the value of the Right-of-Use asset to \$4,305,943, which reflects the present value of the lease payments over 40 years at the implicit lease rate of 7.25%. This is a reduction of \$89,919 from the initial submission.
2. Revising the annual depreciation on the Right-of-Use asset to \$107,649 based on the updated asset value and the 40 year useful life. This is an increase of \$433 from the initial submission.
3. Revising the CCA value to reflect the annual lease payments. A right-of-use asset is not eligible for a CCA deduction. The tax deductions for a capital lease are based on the annual lease payments made and are unaffected by IFRS 16.

4. Including an add-back for the interest expense from the lease liability in the calculation of the PILS gross-up. Under IFRS 16, net income is reduced by both the amortization of the right-of-use asset and the interest expense from the lease liability that results from the implicit lease rate.

Energy+ has submitted an amended version of the following tabs from the ICM Model to address the changes described above.

- 9b. Proposed ACM ICM Projects
- 10. Incremental Capital Adj.
- 11. Rate Rider Calc

The model also includes a tab labeled ROU Asset Schedules, which provides a continuity for the Lease Liability, a continuity for the Right of Use Asset, and a comparison of the tax deductions on both an accounting and tax basis.

The file is in live Excel format and is name EnergyPlus\_ICM\_Model\_Amendment\_E-Staff-60.xlsx.

**E-Staff-60**

**Ref 1: Energy+, ICM Model, Tab 9b – Proposed ACM ICM Projects**

**Ref 2: Energy+, IRM Application, Page 34**

The ICM Model includes an amortization expense of \$107,216 and CCA of \$175,834 for the proposed ICM capital of \$4,395,862.

- b) Energy+ has not incorporated the accelerated CCA in its ICM calculations but proposes to capture the accelerated CCA impact in Account 1592. Please provide a calculation of the revenue requirement using the accelerated CCA. Please include a calculation showing the difference in CCA using the CCA rules before and after November 20, 2018.

**RESPONSE**

It is Energy+'s understanding that a Right-of-Use asset is not eligible for a CCA deduction and therefore accelerated CCA is not applicable. The tax deductions for a capital lease are based on the annual lease payments made and are unaffected by IFRS 16.

**E-Staff-61**

**Ref: Energy+, ICM Model, Tab 9b – Proposed ACM ICM Projects**

The ICM model lists a total ICM capital request of \$4,395,862 for the “Building – Shared Facilities with Brantford Power Inc.”

- a) Please explain whether the proposed ICM capital amount of \$4,395,862 includes capital for furniture and equipment. If yes, please provide the breakdown and the justification for spending.

**RESPONSE**

Energy+ is not able to provide a breakdown of the furniture and equipment that is included in the exclusive space and the proposed ICM capital amount.

With respect to the dedicated administrative area, BPI has advised that there is likely to be administrative office furniture available that can be utilized by Energy+. The value of the furniture is not expected to be material given the limited administrative space.

With respect to the dedicated operations area (locker rooms, workspace, etc.), the costs include the necessary furniture and equipment, however, a breakdown of the components is not currently available.

With respect to the vehicle garage, it is expected to be fully functional with any required equipment included in the overall estimate. A breakdown of the vehicle garage between its components is not currently available. BPI’s Project Manager has advised that the equipment for the garage is not a major contributor to the overall construction costs.

**E-Staff-61**

**Ref: Energy+, ICM Model, Tab 9b – Proposed ACM ICM Projects**

The ICM model lists a total ICM capital request of \$4,395,862 for the “Building – Shared Facilities with Brantford Power Inc.”

- b) Please explain what will happen to existing furniture and equipment currently in use by Energy+ at its Dundas St. facility. If Energy+ is able to reuse or sell any of its old furniture and equipment, please indicate whether this has been used to offset the costs discussed in part a).

**RESPONSE**

Since the acquisition of the former Brant County Power Inc. in the latter part of 2014, Energy+ has made limited investments in furniture at the Dundas St. location. In total, Energy+ invested approximately \$7,000 in furniture between 2015 and 2019. The limited investment in furniture has been purposeful and prudent while Energy+ researched an alternative for its operations centre to service the Brant service territory. As such, Energy+ does not anticipate being able to sell or repurpose any of its old furniture.

With respect to tools and other equipment, Energy+ will repurpose and relocate such, where possible.

Please reference the photographs contained in the Paris Operations Condition Study at Page 174. As you can see from the photos, based on the current conditions, Energy+ does not anticipate that a material number of tools and other equipment can be relocated to the shared facility.

Given the age and condition of the furniture and equipment, Energy+ does not expect to be able to offset any of the costs of the shared facility.



**E-Staff-62**

**Ref 1: Energy+, IRM Application, Page 56**

**Ref 2: EB-2019-0022, IRM Attachment A, Pages 22, 24**

OEB staff notes that Energy+ has provided in reference 1 a comparison of the capital lease costs of the options it has considered. However, the comparison does not take into account the added costs of the shared spaces Energy+ will have to lease from Brantford Power as part of the Shared Services Agreement. Brantford Power's 2020 IRM application provides the total costs allocated to Energy+ (dedicated space and shared space):

Energy+ Garden Ave. total allocated costs – \$9,543,404

Energy+ Savannah Oaks total allocated costs – \$8,987,792

OEB staff notes that the total cost of the Garden Ave. facility is 6.2% higher than the Savannah Oaks facility, which is within the +/- 30% Class D estimate range of the Savannah Oaks cost estimate.

- a) Given that the costs of the two options are similar (within the estimate range), please explain why a shared facility is preferable to a standalone dedicated Energy+ facility.

**RESPONSE**

The shared facility between Energy+ and Brantford Power is an innovative approach to reducing costs in the future by sharing costs for facilities and services. This approach aligns with encouraging partnerships between LDCs and finding efficiencies.

As explained in the Application, and as outlined in Energy+'s Facilities Business Plan, the opportunity to share a facility with Brantford Power is preferable to a stand-alone dedicated facility for a number of reasons:

- Provides an opportunity to share costs of the construction, as opposed to each utility taking on its own project independently;
- The opportunity for shared services, including inventory, warehousing, fueling stations, purchasing and stores, vehicle maintenance, etc.; and

- Emergency preparedness considerations, as more fully described in Response to Interrogatory E-Staff-49.

In addition:

- The location selected is central to Energy+'s Brant County service territory with good access to major arterial roads;
- Customer growth is expected in the City of Brantford in future years. As a result of the annexation of the municipal boundaries between the County of Brant and the City of Brantford, Energy+ will service the majority of the expected growth. Both Energy+ and Brantford Power will be operating within the City of Brantford. Combining operations facilities with BPI demonstrates collaboration between the two utilities and should result in reducing customer confusion with respect to two utilities operating within the City of Brantford.
- This innovative approach provides the parties with flexibility for further shared services or initiatives in the future.

Energy+ believes that for all of the above reasons, a shared facility is preferable and provides significant benefits to customers.

**E-Staff-62**

**Ref 1: Energy+, IRM Application, Page 56**

**Ref 2: EB-2019-0022, IRM Attachment A, Pages 22, 24**

- b) In light of the above, please explain why a shared facility is preferable to a non-shared dedicated Energy+ facility.

**RESPONSE**

The shared facility with Brantford Power, and specifically, the Savannah Oaks location, is the preferred option for Energy+ based on a lower total cost of the project, as well as for all of the additional benefits as noted in part a).

Energy+ submits that the focus by OEB Staff on the issue of control by BPI over the construction project ignores the many identified benefits of the shared facility with Brantford Power.

While Energy+ notes that the MOU with Brantford Power includes a statement that “BPI will retain complete control of all decisions related to the project” and “Energy+ will have limited ability to make changes to the design during the Design Phase...” OEB Staff’s emphasis on BPI’s control is overstated in the context of how both utilities are working together collaboratively on this project. Energy+ has been actively engaged with BPI and its design consultants on the dedicated Energy+ space, including the design of the vehicle garage and the operations space (locker rooms, etc.). Energy+ has also been actively engaged with BPI with respect to the shared space requirements. There are regular meetings between BPI and Energy+ with respect to project status, progress reporting, etc.

Please refer to Response to E-Staff-54 whereby Energy+ provides further context with respect to the Garden Ave. costs.

Energy+ would also note that the cost certainty of the Savannah Oaks option is relatively less risky than a new build (e.g. Garden Ave.), as the cost of land and building are known for Savannah Oaks, with only the new construction and refurbishment costs uncertain. By comparison, only the land purchase component of the Garden Ave. project was certain, with the construction uncertainty related to the greenfield contributing more risk.



**E-Staff-63**

**Ref: Energy+, IRM Application, Pages 26-28**

Energy+ has requested a deferral and variance account for its Notification charge of \$15, when a notice of disconnection is required and delivered to the customer.

Energy+ indicates that it will have \$278,000 in annual lost revenue as a result of the OEB's elimination of the Collection of Account Charges. Energy+ expects to have a cumulative lost revenue of \$973,000 over the next four years.

OEB staff notes that Energy+ has based the \$973,000 off of 3 and a half years ( $\$278,000 * 3.5 = \$973,000$ )

- a) The *Notice of Amendments to Codes and a Rule*<sup>8</sup>, dated March 14, 2019 indicated that the request for a deferral and variance account would need to meet the eligibility requirements set out in the OEBs *Filing Requirements for Electricity Distribution Rate Applications*.
  - i. Please provide a discussion on the causation and prudence eligibility criteria for the requested account.
  - ii. Please provide a draft accounting order, which should include a description of how lost revenues will be calculated, the time frame of the account etc.

**RESPONSE**

- i. Energy+ has addressed the causation and prudence eligibility criteria in response to part
- ii. as part of the draft accounting order.

Through the interrogatory response, Energy+ has clarified that it expects its next rebasing to occur in 2024, not 2023, which would add an additional year of lost revenue. The expected lost revenue is \$1,251,000 ( $4.5 \times \$278,000$ ).

<sup>8</sup> EB-2017-0183

- ii. The following is a Draft Accounting Order – Notification Charges.

**Accounting Order Requested – 1508 Other Regulatory Asset – Sub-account Notification Charges**

Energy+ requests a new variance account 1508 Other Regulatory Asset – Sub-account Notification Charges, in relation to the loss of other revenue related to the Board's generic rate order eliminating "Collection of Account" charges for electricity distributors effective July 1, 2019, and based on the Board's Staff Bulletin dated August 8, 2019, which stated OEB staff's view that using the Notification Charge, or any other approved specific service charge for the purpose of charging for activities related to collection of accounts would be inconsistent with the OEB's decision to eliminate Collection of Account Charges.

As part of Energy+'s 2019 Cost of Service Application for rates effective January 1, 2019, Energy+ applied for and received approval to charge a "Notification Charge" of \$15.00. The revenue from this charge was incorporated into the other revenue offset agreed to as part of the Settlement Agreement filed in December 2018 and included in Energy+'s Schedule of Rates and Tariffs, approved effective August 1, 2019.

The Board's Filing Requirements indicate that in the event an applicant seeks an accounting order to establish a new deferral/variance account, the eligibility criteria must be met, including causation, materiality and prudence.

Causation: The amount determined to be included in this new deferral account is outside of the base upon which rates were derived. In the 2019 Cost of Service Application (EB-2018-0028), Energy+ reached a Settlement Agreement on revenue requirement in early December 2018, which included the revenue offsets from specific service charges, including the Notification Charge. Energy+ received its Decision and Order in June 2019, which included the approval of the Settlement Agreement. The Settlement Agreement was reached prior to the Board's proposed amendments issued on December 18, 2018 and the subsequent amendment to the Distribution Licenses on March 14, 2019.

Materiality: The annual lost revenue amount of \$278,000, which results in a cumulative loss of \$1,251,000, exceeds the materiality threshold of \$175,000 established in the 2019 Cost of Service Application.

Prudence: Energy+ provides notifications to customers to ensure they are aware of the status of their unpaid account in advance of a potential disconnection. In Energy+'s experience, providing these notifications has proven to be the best method for contacting customers to ensure they avoid interruption to their service and maintain customer satisfaction.

Energy+ requests that the Board approve an Accounting Order as part of this Application. Energy+ requests that the approved account includes the estimated lost revenue from notification charges after July 1, 2019, and carrying charges applied to the account in the normal manner as other variance accounts, and that the account is reduced by amounts recovered from customers following the approval of the rate rider for disposition.

The estimated lost revenue from notification charges will be recorded in the deferral account as notices are issued. The number of notices will be queried from the billing system on a monthly basis and the \$15 per notice rate will be applied. The entry will be recorded in a simplified manner as follows:

Accounting Entry:

Debit            Account 1508 Other Regulatory Assets-Sub-account Notification Charges

Credit           Account 4235 Miscellaneous Service Revenue

Energy+ is proposing to recover the lost revenue from notification charges from customers in the form of a rate rider as part of its next Cost of Service Filing (i.e. 2024). The collection of the rate riders will be recorded in the variance account to reduce the balance in account 1508 - Other Regulatory Assets-Sub-account Notification Charges. Carrying charges, at the Board's Prescribed Interest Rate for Deferral and Variance Accounts, will be applied until final disposition. Any balance remaining in the account will be disposed of in a future Cost of Service Filing.

**E-Staff-63**

**Ref: Energy+, IRM Application, Pages 26-28**

- b) Revenue offset of \$278,000 was included in Energy+'s approved 2019 revenue requirement under Document charges.
- i. Please clarify whether or not Energy+ charged the Notification charge during the winter disconnection bans.
  - ii. Please clarify if the \$278,000 forecasted was reduced in consideration of the winter disconnection bans.
  - iii. Please provide a breakdown of the revenues received and the lost revenues, if any, from the notification charge from 2015 to 2019 (i.e. as determined by the number of notices issued).
  - iv. Please provide a forecast of actual lost revenues (i.e. based on the number of notices issued) from 2019 to 2022.

**RESPONSE**

- i. Energy+ did not charge the Notification Charge during the Winter Disconnection Ban.
- ii. Yes. The 2018 and 2019 budget for Energy+ included a reduction of approximately \$38,500 compared to the 2017 budget in consideration of the Winter Disconnection Ban.
- iii. The following table summarizes the number of notices and the revenue from the notification charges from 2015 to 2019 up to June 30, 2019.

The 2015 figures do not include the Brant County Service Territory.

Based on the 2019 trends, Energy+ would have expected to earn revenue from notification charges consistent with the 2019 budget of \$278,000 if permitted to continue to apply the charges after July 1, 2019.



<b>Year</b>	<b>Number of Notices</b>	<b>Revenue</b>
2015 (Former CND only)	17,161	\$ 257,415
2016	27,405	\$ 411,075
2017	25,274	\$ 379,110
2018	17,756	\$ 266,340
YTD 2019 (to June 30, 2019)	8,766	\$ 131,490

- iv. Energy+'s forecast for number of notices for the period 2020-2022 would be based on the total lost revenue of \$278,010 divided by \$15 or 18,534 notices. The forecast number of notices for 2019 is 18,534, with an estimate of 9,768 for the period July 1, 2019 to December 31, 2019 (18,534 less 8,766 issued YTD June 30, 2019). The following table summarizes the forecasted lost revenue and number of notices by year.

<b>Year</b>	<b>Forecast Notices</b>	<b>Lost Revenue</b>
2019	9,768	\$ 146,520
2020	18,534	\$ 278,010
2021	18,534	\$ 278,010
2022	18,534	\$ 278,010
2023	18,534	\$ 278,010
Total	83,904	1,258,560

**E-Staff-63**

**Ref: Energy+, IRM Application, Pages 26-28**

- c) Please explain how Energy+ proposes to calculate the lost revenue.
- i. If based on revenue offset, please confirm that Energy+ is proposing to record a half year of lost revenue for 2019 of \$139,000 and \$278,000 annually in subsequent years.
  - ii. Please discuss whether it would be more accurate to record \$278,000 in lost revenues for 2019 minus any revenues collected to date identified, as opposed to recording half a year of lost revenue.
  - iii. Please discuss whether Energy+ considered basing lost revenue on the number of disconnection notices, capped at its revenue offset.

**RESPONSE**

- i. No. As drafted in the Accounting Order, Energy+ proposes to calculate lost revenue by applying the \$15 charge amount to the number of notices issued. This approach reflects the true lost revenue from the elimination of the charge.
- ii. Energy+ has not proposed using the revenue offset as the basis for the lost revenue calculation. As explained previously, Energy+ is proposing to base the lost revenue on the actual number of notices issued. Energy+ believes that this is a more accurate approach in determining the actual amount of lost revenue experienced by Energy+.

Energy+ did not consider basing the lost revenue number on the number of disconnection notices, capped at the revenue offset amount. Energy+ has experienced year over year fluctuations in the number of notifications issued. Energy+ incurs operating costs for the issuing of these notices, which are incurred based on the actual number of notices issued. In Energy+'s view, capping the lost revenue in years that are above the revenue offset amount, does not afford Energy+ an opportunity to recover the costs incurred on the issuance of notices above and beyond what was estimated.

**E-Staff-63**

**Ref: Energy+, IRM Application, Pages 26-28**

- d) Please clarify the circumstances in which Energy+ will continue to issue disconnection notices.

**RESPONSE**

Energy+ continues to issue notices to customers when an account is unpaid and progresses into Energy+'s collection process. Energy+ provides hand delivered notices to customers 10 days after the payment due date to ensure payments are received and escalation to disconnection is avoided.

**E-Staff-63**

**Ref: Energy+, IRM Application, Pages 26-28**

e) What is the unit cost of delivering a notice of disconnection?

**RESPONSE**

The following table summarizes the unit cost of delivering a notice to customers.

<b>Cost Driver</b>	<b>Cost per Notice</b>
Stationery	\$ 0.08
Printing	\$ 0.12
Labour and Delivery Charges	\$ 4.26
<b>Total</b>	<b>\$ 4.46</b>

**E-Staff-63**

**Ref: Energy+, IRM Application, Pages 26-28**

- f) Please explain if Energy+ has any cost savings as a result of the amended customer service rules.

**RESPONSE**

Energy+ has not experienced any cost savings as a result of the amended customer service rules related to Notices to Customers.

**E-Staff-63**

**Ref: Energy+, IRM Application, Pages 26-28**

- g) Please calculate the impact of the 2019 forecasted actual lost revenues (i.e. based on number of notices issued) on Energy+'s approved 2019 ROE (i.e. recalculating the ROE to be reduced by lost revenues)

**RESPONSE**

Energy+'s approved 2019 ROE was \$6,243,805, or 8.98%. With forecast lost revenues of \$146,520, Energy+'s ROE in 2019 would be \$6,097,285, or 8.77%.

Based upon a full year's lost revenue of \$278,010 (post 2019), Energy+'s ROE would be \$5,965,795 or 8.58% compared to the approved regulated ROE of 8.98%.

**E-Staff-63**

- h) Please confirm that the requested account will be discontinued at Energy+'s next cost of service application

**RESPONSE**

Energy+ confirms that the requested account will be discontinued at Energy+'s next cost of service application.

**E-Staff-64**

**Ref 1: Energy+, IRM Application, Page 25**

**Ref 2: Energy+, LRAMVA workforms (CND and Brant County RZs), Tab 5**

**Ref 3: Energy+, Supplementary Data and Value Added Services Reports (excel)**

**Ref 4: Energy+, 2019 Participation and Cost Report (excel)**

Energy+ notes that it supplemented the preliminary IESO reports with project level details that were submitted monthly to the IESO.

- a) Please clarify what is meant by 'preliminary' IESO reports (e.g. the 2019 Participation and Cost Report) and whether the 'project level' details submitted on a monthly basis to the IESO refer to the 'CDM-IS' or supplementary reports. Please also provide more detail on which CDM programs relied on supplementary reports and explain why.

For the LRAMVA tables in the CND RZ (Table 5-b: 2016 LRAM and Table 5-c: 2017 LRAM) and Brant County RZ (Table 5-c: 2017 LRAM) in Tab 5 of the LRAMVA workform, the following programs were not included in the 2019 Participation and Cost Report filed on record:

**2016** (applicable only to CND RZ)

- Small & Medium Business Energy Management System LDC Innovation Fund Pilot Program
- Home Depot Home Appliance Market Uplift

**2017** (applicable to CND and Brant County RZs)

- Small & Medium Business Energy Management System LDC Innovation
- Save on Energy Energy Performance Program for Multi-Site Customers
- Whole Home Pilot Program
- Save on Energy Smart Thermostat Program



- Save on Energy Instant Discount Program

## **RESPONSE**

The “preliminary reports” refer to the April 2019 Participation and Cost Report and the April 2019 Valued Added Services Reports that were submitted with the 2020 IRM Application. Energy+ referred to the reports as preliminary since they do not contain verified savings results.

The “project level” details submitted on a monthly basis to the IESO refers to the CDM-IS reporting for retrofit programs. These details were required to populate the table provided in Tab 3-a Rate Class Allocation that was used to split the savings by service territory and rate class. The details were also required to provide the kW demand savings, which were not published in the IESO’s 2019 Participation and Cost report.

The programs listed above in Table 5-b and Table 5-c were populated as part of the LRAMVA claim for the 2019 Cost of Service Application using the 2016 and 2017 Final Verified Results from the IESO. Energy+ has attached the 2016 and 2017 reports in Excel format under the file names:

EnergyPlus\_2016\_Final\_Verified\_Annual\_CDM\_Results.xlsx

EnergyPlus\_2017\_Final\_Verified\_Annual\_CDM\_Results.xlsx

**E-Staff-64**

- b) Please clarify whether the IESO has indicated that it does not recognize the persistence of these program savings into 2018.

**RESPONSE**

The 2018 persistence values for these programs were provided by the IESO in the 2016 and 2017 Final Verified Results report.

**E-Staff-64**

- c) Please explain why the 2018 savings persistence should be included for lost revenue recovery.

**RESPONSE**

The 2018 savings persistence from the above noted programs should be included for lost revenue recovery as they were IESO funded programs that resulted in persisting savings to consumption and demand for Energy+ customers. The savings results were verified and reported by the IESO in the Final Verified Results reports in 2016 and 2017. The inclusion of these programs for recovery in 2018 is consistent with the approval of Energy+'s LRAMVA claim as part of its 2019 Cost of Service Application.

**E-Staff-64**

- d) Please confirm whether there are any other CDM programs whose energy and demand savings are not shown on the 2019 Participation and Cost Report, but are included for lost revenue recovery. If yes, please reconcile these savings to the CDM-IS report(s) or supplementary excel reports and explain the appropriateness of claiming the savings in the LRAMVA workform.

**RESPONSE**

The only savings included in the 2018 LRAMVA claim that were not provided in the 2019 Participation and Cost Report or 2019 Value Added Services report were the amounts for the Streetlighting project and the PSUI CHP generation project. The supporting information for these two projects has been provided within the 2020 IRM Application and attachments in response to interrogatory E-Staff-66b.

**E-Staff-65**

**Ref: Energy+, LRAMVA workform, Tab 2 (LRAMVA threshold)**

In Table 2-a, the descriptions of the LRAMVA threshold, including the year(s) of forecast savings and the reference source of the threshold, relate to the Brant County RZ and not the CND RZ.

- a) Please revise the responses on the LRAMVA threshold in Table 2-a to reflect the correct references for the CND rate zone.

**RESPONSE**

Energy+ has revised the description of the LRAMVA threshold to reflect the CND 2014 Cost of Service Application (EB-2013-0116).

**E-Staff-66**

**Ref 1: Energy+, LRAMVA workform, Tab 9 (PSUI Project)**

**Ref 2: Energy+, IRM Application, Page 25**

For the CND RZ, Energy+ states that the 2018 persistence from the 2015 PSUI project was calculated using actual 2018 meter data from the customer's CHP generator and Energy+'s feed, which is consistent with the methodology approved in the 2019 COS application.

- a) Please confirm whether any Measurement and Verification (M&V) on the CHP project was done by a third party consultant. If yes, please file the M&V reports to show that the 2018 demand savings claimed in the LRAMVA workform are appropriate.

**RESPONSE**

A Measurement and Verification (M&V) report for the CHP project was prepared by CLEARResult for the period of December 31, 2017 to December 30, 2018. The report provides calculated Summer Peak Demand Savings of [REDACTED] kW and Average Demand Savings of [REDACTED] kW, which are both higher than the LRAMVA claim of [REDACTED] kW. The M&V report does not take coincidence with the Energy+ supply into consideration in the calculations, which is the true impact to lost revenues.

The M&V report has been attached as Confidential Appendix E-Staff-66.

**E-Staff-66**

**Ref 1: Energy+, LRAMVA workform, Tab 9 (PSUI Project)**

**Ref 2: Energy+, IRM Application, Page 25**

- b) Please provide the detailed monthly data of the load (with the CHP running) and the total energy including generation (without the CHP running) for 2018 in live Excel format. Please show that the difference between actual billed demand and the baseline reconcile back to the 2018 savings included in Tab 9 of the LRAMVA workform.

**RESPONSE**

Energy+ has attached the monthly data of the load and total energy generation in live Excel format under the file name:

EnergyPlus\_CHP\_Project\_Monthly\_Meter\_Data\_CONFIDENTIAL.xlsx.

The difference between actual billed demand and the baseline are calculated on the Summary tab.

**E-Staff-66**

**Ref 1: Energy+, LRAMVA workform, Tab 9 (PSUI Project)**

**Ref 2: Energy+, IRM Application, Page 25**

- c) Please explain the appropriateness of applying 1.0013 net-to-gross ratio to the CHP project to convert gross savings to net savings in 2018.

**RESPONSE**

Per the Filing Requirements, Energy+ utilized the results from the IESO's 2017 program evaluation for the net-to-gross ratio applied to the CHP project. The value is aligned with the NTG value approved in the 2019 Cost of Service Application.

The 2017 verified results report which has been attached under the file name EnergyPlus\_2017\_Final\_Verified\_Annual\_CDM\_Results.xlsx. The NTG value is from cell EO117 of the "LDC Progress" tab.



**E-Staff-67**

**Ref: Energy+, LRAMVA workform**

- a) If Energy+ made any changes to the CND RZ - LRAMVA work form as a result of its responses to the above LRAMVA interrogatories, please file an updated LRAMVA work form, the revised LRAMVA balance requested for disposition, and a table summarizing the revised rate riders.

**RESPONSE**

Energy+ has provided a revised LRAMVA work form for the CND rate zone to reflect the description updates identified in response to E-Staff-65. The revision did not affect the balance requested for disposition.

**E-Staff-67**

**Ref: Energy+, LRAMVA workform**

- b) Please confirm any changes to the LRAMVA workform in response to these LRAMVA interrogatories in “Table A-2. Updates to LRAMVA Disposition (Tab 2)”.

**RESPONSE**

Energy+ has updated Table A-2 in the CND rate zone LRAMVA work form to document the changes made.

**E-TMMC-1**

**Ref: 4.3.1 Annual Adjustment Mechanism Table 2, p.11**

**Ref: EB-2018-0028 Decision and Order dated June 18, 2019, pp. 29-30**

Preamble: In EB-2018-0028 Decision and Order dated June 18, 2019 states the following regarding Large Use class fixed:

“Energy+ proposed to increase the fixed charge for the Large Use class to \$9,210.42 from \$8,976.07. The current fixed charge is already above the ceiling value established by the minimum system with peak load carrying capacity adjustment in the cost allocation model.”

Further to this, the findings were as follows:

“The OEB finds that the fixed charge for the Large Use class shall remain at \$8,976.07.”

**E-TMMC-1**

- a) Please confirm if the proposed Jan 1, 2020 fixed service charge for the Large Use class of \$9,070.32 exceeds the ceiling value.

**RESPONSE**

It is Energy+'s understanding that there is no method to define the ceiling for the fixed rate service charges within an IRM Application. The ceiling was derived from the Cost Allocation model prepared as part of the 2019 Cost of Service Application.

The proposed January 1, 2020 fixed service charge for the Large Use class exceeds the ceiling value that was determined in the 2019 Cost of Service Application.

In accordance with the OEB's Chapter 3 Filing Requirements for Incentive Rate-Setting Applications<sup>9</sup>, the annual adjustment mechanism will apply to distribution rates (fixed and variable charges) uniformly across customer rate classes.<sup>10</sup> An IRM Application is a mechanistic process,

<sup>9</sup> 2018 Edition for 2019 Rate Applications, July 12, 2018 and Addendum to Filing Requirements for Electricity Distribution Rate Applications – 2020 Rate Applications.

<sup>10</sup> Ibid, Section 3.2.1.1, Page 7

where the proposed distribution rates are calculated by taking the current rates and applying the IRM inflation factor.

**E-TMMC-1**

- b) If the fixed service charge for the Large Use class exceeds the ceiling value, please confirm that per EB-2018-0028 Decision and Order that it should remain at \$8,976.07.

**RESPONSE**

As explained in response to part a), the 2020 fixed service charge for the Large Use class has been increased by the amount of the IRM annual adjustment factor in accordance with the Board's approved formula for IRM Applications.

**SEC-Energy-14**

[p.41] Please provide a copy of all material provided to Energy+ Board of Directors regarding the proposed project.

**RESPONSE**

The following are copies of all material provided to Energy+'s Board of Directors regarding the proposed project:

1. Excerpts from President and CEO Report, March 30, 2017
2. Excerpts from President and CEO Report, June 15, 2017
3. Excerpts from President and CEO Report, September 21, 2017
4. Excerpts from Approval to Enter Into Real Estate Transactions, November 17, 2017
5. Excerpts from Facilities Update and Amended Budget Approval, December 13, 2018
6. Excerpts from Facilities Update and Approvals, April 4, 2019

**SEC-Energy-15**

[p.41] Please provide a copy of any internal business case related to the proposed project.

**RESPONSE**

Energy+ Inc. filed its Facilities Business Plan as part of its 2019 Cost of Service Application<sup>11</sup>, which was the internal business case prepared to support Energy+'s long-term facilities plan, including the shared facilities with BPI. Updates to the shared facilities portion were also included as part of the 2020 IRM Application at Section 4.4.2 Incremental Capital Module and Section 4.4.2.2 Project Overview-Shared Facility with Brantford Power Inc.

<sup>11</sup> EB-2018-0028, Exhibit 2, Appendix 2-1: Distribution System Plan, Appendix 2N Facilities Business Plan, and as updated as part of Update to Evidence filed December 13, 2018.

**SEC-Energy-16**

[p.41,44] With respect to the relationship between Energy+ and BPI:

- a. Please provide a copy of the lease agreement between Energy+ and BPI.

**RESPONSE**

Energy+ and BPI have not completed a lease agreement at this time. Work on the detailed designs and costing of the various construction components are still underway. As such, final lease rates have not yet been determined.

Energy+ and BPI continue to be guided by the governing principles and terms as outlined in the comprehensive Memorandum of Understanding.



**SEC-Energy-16**

[p.41,44] With respect to the relationship between Energy+ and BPI:

- b. Please provide a copy of the shared service agreement between Energy + and BPI.

**RESPONSE**

Energy+ and BPI have not entered into a shared service agreement at this time.

Work on the detailed designs and costing of the various construction components, including the shared space (e.g. inventory storage, mechanics bay, etc.) are still underway. As such, final shared services rates have not yet been determined.

Energy+ and BPI continue to be guided by the governing principles and terms as outlined in the comprehensive Memorandum of Understanding.

**SEC-Energy-16**

[p.41,44] With respect to the relationship between Energy+ and BPI:

- c. Please provide a copy of any other legal agreements, letter of intent, memorandum of understanding or similar documents between Energy+ and BPI, relevant to the proposed facility that are not included in the application.

**RESPONSE**

The following documents are attached to this response:

- Original Memorandum of Understanding (November 2017) with respect to the Garden Ave. facility.
- Amendment No. 1 to Letter of Agreement (August 2018) with respect to the Garden Ave. facility.
- Letter from BPI dated September 26, 2018 with respect to complications with respect to the tendering process for Garden Ave.

**SEC-Energy-17**

[p.41] What is the most recent forecast date of Energy+'s move into the proposed facility

**RESPONSE**

The forecast date of Energy+'s move into the proposed facility is currently October 2020.

**SEC-Energy-18**

The BPI pre-filed evidence includes details regarding its search and consideration of the proposed site and design of the proposed facility. Please explain Energy+'s involvement in the process.

**RESPONSE**

As outlined in Section 4.4.2.2.5, Energy+ was approached by BPI in early 2017 to explore interest in a new shared facility. After an extensive search process, BPI located and purchased a greenfield property located at Garden Ave. in Brantford with the intent of building a new facility.

Energy+ worked collaboratively with BPI and its design consultant between June 2017 and September 2017 to develop architectural drawings for the new building. Energy+ was actively engaged with the Design Consultant in the preparation of the needs analysis for Energy+'s dedicated space, as well as the Shared Warehouse. Please refer to E-Staff-51 for the design drawings for the Energy+ exclusive space for the Garden Ave. facility.

Throughout 2017, Energy+ and BPI worked to prepare a Memorandum of Understanding with respect to the shared facilities and developed guiding principles and key terms for a shared facility. The Memorandum of Understanding was executed in November 2017.

BPI provided Energy+ with estimated costs for the shared facility based on a Class D estimate, which Energy+ incorporated into its Facilities Business Plan. Energy+ reviewed the detailed costs estimates with BPI and the Design Consultant with respect to the dedicated and shared spaces and provided input into areas that could potentially be revised to reduce overall costs (e.g. 1 mechanics bay vs. 2 mechanics bays; size of warehouse was reviewed in the context of whether inventory levels could be rationalized between the two utilities, etc.).

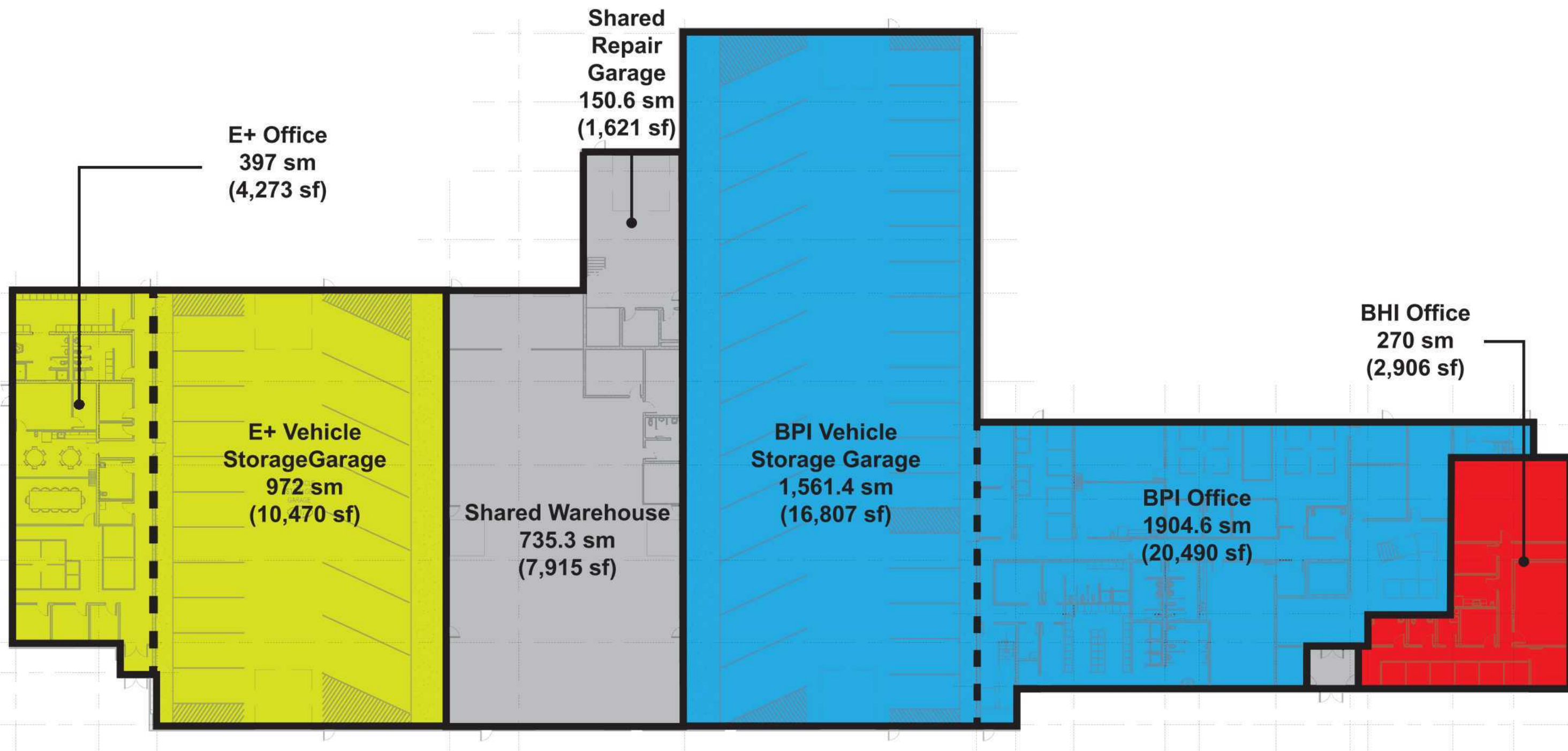
Throughout the process, including the RFP process, BPI remained in regular contact with Energy+ and provided updates at various stages. BPI discussed with Energy+ the proposed cap on the RFP that was being issued for the Garden Ave. construction. In the latter part of September 2018, BPI advised Energy+ of the complications with respect to the construction tendering process.

BPI and Energy+ continued to discuss the shared facilities opportunity as BPI investigated and performed additional due diligence on the Savannah Oaks option.

In early 2019, as part of its own due diligence, Energy+ undertook a review of the Savannah Oaks property to ensure that the location was suitable for servicing the existing and expanding Brant service territory. In addition, Energy+ worked with BPI, and its project manager, with respect to the transfer of the detailed requirements and designs for the Energy+ exclusive space as well as the plans for the shared facilities (warehouse, mechanics bay, etc.) at the Savannah Oaks location.

In May 2019, following the acquisition by BPI of the Savannah Oaks property, Energy+ and BPI negotiated an "Amended and Restated Letter of Agreement" ("MOU") for the Savannah Oaks shared facility.

## **Appendix – E-Staff-51**





- Offices and Workspace
- Meeting Rooms and Lunchrooms
- Service and Processing Space
- Washrooms



SCALE: NTS



## **Appendix – SEC-Energy-14**



## APPROVAL TO ENTER INTO REAL ESTATE TRANSACTIONS – ADMINISTRATIVE OFFICE (CAMBRIDGE) AND OPERATIONS FACILITY (BRANTFORD)

CONFIDENTIAL REPORT TO BOARD OF DIRECTORS

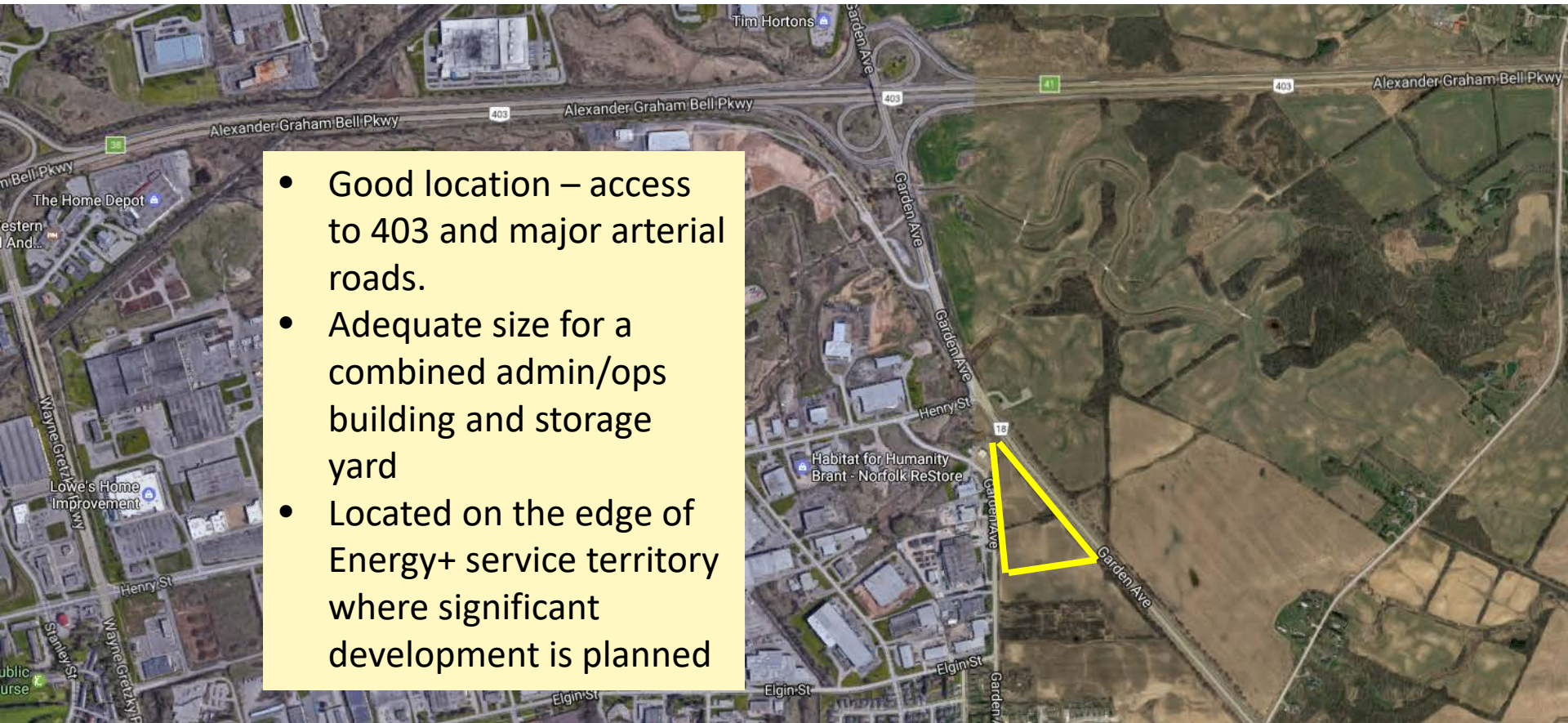


BRANT COUNTY OPERATIONS FACILITY - OPPORTUNITY TO  
SHARE SPACE IN A NEW FACILITY WITH BRANTFORD POWER

# BRANTFORD POWER SITE – GARDEN AVE & 403

Energy+ Inc.  
Interrogatory Responses  
EB-2019-0031

- Good location – access to 403 and major arterial roads.
- Adequate size for a combined admin/ops building and storage yard
- Located on the edge of Energy+ service territory where significant development is planned



- A Letter of Agreement between Energy+ and BP to commit to the joint facility has been negotiated and is ready for execution.
- Key elements of the agreement are as follows:
  - BP will proceed to design and build a 57,000 s.f. facility with input from Energy+
  - Energy+ will commit to lease approximately 13,255 s.f. of administrative and garage space for its exclusive use for 20 years
  - Energy+ and BP will share approximate 8,000 s.f. of indoor storage space for inventory
  - Energy+ and BP will share approximately 225,000 s.f. of outdoor storage space
  - Energy+ and BP will enter into a shared services agreement for the following functions
    - Purchasing / logistics / inventory management
    - Mechanic
    - Fuel tanks

- Key elements of the agreement continued:
  - Lease rate to be calculated using OEB formulas to provide BP a regulated rate of return on its capital investment in the facility (applied to the Energy+ portion).
  - Energy+ has the right to terminate the agreement before the building is completed should there arise significant delays or costs higher than anticipated. However – is obligated to make BP whole for engineering, design, and other pre-construction costs incurred by BP that would have to be modified if Energy+ pulls out. This is estimated to grow from \$70,000 in November to \$635,000 by April of 2018 when construction begins.
  - Energy+ will make a \$100,000 deposit to BP upon signing the Letter of Agreement.

## FINANCIAL ASSUMPTIONS

- BP has utilized a competitive RFP process to select project management and engineering design consultants for the project.
- BP will continue to utilize an RFP process for the construction phase of the facility.
- At this stage, the lease rates and the resulting impact to Energy+ are based on high level cost per square foot estimates from the design consultant as follows:
  - Indoor garage space \$17.69
  - Administrative office space \$25.24
  - Shared indoor inventory space \$20.00

# FINANCIAL AND RATE IMPACT PARAMETERS

➤ Estimated rate impact of \$0.44 per customer per month based on revenue requirement

<b>Rate Base:</b>	
Incremental OM&A	\$ 83,795
Working Capital	7.50%
W/C Allowance	\$ 6,284.63
Net Capital Expenditures	\$ 3,913,217
W/C Allowance	\$ 6,285
<b>Rate Base</b>	<b>\$ 3,919,501</b>
<b>Deemed Capital Structure</b>	
Debt @ 80%	\$ 3,135,601
Equity @ 20%	\$ 783,900
	<b>\$ 3,919,501</b>

<b>Revenue Requirement:</b>	
Allowable ROE	\$ 68,826
PILs	\$ 9,559
Pre-tax Income	\$ 78,386
<i>Allowable Expenses</i>	
Interest (Deemed)	\$ 132,322
OM&A	\$ 83,795
Depreciation	\$ 43,581
Total Allowable Expenses	\$ 259,698
Total Distribution Revenue Requirement	\$ 338,084

• Operating expenditures include:

**E+ Shared Facilities**

	<b>Annual</b>
Shared Space Operating Lease Costs	\$ 156,000
Shared Mechanic	\$ 40,000
Operating costs for Exclusive Space	\$ 24,795
	<u>\$ 220,795</u>
Less: Existing Paris Office Costs	(137,000)
Incremental Operating Costs	<u>\$ 83,795</u>

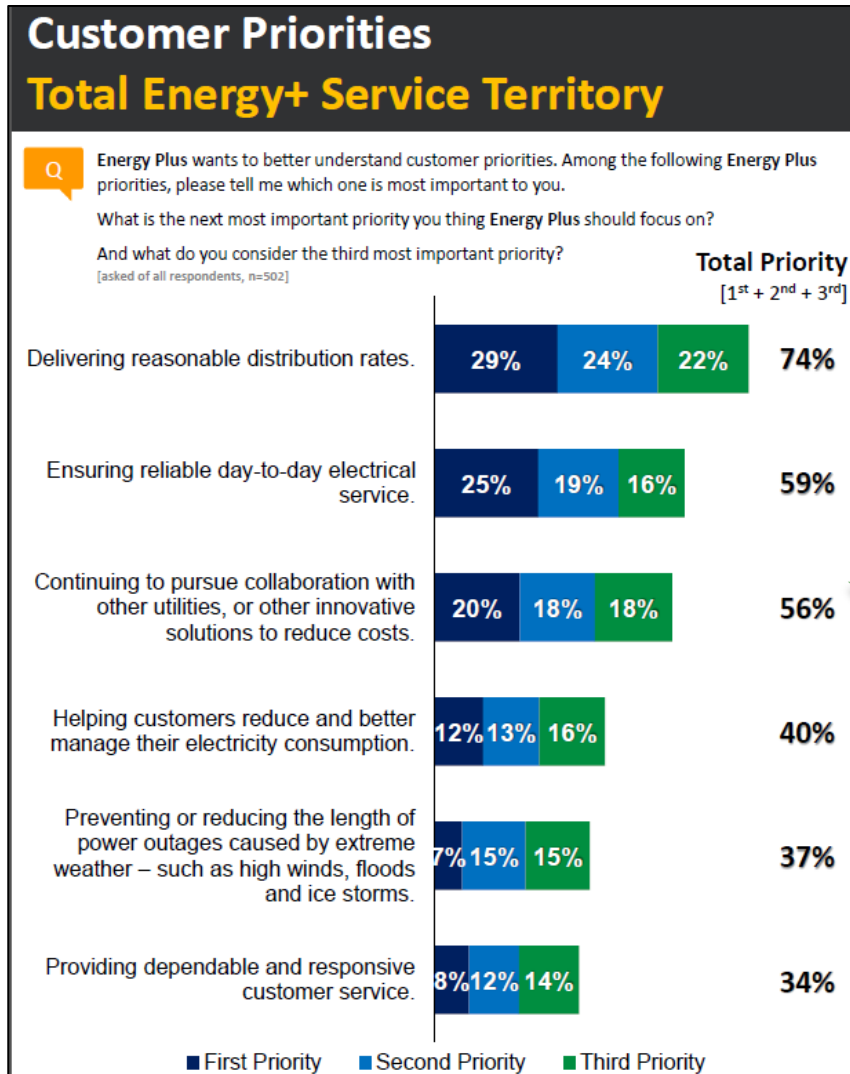
• Capital expenditures and Depreciation:

	<b>Estimated Net</b>		<b>Useful Life</b>	<b>Annual Dep'n</b>
Land	\$ -			
Building - Exclusive Space	\$ 4,300,000	60		\$ 71,667
	\$ 4,300,000			\$ 71,667
Less: Regulatory NBV of Existing Land/Building	(386,783)			(28,086)
	<u>\$ 3,913,217</u>			<u>\$ 43,581</u>

Number of Customers	64,123
Annual Revenue Per Customer	\$ 5.27
Monthly Revenue Required per Customer	\$ 0.44







- Continuing to pursue collaboration with other utilities or other innovative solutions to reduce costs was ranked 3<sup>rd</sup>.
- Important to demonstrate that the costs are lower than otherwise would have been experienced by each utility in the absence of collaboration.



Thank you!

Questions and Answers





## PRESIDENT & CEO REPORT – JUNE 15, 2017

CONFIDENTIAL REPORT TO BOARD OF DIRECTORS

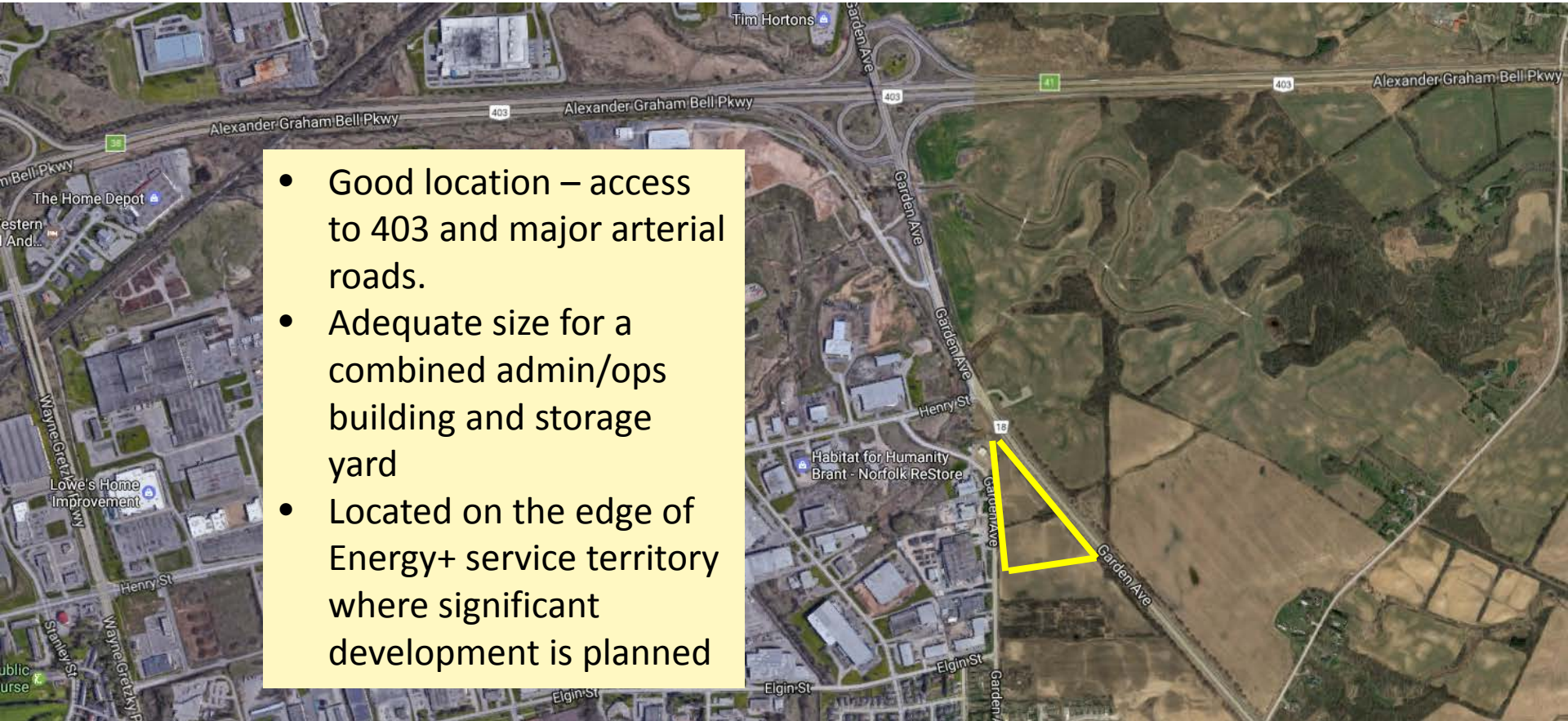


BRANT COUNTY OPERATIONS FACILITY - OPPORTUNITY TO  
SHARE SPACE IN A NEW FACILITY WITH BRANTFORD POWER

# BRANTFORD POWER SITE – GARDEN AVE & 403

Energy+ Inc.  
Interrogatory Responses  
EB-2019-0031

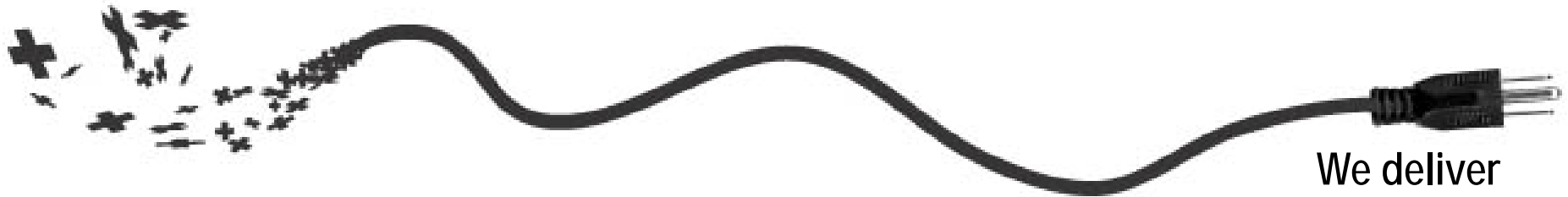
- Good location – access to 403 and major arterial roads.
- Adequate size for a combined admin/ops building and storage yard
- Located on the edge of Energy+ service territory where significant development is planned



- Enter into letter of intent to buy or lease a portion of BP's to-be-constructed facility – **Completed**
  - BP has received Board and Shareholder approval to proceed with the construction of the facility
  - Through an RFP process, BP have selected Colliers Project Leaders to manage the design and build aspects of the facility
- Negotiate sale/leaseback of current Paris operations property – **Completed with conditions**
  - Close date late 2017 or early 2018
  - Lease rate based on carrying costs – estimated to be ~ \$45,000 / year)
  - 2 year lease with an extension option for 3 more years
  - Conditional on a BP sale or lease agreement for new facility

Thank you!

Questions and Answers



We deliver



## PRESIDENT & CEO REPORT – MARCH 30, 2017

CONFIDENTIAL REPORT TO BOARD OF DIRECTORS





BRANT COUNTY OPERATIONS FACILITY - OPPORTUNITY TO  
SHARE SPACE IN A NEW FACILITY WITH BRANTFORD POWER

# CURRENT SITUATION – PARIS OPERATION FACILITIES

- Building constructed ~ 1980
- Garage accommodates 6 large trucks
- Line construction is increasing over the next 10 years due to
  - Rebuilds
  - Growth from new development
- Facility cannot accommodate additional trucks / crews from Cambridge
- Local developer will make an offer to purchase at \$1.5M (Market ~ \$1.4M)



- Brantford Power (BP) currently leases space from the City at 3 locations – two for office space and one for operations.
- The operations site is shared with City Works and Go Transit.
- The City requires more space and would like to see BP relocate.
- BP has a desire to relocate employees from all 3 locations into one combined admin and operations facility.
- After an extensive search for an existing property to buy and renovate, BP opted to acquire 10 acres of land and build a new facility.
- BP is open to accommodating our operations requirements through either partial ownership or a lease of part of the new facility.

- Addresses Energy+'s requirements for additional operations space in the Brant County service area
- Relocates Energy+ from an asset near its end of life to a facility that should last 50+ years
- Enables operational efficiencies by sharing certain inventory items, stores personnel, and a mechanic



# BRANTFORD POWER SITE – GARDEN AVE & 403

Energy+ Inc.  
Interrogatory Responses  
EB-2019-0031

- Good location – access to 403 and major arterial roads.
- Adequate size for a combined admin/ops building and storage yard
- Located on the edge of Energy+ service territory where significant development is planned

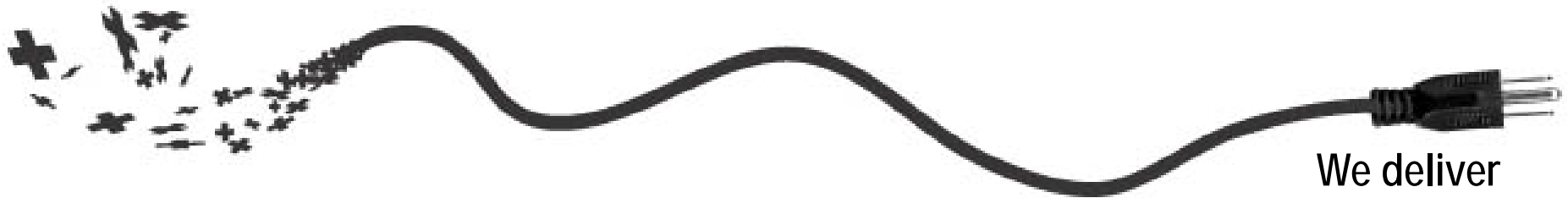


- Enter into letter of intent to buy or lease a portion of BP's to-be-constructed facility
- Negotiate sale/leaseback of current Paris operations property
  - Close date late 2017 or early 2018
  - Lease rate based on carrying costs – estimated to be ~ \$5.00 sf (\$125,000 / year)
  - 2 year lease with an extension option
  - Conditional on a BP sale or lease agreement for new facility
- Incorporate Energy+ requirements in the design of the facility

1. Approval to enter into a Letter of Understanding with HIP Developments to
  - a) Purchase 21,500 sf section of existing Southworks building at \$0
  - b) Engage architect and interior design firm to complete design and refine fit out budget
  - c) Conditional on site due diligence, legal documentation, and Energy+ Board approval
  
2. Approval to enter into a Letter of Understanding with Brantford Power to
  - a) Negotiate a sale or long term lease of a portion of a new admin/operations facility in Brantford
  - b) Provide input to the selected architect to incorporate Energy+ requirements in the design
  - c) Conditional on site due diligence, legal documentation, and Energy+ Board approval

Thank you!

Questions and Answers



We deliver





## PRESIDENT & CEO REPORT – SEPTEMBER 21, 2017

CONFIDENTIAL REPORT TO BOARD OF DIRECTORS



BRANT COUNTY OPERATIONS FACILITY - OPPORTUNITY TO  
SHARE SPACE IN A NEW FACILITY WITH BRANTFORD POWER

# BRANTFORD POWER SITE – GARDEN AVE & 403

Energy+ Inc.  
Interrogatory Responses  
EB-2019-0031

- Good location – access to 403 and major arterial roads.
- Adequate size for a combined admin/ops building and storage yard
- Located on the edge of Energy+ service territory where significant development is planned



- A letter of intent to buy or lease a portion of BP's to-be-constructed facility has been completed
  - BP has received Board and Shareholder approval to proceed with the construction of the facility
  - Through an RFP process, BP have selected Colliers Project Leaders to manage the design and build aspects of the facility
- Negotiate sale/leaseback of current Paris operations property – Completed with conditions
  - Close date late 2017 or early 2018
  - Lease rate based on carrying costs – estimated to be ~ \$45,000 / year)
  - 2 year lease with an extension option for 3 more years
  - Conditional on a BP sale or lease agreement for new facility

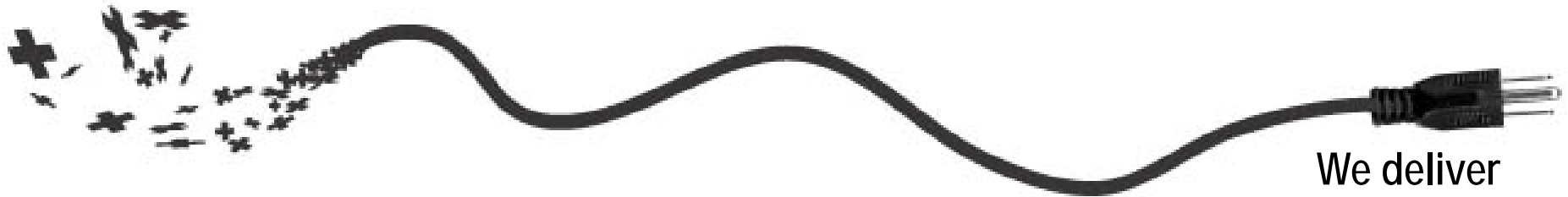
- A Letter of Agreement between Energy+ and BP to commit to the joint facility is being drafted.
- Key elements of the agreement are as follows:
  - BP will proceed to design and build a 51,000 s.f. facility with input from Energy+
  - Energy+ will commit to lease approximately 15,700 s.f. of administrative and garage space for its exclusive use for 20 years (with 2 x 10 extensions)
  - Energy+ and BP will share approximately 8,000 s.f. of indoor storage space for inventory
  - Energy+ and BP will share approximately 225,000 s.f. of outdoor storage space
  - Energy+ and BP will enter into a shared services agreement for the following functions
    - Purchasing / logistics / inventory management
    - Mechanic
    - Fuel tanks

- Key elements of the agreement continued:
  - Lease rate to be calculated using OEB formulas to provide BP a regulated rate of return on its capital investment in the facility (applied to the Energy+ portion).
  - Energy+ has the right to terminate the agreement before the building is completed should there arise significant delays or costs higher than anticipated. However – is obligated to make BP whole for engineering, design, and other pre-construction costs incurred by BP that would have to be modified if Energy+ pulls out. This is estimated to grow from \$70,000 in October to \$635,000 by March of 2018 when construction begins.
  - Energy+ will make a \$100,000 deposit to BP within 30 days of signing the Letter of Agreement.

- Next Steps:
  - Energy+ will continue to work with BP and legal counsel to finalize the Letter of Agreement over the next two weeks.
  - BP and Energy+ will work with JL Richards (the successful design consulting firm) to refine the high level building design and produce a more accurate cost estimate. Expected completion – late October.
- Board Approval / Direction Sought
  - Authorize Management to proceed with finalization of Letter of Agreement and refined cost estimates.
  - Upon completion of Letter of Agreement and cost estimates, a Board meeting will be convened to review the agreement and the financial implications for Energy+. At that time, Board approval will be sought to enter into the agreement with BP. Expected timing – mid November.

Thank you!

Questions and Answers



We deliver





# FACILITIES UPDATE AND AMENDED BUDGET APPROVAL

CONFIDENTIAL REPORT TO BOARD OF DIRECTORS

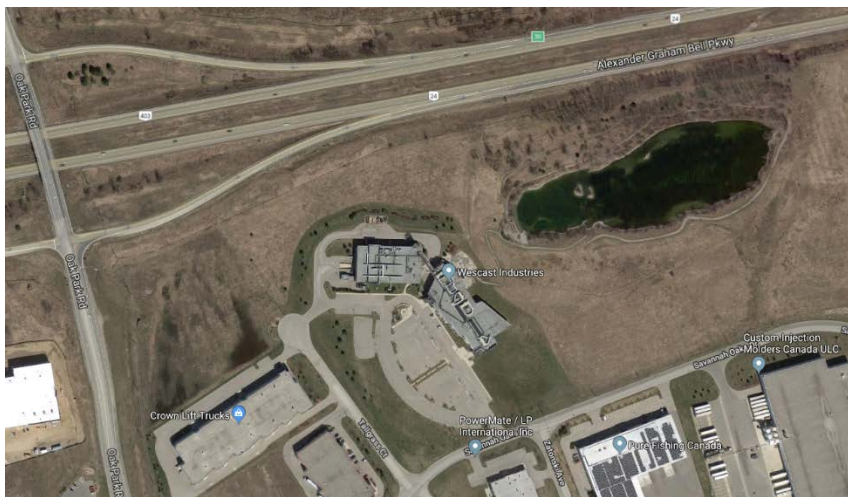
- Update Since September Board Meeting:
  - BPI went out for tender to construct a new shared administrative/operations facility on their property on Garden Ave in August.
  - 7 construction companies submitted applications for pre-qualification. 4 of the 7 were approved by BPI and invited to in submit a bid.
  - The RFP contained an upper limit of \$20 million for the construction of the building (not including soft costs such as architect and engineering fees). This was in line with a Class C cost estimate that BPI obtained from their design consultant.
  - At the deadline for bid responses, all 4 firms indicated that they could not meet the \$20 million budget and therefore declined to submit a bid.

- BPI's Construction Sub-Committee of the Board held debriefing meetings with each of the 4 firms to gain a better understanding of the issues preventing them from making a bid.
- Similar themes emerged from all 4 meetings:
  - High levels of construction activity in Southwestern Ontario has driven up the rates for labour and construction management.
  - The timeframe BPI was looking to have the facility built (construction starting early 2019 for 2020 occupancy) was too aggressive given the tight market for skilled trades.
  - The cost of some materials such as steel and aluminum have increased with the imposition of US tariffs.
  - All of the above have contributed to an increased risk exposure for construction companies – which they are passing along to their customers.

- Shortly after the results of the tendering process, an existing building in Brantford that was previously considered as an option, came on the market for sale.
- BPI had considered this building as a potentially viable option several years ago – however, the owners were not interested in selling at the time.
- BPI’s Construction Subcommittee agreed to defer re-issuing an RFP for new construction at Garden Ave to enable time for analysis and due diligence on this existing property.

# UPDATE – SHARED FACILITY WITH BRANTFORD POWER INC (BPI)

Energy+ Inc.  
Interrogatory Responses  
EB-2019-0031

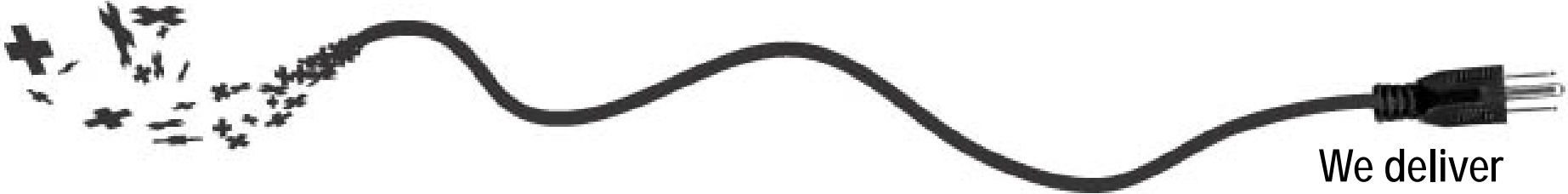


- The property is the former Wescast Industries headquarters (403 & Oak Park Rd)
- Contains about 35,000 sf of industrial space and 68,000 admin office space

- Next Steps
  - BPI has engaged Aecon to develop cost estimates to reconfigure the existing industrial space to accommodate inventory storage.
  - Cost estimates are also being developed for the construction of a garage to accommodate BPI and Energy+ large vehicles.
  - Meetings are being held with the City of Brantford to seek a zoning variance to accommodate outdoor storage for poles and transformers.
  - Once completed, a business case will be prepared to compare this alternative with new construction on the Garden Ave property.

Thank you!

Questions and Answers



We deliver





## FACILITIES UPDATE AND APPROVALS

CONFIDENTIAL REPORT TO BOARD OF DIRECTORS



- Update Since December Board Meeting:
  - BPI has approval to purchase 150 Savannah Oaks Dr property for \$12 million (Closing scheduled for April 26, 2019).
  - Energy+ has obtained a Letter of Acknowledgement from BPI to transfer the \$350,000 deposit from the Garden Ave project to the Savannah Oaks project.
  - Key next steps:
    - Draft and execute Joint Use and Lease Agreement
    - Draft and execute Shared Services Agreement (Purchasing, Inventory, Control Room)
    - BPI to tender renos and construction of two garages for vehicle storage
    - Target occupancy date – mid-2020

- Motion:
  - To authorize CEO and CFO to negotiate and execute a Joint Use and Lease Agreement with Brantford Power Inc. for the 150 Savannah Oaks Dr shared facility, provided that the total capital lease cost and incremental operating costs are equal to or less than the estimated costs of the previously approved Garden Ave facility.
    - Capitalized lease estimate for Garden Ave.      \$4.4 million
    - Incremental operating cost estimate                      \$0.2 million

# Thank you!

## Questions and Answers



We deliver

## **Appendix – SEC-Energy-16**

<<INSERT LETTERHEAD>>

November 6, 2017

Energy + Inc.  
1500 Bishop Street North  
Cambridge, ON N1R 5X6

Re: Letter of Agreement between Brantford Power Inc. (“BPI”) and Energy + Inc. (“Energy+”) Building Construction, Lease and Related Agreements for property located on Garden Ave, near the intersection of Henry Street (“Property”)

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As you are aware, we have been mutually investigating the merits of conducting certain local distribution activities in a jointly used facility on Garden Avenue to be constructed and owned by BPI.

This Letter of Agreement (the “Agreement”), between BPI and Energy + (each a “Party” and forming the “Parties”), is made in duplicate, for the construction by BPI of a jointly used facility wherein Energy + will lease a portion of the building, and license a portion of the building and lands for the operation of their local distribution activities. For valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree to the following terms and conditions:

A. BPI Obligations

1. BPI will proceed with the design and construction of an approximately 57,000 square foot building at the Property, which incorporates the requirements of both BPI and Energy+, as identified in accordance with the terms of this Agreement.
2. BPI will proceed with due diligence to meet the milestones identified in this Agreement.

B. Energy+ Obligations

1. Energy+ will proceed with due diligence to meet the milestones identified in this Agreement.
2. **Deposit** Energy+ will provide a deposit, as follows:
  - a. The sum of \$100,000 upon the earlier of (i) November 10, 2017; or (ii) presentation of Energy+ by BPI of a range for the base lease rate; and
  - b. The sum of \$250,000 on or before December 31, 2017.

The deposit will be held, with interest payable to Energy +, pending execution of the Joint Use Agreement. Upon execution of the Joint Use Agreement by both Parties, the deposit held by BPI will be credited to the costs payable by Energy+ pursuant thereto. Should Energy+ terminate this agreement (in accordance with the terms of this Agreement) the deposit will be held and applied by BPI against the sums owing by Energy+ pursuant to this Agreement; and any remainder will be returned to Energy+. The deposit, while held by BPI, will bear interest at the rate of prime less 1.8% per annum, and will be held in the same manner as the deposit.

### C. Further Agreements

1. **Governing Principles:** The Parties are required to sign further agreements, as described in this Agreement. The Parties have agreed that certain business principles will govern the negotiation and finalization of those agreements, as follows:
  - a. **Governing Principles:** The Parties agree that the following business principles will govern the negotiation of the final language of the agreements referenced above:
    - i. **Customer Benefits:** Although generally considered to be the “no harms test”, this is a broader principle that takes into account the total package and benefits that may be received by a customer by the Parties proceeding with the agreements than would have been the case if either Party proceeded with the obtaining, operation, and maintenance of their own, single use building.
    - ii. **Compliance Obligations:** Arrangements must meet current legal and regulatory obligations of both Parties;
    - iii. **Protection of Parties:** During the term of the arrangement, should statutory, regulatory, ownership, governance, organizational, industry sector or other changes result in a significant change in circumstances to either Party, the various agreements will provide for appropriate provision regarding events of default, termination, assignment, approval rights or other applicable provisions including, where applicable, remedies or consequences resulting from such circumstances, which will protect the interest of either Party in a manner that ensures both Parties achieve the intended benefits from the initial arrangements over the complete term, or in another manner that leaves that Party not creating the changing circumstances in substantially the same position as if the changes had not occurred.
    - iv. **Cost Allocation:** Cost allocations applied to determine rent, operating, maintenance, and administration, or shared services cost recoveries as applicable will be determined on a fully absorbed basis in keeping with the requirements of the Ontario Energy Board’s (“OEB”) Accounting Procedures Handbook Article 340 using cost driver indicators that best reflect the actual cost drivers.

2. **Joint Use Agreement:** The Parties will sign a joint use agreement (the “Joint Use Agreement”), to govern the roles and responsibilities of each Party during construction of the building, the final language of which is to be mutually agreed upon, but which will minimally include the following terms (subject to the Governing Principles):
- a. Roles and Obligations of the Parties during Design Phase, Development Phase, and Construction Phases;
  - b. BPI will retain complete control of all decisions relating to the project, and shall maintain sole responsibility for managing the project, along with any consultant or contractor retained by BPI in BPI’s sole and absolute discretion;
  - c. BPI will be the final approval authority for all phases of the project
  - d. Energy+ will have a limited ability to make changes to the design during the Design Phase, subject to such changes being at the cost of Energy+ and creating no delay for BPI or the project;
  - e. Energy+ will have input into the functional design of the leased space; however, Energy+ will not have input into the overall design of the whole building;
  - f. Confidentiality provisions;
  - g. Remedies and Event of Termination Provisions (which may reflect a cost structure similar to that contained in this Agreement, as mutually determined by BPI and Energy +);
  - h. Project Plan and Milestones;
    - a. Energy+ may not assign the agreement without the written consent of BPI, which consent may not be unreasonably withheld, conditioned or delayed (except as in G9), where without limiting the possible factors, it is agreed that the following are considered to be a reasonable basis for withholding consent:
      - i. The assignee is not financially viable as a going concern, to the satisfaction of BPI;
      - ii. The assignee is not a utility governed by the *Electricity Act*; or
      - iii. The assignee has a negative relationship with BPI, which may include but is not limited to being a party to current or past litigation against BPI;
      - iv. The assignee has a negative relationship with BPI, which may include but is not limited to being a party to current or past litigation against BPI; and
    - i. The assignee has a negative relationship with BPI, which may include but is not limited to being a party to current or past litigation against BPI;; and
    - j. A covenant by both Parties to sign additional agreements, which will form schedules to the Joint Use Agreement, as follows:
      - i. **Lease Agreement** The Parties will sign a lease agreement for the exclusive occupation by Energy+ of a portion of the building, the final language of which is to be mutually agreed upon, but which will minimally include the following terms:
        1. **Term:** 20 years.

2. **Leased Space:** approximately 12,500 square feet for exclusive use of the vehicle bay and administrative offices, subject to final agreement.
3. **Base Rent:** Base rent will be calculated in accordance with the following:
  - a. Either:
    - i. The lease rate will recover the capital cost of the exclusive facilities which shall include Energy+'s proportionate share of the capital cost of all infrastructure servicing the exclusive and shared facilities (such as HVAC systems and equipment, backup generators, etc.). The methodology used to establish base rent to recover the cost of capital will be in keeping with the OEB's determination of revenue requirement using the parameters in BPI's 2017 Cost of Service Rate Decision or any subsequent Cost of Service Rate Decision during the term of the lease. This base rent calculation will include the recovery of amortization, PILS and return on invested capital for the portion of the project that relates to Energy+'s exclusive use; and
    - ii. Provision for initial leasehold improvements, being improvements to the exclusive facilities during the initial construction of the facilities only, will be covered in the lease agreement and shall be recoverable by BPI as base rent and added thereto. The rent calculation for all such initial leasehold improvements shall include the recovery of Amortization, PILS, and the return on invested capital; OR
    - iii. Such other methodology as may be agreed upon by the Parties.
  - b. Base rent shall be adjusted the earlier of: a) the issuance of any subsequent Cost of Service Rate Decision by the OEB (subsequent to the 2017 Cost of Service Rate Decision) during the term of the lease; or b) 5 years.
  - c. Should a governing authority, including but not limited to the regulator, impose a rule or series of rules which necessarily impacts the legality of the base rent, the Parties will adjust the base rent, if possible, to capture the loss, if any, suffered by either Party. Such an adjustment to rent will give consideration to the original calculations and the Governing Principles.



4. **Additional Rent:** In addition to the base rent, Energy+ will pay additional rent, which is any and all amounts, other than base rent, required to be paid by Energy+ under the lease, including but not limited to:
  - a. Utility costs, based on percentage over total exclusive building footprint, if not separately metered;
  - b. Administrative Costs, including BPI's internal costs to track/cost/bill/invoice Energy+, manage third party service providers, and personnel matters;
  - c. Property taxes;
  - d. Snow and ice removal and clearance;
  - e. Repairs and replacement of equipment, fixtures and facilities;
  - f. Landscaping contracts and grass cutting;
  - g. Lighting;
  - h. Cleaning and supplies; and
  - i. Other costs and expenses of maintaining and operating the demised premises, its services, equipment and facilities.
5. **True Ups:** As charges include components based on anticipated budgeted burdens and overhead costs, true ups will be calculated at least annually to ensure both Parties have paid their actual share of costs incurred.
6. **Leasehold Improvements:**
  - a. Energy+ will not be permitted to install or construct any leasehold improvements without the express written consent of BPI, which may not be unreasonably withheld, conditioned or delayed, where, without limiting the possible factors or considerations to determine the reasonableness of withholding consent, it is agreed that proposed improvements which affect (a) the aesthetics of the interior or exterior of the building; (b) the performance of any portion of the building or the property; (c) the structural integrity of the building; (d) the environmental conditions of the building or the property; or (e) the original intended functionality of the leased space, building, or property all constitute a reasonable basis for withholding consent.
  - b. With the exception of the initial leasehold improvements contemplated in section 3(a)ii above, any subsequent leasehold improvements by the tenant shall be at the sole cost and expense of the tenant.
7. **Nature:** The lease will be a net lease.
8. **Parking:** Energy+ will be assigned parking spaces for their exclusive use, the number of which, and the costs associated

therewith, will be determined and mutually agreed upon during the Design Phase.

9. **Notice of Termination and Extension:** After 18 years of the Term, Energy+ may give written notice to BPI that it would like to extend the Term of the lease upon mutually acceptable terms. Similarly, upon 2 years written notice to Energy+, BPI will indicate whether or not it is willing to extend the Term of the lease upon mutually acceptable terms.
- ii. **Indoor Storage:** The Parties will sign a license agreement for the access, shared use and occupation of indoor storage space, the final language of which is to be mutually agreed upon, but which will minimally include the following terms:
  1. **Base License Fee:** The base license fee will be calculated in accordance with either of the following:
    - a. The base fee will recover the capital cost of the shared facilities. The methodology used to establish base fee to recover the cost of capital will be in keeping with the OEB's determination of revenue requirement using the parameters in BPI's 2017 Cost of Service Rate Decision or any subsequent Cost of Service Rate Decision during the term of the license. This base fee calculation will include the recovery of amortization, PILS and return on invested capital for the portion of the project that relates to Energy+'s use.
    - b. Such other methodology as may be agreed upon by the Parties.
    - c. The base fee shall be adjusted the earlier of: a) the issuance of any subsequent Cost of Service Rate Decision by the OEB (subsequent to the 2017 Cost of Service Rate Decision) during the term of the license; or b) 5 years.
  2. **Licensed Space:** The indoor storage space will be approximately 8,000 square feet, subject to final agreement.
  3. **Additional Fees:** In addition to the base fee, Energy+ will pay additional fees, which are any and all amounts, other than the Base Fee, required to be paid by Energy+ under the license, which includes, but is not limited to:
    - a. Utility costs, based on percentage over total exclusive building footprint, if not separately metered;
    - b. Administrative Costs, including BPI's internal costs to track/cost/bill/invoice Energy+, manage third part service providers, and personnel matters;
    - c. Property taxes;
    - d. Snow and ice removal and clearance;

- e. Repairs and replacement of equipment, fixtures and facilities;
  - f. Landscaping contracts and grass cutting;
  - g. Lighting;
  - h. Cleaning and supplies; and
  - i. Other costs and expenses of maintaining and operating the licensed premises, its services, equipment and facilities.
4. **Calculation of Additional Fees:** Additional fees will be calculated on a 50% ratio until the end of 2020 to allow sufficient time to determine the initial pattern of utilization. The ratio established under this initial pattern of utilization will be the basis of calculating additional fees for the subsequent 3 year period. For each 3 year period thereafter, the actual ratio used for the calculation of additional fees will be the previous pattern of utilization achieved in the immediately preceding 3 year period. At the midpoint of any 3 year cycle, any Party can request an interim adjustment to the established utilization pattern ratio used in the calculation of additional fees when the actual pattern of utilization deviates by more than 15% for a consecutive 12 month period from the established utilization pattern for the particular 3 year period. Such adjustment will be implemented at the beginning of the next fiscal year following the request and shall be the new ratio for the calculation of additional fees.
5. **True Ups:** As charges include components based on anticipated budgeted burdens and overhead costs, true ups will be calculated at least annually to ensure both Parties have paid the actual share of costs incurred.
- iii. **Outdoor Storage:** The Parties will sign a license agreement for the access, shared use and occupation of outdoor storage space, the final language of which is to be mutually agreed upon, but which will minimally include the following terms:
1. **Base License Fee:** The base license fee will be calculated in accordance with either of the following:
    - a. The base fee will recover the capital cost of the shared facilities. The methodology used to establish base fee to recover the cost of capital will be in keeping with the OEB's determination of revenue requirement using the parameters in BPI's 2017 Cost of Service Rate Decision or any subsequent Cost of Service Rate Decision during the term of the license. This base fee calculation will include the recovery of amortization, PILS and return on invested capital for the portion of the project that relates to Energy+'s use; OR

- b. Such other methodology as may be agreed upon by the Parties
  - c. The base fee shall be adjusted the earlier of: a) the issuance of any subsequent Cost of Service Rate Decision by the OEB (subsequent to the 2017 Cost of Service Rate Decision) during the term of the license; or b) 5 years.
2. **Licensed Space:** The Outdoor Storage Space will be approximately 225,000 square feet, subject to final agreement;
3. **Additional Fees:** In addition to the base fee, Energy+ will pay additional fees, which are any and all amounts, other than the base fee, required to be paid by Energy+ under the License, which includes, but is not limited to:
- a. Utility costs, based on percentage over total Property footprint, if not separately metered;
  - b. Administrative costs, including BPI's internal costs to track/cost/bill/invoice Energy+, manage third party service providers, and personnel matters;
  - c. Property taxes;
  - d. Snow and ice removal and clearance;
  - e. Repairs and replacement of equipment, fixtures and facilities;
  - f. Landscaping contracts and grass cutting;
  - g. Lighting;
  - h. Cleaning and supplies; and
  - i. Other costs and expenses of maintaining and operating the licensed premises, its services, equipment and facilities.
4. **Calculation of Additional Fees:** Additional fees will be calculated on a 50% ratio until the end of 2020 to allow sufficient time to determine the initial pattern of utilization. The ratio established under this initial pattern of utilization will be the basis of calculating additional fees for the subsequent 3 year period. For each 3 year period thereafter, the actual ratio used for the calculation of additional fees will be the previous pattern of utilization achieved in the immediately preceding 3 year period. At the midpoint of any 3 year cycle, any Party can request an interim adjustment to the established utilization pattern ratio used in the calculation of additional fees when the actual pattern of utilization deviates by more than 15% for a consecutive 12 month period from the established utilization pattern for the particular 3 year period. Such adjustment will be implemented at the beginning of the next fiscal year following the request and shall be the new ratio for the calculation of additional fees.
5. **True Ups:** As charges include components based on anticipated budgeted burdens and overhead costs, true ups will be calculated at

least annually to ensure both Parties have paid the actual share of costs incurred.

- iv. **Shared Services:** The Parties will sign a shared services agreement for such items as may be agreed upon, but to include fuel tanks, mechanics bay, procurement and inventory management, outdoor communication infrastructure (eg: towers), and the procurement and maintenance of back-up generation facilities or infrastructure, the final language of which is to be mutually agreed upon, but which will minimally include or be in compliance with the following terms:
1. Joint preparation of annual service plans identifying the expected volume of transactions required for the services and the share expected to be required for each entity.
  2. The parties should not be impacted by any variances in utilization rate of the shared service facilities identified.
  3. Costs will be determined on a fully absorbed basis in keeping with the Accounting Procedures Handbook Article 340 as follows:
    - a. **Direct costs:** will be 100% charged to the service recipient including labour, direct materials and a burden rate for stores overhead where applicable;
    - b. **Burden rate:** will be applied on labour charge to recover unproductive labour costs, plus the cost of general overhead and insignificant consumables used in providing that service.
  4. **Non Building Related Capital Costs:** Ancillary capital equipment not consider part of the Building e.g. tools, benches, forklift etc. will be considered BPI assets. 100% depreciation plus return will be allocated to the cost centre to be recovered through the ratio identified in item (3) relating to footprint and other operating, maintenance and administration (“OM&A”) costs fixed in nature.
  5. **True Ups:** As charges include components based on anticipated budgeted burdens and overhead costs, true ups will be calculated at least annually to ensure both parties have paid the actual share of costs incurred.
  6. **Space allocated to Shared Services and not subject to a separate license:** For matters which are subject to the shared services agreement, but are not subject to a license, the cost of the services will be either: (a) allocated 100% to the Party for which the service is performed, where it is capable of being determined; or (b) where it is not capable of being determined, on a 50% basis as between Energy+ and BPI, subject to a recalculation every five years in the same manner as the licenses for outdoor space and indoor space, referenced herein.

3. **Additional Terms** All agreements contemplated by this Agreement will contain the following terms:
- a. **Insurance:**
    - i. **“All Risks” Property Insurance:** Energy+ will insure the demised premises, and all other insurable property belonging to Energy+ and from time to time located on the premises, in an amount not less than the replacement cost thereof against loss or damage by perils of “all risks” (being the perils from time to time included in the standard “all risks” policy issued by insurers from time to time), including resultant damage from error in design and faulty workmanship, to the extent available and as would be obtained by a prudent owner of such premises, and in any event in an amount sufficient to prevent BPI or Energy+ from being deemed to be a co-insurer.
    - ii. **Public Liability Insurance/Commercial General Liability:** Energy+ will obtain comprehensive general liability insurance including contractual liability on an occurrence basis against claims for personal or bodily injury, death, or property damage suffered by others in such amounts and to such extent as a prudent owner of such a project would, from time to time, carry (which amount shall initially be not less than Five Million Dollars (\$5,000,000.00)) for any personal or bodily injury, death, property damage or other claim in respect of any one accident or occurrence and, without limiting the generality of the foregoing, with provisions for cross-liability and severability of interests. All liability insurance policies shall cover the costs of defence or adjustment of claims over and above money limitations of the policies.
    - iii. BPI agrees, at its expense, to obtain reciprocal “all risks” insurance on the building and public liability insurance similar to that as specified in Sections 3(a)(i) and 3(a)(ii), to the satisfaction of Energy +.
  - b. **Indemnity:** Energy+ and BPI will at all times defend, indemnify and save harmless each other, and their respective directors, officers, servants, agents, and contractors, from and against all loss, costs or damage which it or they may suffer or be put to and from and against all actions, suits, claims and demands whatsoever which may be made or brought against them, by reason of (either directly or indirectly) any act or omission of the indemnifying party in the occupation of the demised premises, any other matter or thing provided for or pursuant to the agreement, or resulting therefrom in any way whatsoever.
  - c. **Event of Default and Remedies:** To the extent available, subject only to the Governing Principles, Event of Default and Remedies clauses which reflect standard lease/license/contract terms, as the case may be.
  - d. **Assignment:** Energy+ may not assign the agreement, without the consent of BPI, which may not be unreasonably withheld, conditioned or delayed (except as in Section G9), where, without limiting the possible factors, it is agreed that the following are considered to be a reasonable basis for withholding consent:

- i. The assignee is not financially viable as a going concern, to the satisfaction of the BPI;
- ii. The assignee is not a utility governed by the *Electricity Act*;
- iii. The assignee has a negative relationship with BPI, which may include but is not limited to being a party to current or past litigation against BPI; or
- iv. The assignee is not assuming all agreements;
- e. **Health & Safety:** Energy+ will maintain, in good standing, coverage under the *Workplace Safety Insurance Act, 1997*, as may be required and will strictly observe and fulfill all occupational health and safety standards and requirements
- f. **Standard Terms:** To the extent available, subject only to the Governing Principles, clauses will reflect standard lease/license/contract terms, as the case may be.

**C. Milestones**

- 1. **Delays:** The Parties will make every effort to keep the project within budget and timelines. Should either party cause any material or new or unidentified increases in costs, or cause material delays to the timelines, the Party that did not cause the increase or delay may, within its sole discretion, charge the incremental costs directly to the Party that did cause the increase or delay. Upon being notified of such incremental costs, the Party that receives such notice will forthwith pay such costs to the other Party.
- 2. **Milestones** The estimated Milestones are as follows:

Date	Milestone
July 28, 2017	Begin Site Plan Approval
October 1, 2017	Begin Design Development
November 6, 2017	Sign Letter of Agreement
November 24, 2017	Complete Schematic Design
January 19, 2018	Building Permit Application
January 19, 2018	Complete Design Development
March 2, 2018	Issue Tender
March 9, 2018	Obtain Site Plan & Other Municipal Approvals
March 16, 2018	Building Permits Issued
March 30, 2018	Tender Closes
April 13, 2018	Award Tender
April 27, 2018	Construction Mobilization

**D. Term and Termination**

1. **Term:** This Agreement is effective on the date is signed by Energy+, and will continue to be in effect until terminated by the express agreement of the Parties, or otherwise in accordance with the terms of this Agreement.
  
2. **Termination by Energy+:** The Parties acknowledge and agree that BPI is relying upon this Agreement in order to proceed with the project, and that BPI will incur costs related thereto. As a result, Energy+ may terminate this Agreement, for any reason, in its sole and absolute discretion, upon the payment of the sums outlined in table below. These sums reflect the estimated costs that will have been incurred by BPI, and that Energy+ agrees are reasonable. Termination of this Agreement by Energy + will be deemed to have occurred if: (1) Energy+ provides written notice of termination; (2) Energy+ refuses or fails to sign the Joint Use Agreement; or (3) Energy+ fails to participate in the finalization of the Joint Use Agreement, to an extent that causes an unreasonable or material delay to the project. Without limiting the foregoing, Energy+ acknowledges and agrees that approval of the project by the OEB is a critical factor in the success of the project; therefore, any failure on the part of Energy+ to demonstrate due diligence, to act in a commercially reasonable manner, or the take all reasonable steps necessary to achieve approval of the project before the OEB, including, but not limited to, sharing of information with BPI, communicating with BPI with respect to any presentation before the OEB, and coordinating with BPI prior to any such presentation, may constitute termination of this Agreement by Energy+, in the sole discretion of BPI.

<b>If terminated on or before:</b>	<b>Amount Payable***:</b>
November 7, 2017	\$70,000.00
November 24, 2017	\$130,000.00
January 19, 2018	\$215,000.00
March 2, 2018	\$310,000.00
March 30, 2018	\$395,000.00
April 14, 2018	\$595,000.00
April 27, 2018	\$635,000.00

\*\*\*Notwithstanding anything contained in the above table, should Energy+ terminate this Agreement prior to the earlier of (i) November 10, 2017; or (ii) presentation to Energy+ by BPI of a range for the base lease rate, then the amount payable by Energy+ shall be \$0.00.

3. **Occupancy Date:** Notwithstanding anything contained in this Agreement, if the building is not ready for occupancy by January 1, 2022, Energy + may terminate this Agreement without cost or liability, unless the building is not ready for occupancy, either directly or indirectly, as a result of, or arising from, the actions or inactions of Energy+ or any third party.



### E. Confidentiality

1. **Confidentiality**: The Parties and their directors, officers, employees, servants or agents may or will be made party to confidential information of the other Party. Each Party is responsible for the maintenance of confidentiality at all times, and bears responsibility for any breach of confidentiality under this Agreement. The Parties specifically acknowledge and agree they will:
  - a. hold all information provided to it by the other Party in the strictest of confidence and will take all steps necessary to maintain the confidentiality of the information;
  - b. only use the information provided for the purposes of completion and execution of the work contemplated under this Agreement;
  - c. not share, reproduce, sell, disclose, distribute or otherwise provide or permit access to the information to any party not requiring such access for the purposes of completing the work contemplated under this Agreement; and
  - d. return or destroy, upon completion of the work contemplated under this Agreement, all information provided to a Party by the other Party.
2. **Limitation on Confidentiality**: The Parties acknowledge that each of Energy+ and BPI are rate regulated Local Distribution Companies governed by the OEB. Both Parties are permitted to disclose and/or produce information or documents in respect of this Agreement if either Party is requested to do so as part of a regulatory or court proceeding, including but not limited to a proceeding before the OEB if:
  - a. The disclosing Party takes all necessary steps available to it under the rules of practice of that tribunal or court to protect the confidentiality of the information and documents that are being disclosed;
  - b. The disclosing Party gives notice to the other Party of the request for disclosure of the information and/or documents as soon as practicable in order for that Party to seek standing before the tribunal or court, if necessary, and seek to protect the confidentiality of the information and documents being disclosed.

### F. Notice

1. **Notice**: Whenever notice is required to be given, such notice must be in writing and delivered personally, mailed by prepaid mail, sent by facsimile or by email. A notice or other document so sent is deemed to have been given:
  - a. if delivered personally, on the date of such delivery and receipt;
  - b. if transmitted by facsimile or by email, on the business day following the day of sending such notice or document; and
  - c. if mailed, on the fifth (5<sup>th</sup>) business day following the day such notice or document was deposited in a post office or public letter box.
2. **BPI Contact**: Where notice is to be provided to BPI, such notice will be delivered to:

Brantford Power Inc.  
84 Market St. P.O. Box 308

Brantford, ON N3T 5N8  
Attention: Paul Kwasnik, President & CEO

3. **Energy + Contact:** Where notice is to be provided to Energy+, such notice will be delivered to:

Energy+  
1500 Bishop Street North  
Cambridge, ON N1R 5X6  
Attention: Ian Miles, President and CEO

4. **Contact Change:** Either Party may change their contact information, from time to time, by written notice given to the other Party in accordance with the notice provision of this Agreement, and upon receipt of such notice, the Party receiving such information will thereafter rely on that contact information as if it has been inserted herein.

#### G. General Terms & Conditions

1. **Headings:** The division of this Agreement into articles and sections, schedules, and other subdivisions are for convenience of reference only and do not affect the construction or interpretation of this Agreement. The headings in the Agreement are not intended to be full or precise descriptions of the text to which they refer. Furthermore, unless something in the subject matter or context is inconsistent therewith, references herein to an article, section, subsection, paragraph, clause or schedule are to the applicable article, section, subsection, paragraph, clause or schedule of this Agreement.
2. **Singular, Gender:** Words importing the singular number include the plural and *vice versa*. Words importing the masculine gender include the feminine and neuter genders, and words importing persons include firms and corporations and *vice versa*.
3. **Relationship:** Nothing in this Agreement creates an employment relationship between the Parties and Energy+ is at all times an independent contractor. Furthermore, nothing contained in this Agreement constitutes or is deemed to create a partnership, joint venture or principal and agent relationship between the BPI and Energy+.
4. **Jurisdiction:** This Agreement and the rights of the Parties are governed by the laws of the Province of Ontario and the laws of Canada (excluding any conflict of law rule or principle of such laws that might refer such interpretation or enforcement to the laws of another jurisdiction). Each Party irrevocably submits to the non-exclusive jurisdiction of the courts of Ontario with respect to any matter arising hereunder or relating hereto.
5. **No Contra Proferentem:** The provisions of this Agreement have been mutually prepared by the Parties and each Party has had the opportunity to consider each and every term in this Agreement (which the Parties consider reasonable and valid) and to obtain

independent legal advice. Should any aspect of this Agreement be brought before a judicial or quasi-judicial hearing, this Agreement will be read, reviewed, and interpreted without regard to *contra proferentem*, and that the rule *contra proferentem* does not apply with respect to the interpretation of this Agreement.

6. **Severability:** If any covenant or obligation in this Agreement or the application thereof is to any extent be invalid or unenforceable, the remainder of this Agreement is not affected thereby and each covenant and obligation in this Agreement is separately valid and enforceable to the fullest extent permitted.
7. **Sole Agreement:** This Agreement constitutes the entire agreement between the Parties with respect to the transactions contemplated and cancels and supersedes any prior understandings, agreements, negotiations and discussions, written or oral, between the Parties. Other than as expressly contained in this Agreement, the Parties are not bound by any representations, collateral agreements, warranties, terms, undertakings, understandings or conditions (whether express or implied).
8. **Amendment:** This Agreement may not be amended, supplemented or otherwise modified in any respect except by written instrument executed by both Parties.
9. **Successors and Assigns:** This Agreement and everything in it is binding upon and enures to the benefit of and is binding on the Parties, and their respective successors, heirs, administrators, executors, legal representatives, and permitted assigns. Neither Party may assign, transfer or otherwise dispose of all or any part of its rights or obligations under this Agreement without the prior written consent of the other Party, which may not be unreasonably withheld, conditioned or delayed, where, without limiting the possible factors, it is agreed that the following are considered to be a reasonable basis for withholding consent:
  - a. The assignee is not financially viable as a going concern, to the satisfaction of the BPI;
  - b. The assignee is not a utility governed by the *Electricity Act*; or
  - c. The assignee has a negative relationship with BPI, which may include but is not limited to being a party to current or past litigation against BPI;Notwithstanding the foregoing, either Party may transfer and assign this agreement without consent to an affiliate of the assigning Party or as a result of an amalgamation or merger.
10. **Time:** Time is of the essence.
11. **Force Majeure:** Notwithstanding any other provision of this Agreement, in the event that either BPI or Energy+ is delayed, hindered, or prevented from the performance of any act required hereunder, by reason of any unavoidable delay, including strikes, lockouts, unavailability of materials, inclement weather, acts of God or any other cause beyond its reasonable care and control, but not including insolvency or lack of funds,

then performance of such act is postponed for a period of time equivalent to the time lost by reason of such delay, and the Term of this Agreement is also extended for a period of time equivalent to the time lost by reason of such delay.

12. **Waiver of Rights:** Any waiver of, or consent to depart from, the requirements of any provision of this Agreement is effective only if it is in writing and signed by the Party giving it, and delivered in accordance with the notice provisions of this Agreement, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of any Party to exercise, and no delay in exercising, any right under this Agreement operates as a waiver of such right. No single or partial exercise of any such right precludes any other or further exercise of either Party's rights.
13. **Survival:** The provisions of this Agreement which address confidentiality and termination of this Agreement survive termination of this Agreement.
14. **Dispute Resolution:** The Parties will attempt to resolve any claim, dispute or controversy (whether in contract, tort or otherwise) arising out of or relating to this agreement (a "Dispute") through face-to-face negotiation with persons fully authorized to resolve a Dispute or through mediation utilizing a mutually agreeable single mediator, rather than, if possible, through litigation. The existence or results of any negotiation or mediation will be treated as confidential. All costs of the mediation to be shared equally between the Parties.

If this is agreeable, please sign back one of the duplicate copies of this letter, and keep one executed copy for your records.

**BRANTFORD POWER INC.**



Paul Kwasnik  
President & CEO

I have authority to bind the corporation

**ENERGY + INC.**

Energy + Inc. agrees to the terms as contained herein.



Ian Miles – President and CEO

I have authority to bind the corporation

20363092.7



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**Brantford Power Inc.**  
84 Market Street, Box 308  
Brantford, ON N3T 5N8

August 13, 2018

**Private and Confidential**

Energy + Inc.  
1500 Bishop Street North  
Cambridge, ON N1R 5X6

**RE: AMENDMENT NO. 1 TO LETTER OF AGREEMENT**

Dear Sirs/Mesdames:

We refer to a letter of agreement dated November 6, 2017 (the "Letter of Agreement") between Brantford Power Inc. ("BPI") and Energy + Inc. ("Energy+") in respect of the building construction, lease and related agreements for the property located on Garden Ave., near the intersection of Henry Street in Brantford, Ontario (the "Property").

Each capitalized term used and not otherwise defined herein shall have the meaning given to such term in the Letter of Agreement.

The purpose of this amending agreement is to set out the amendments to the Letter of Agreement to which we have mutually agreed.

1. **Amendment to BPI Obligations**

Paragraph No. 1 under the heading "A. BPI Obligations" is hereby amended by removing the reference to "57,000" and replacing it with "64,500".

2. **Amendment to Joint Use Agreement**

Paragraph C.2 entitled "Joint Use Agreement" is hereby amended as follows:

**“Joint Use Agreement:** The Parties will use commercially best efforts to finalize and sign a joint use agreement (the “Joint Use Agreement”) no later than September 27, 2018, to govern the roles and responsibilities of each Party during the construction of the building, the final language of which is to be mutually agreed upon, but which will minimally include the following terms (subject to the Governing Principals):”

3. **Amendment to Leased Space**

Paragraph C.2.j.i.2 entitled “Leased Space” is hereby amended by deleting the reference to “12,500” and replacing it with “14,750”.

4. **Amendment to Licensed Space**

Paragraph C.2.j.ii.2 entitled “Licensed Space” is hereby amended by deleting the reference to “8,000” and replacing it with “9,500”.

5. **Amendment to Calculation of Additional Fees (Indoor Storage)**

Paragraph C.2.j.ii.4 entitled “Calculation of Additional Fees” is hereby amended by deleting the reference to the year “2020” and replacing it with “2021”.

6. **Amendment to Calculation of Additional Fees (Outdoor Storage)**

Paragraph C.2.j.iii.4 entitled “Calculation of Additional Fees” is hereby amended by deleting the reference to the year “2020” and replacing it with “2021”.

7. **Amendment to Milestones**

Paragraph C.2 entitled “Milestones” is hereby amended by deleting the table appearing immediately below this heading in its entirety and replacing it with the following:

<b>Date</b>	<b>Milestone</b>
July 24, 2018	Issue Tender
September 12, 2018	Tender Closes
September 27, 2018, or such other date that is mutually acceptable by both parties	Sign Joint Use Agreement
September 27, 2018	Award Tender
December 31, 2018	Construction Mobilization



8. **Amendment to Termination by Energy+**

Paragraph D.2 entitled "Termination by Energy+" is hereby amended by deleting this paragraph in its entirety, and replacing it with the following:

**2A. Termination by Energy+:** The Parties acknowledge and agree that BPI has incurred substantial costs to date relating to the development of the design of the building at the Property, which design incorporates elements requested by Energy+, and that BPI is relying on this Agreement to proceed with issuing a tender for the construction of the building based on these designs. As a result, Energy+ may terminate this Agreement prior to entering into the Joint Use Agreement, for any reason, in its sole and absolute discretion, upon the payment of the sum of \$635,000. This sum reflects the estimated costs that will be incurred by BPI to revise the design of the building and resubmit the design to tender if Energy+ were no longer to proceed with the project, and Energy+ agrees this is a reasonable estimate of these costs. Termination of this Agreement by Energy+ will be deemed to have occurred if: (1) Energy+ provides written notice of termination; (2) Energy+ refuses or fails to sign the Joint Use Agreement; or (3) Energy+ fails to participate in the finalization of the Joint Use Agreement, to an extent that causes an unreasonable or material delay to the project. Without limiting the foregoing, Energy+ acknowledges and agrees that approval of the project by the OEB is a critical factor in the success of the project; therefore, any failure on the part of Energy+ to demonstrate due diligence, to act in a commercially reasonable manner, or to take all reasonable steps necessary to achieve approval of the project before the OEB, including but not limited to, sharing of information with BPI, communicating with BPI with respect to any presentation before the OEB, and coordinating with BPI prior to any such presentation, may constitute termination of this Agreement by Energy+, in the sole discretion of BPI.

**2B. Termination by Either Party.** Notwithstanding Section D.2A above, in the event that the cost of construction of the building, as determined based on the results of the Tender Process, exceeds the amount of \$21,725,000 (which for greater certainty excludes costs associated with furniture, fixtures and equipment, as well as any costs associated with moving into the Property, the financing of the project, obtaining necessary approvals, contingencies and the purchase of the Property and any costs on account of legal or consulting services) either party may terminate this Agreement within thirty (30) days of the date that the Tender closes, unless the parties mutually agree to extend such date, without cost or liability, including the payment of any sum required under Section D.2A.

Following termination under this Section D.2B, the deposit paid by Energy+ will be returned, with interest.”

9. **No Other Amendments.** All other terms and conditions of the Letter of Agreement remain unamended and the Letter of Agreement remains in full force and effect.
10. **Conditions Precedent to this Amending Agreement.** This amending agreement shall not come into effect, and the Letter of Agreement shall not be amended to reflect the amendments contained herein, until each party hereto as received a duly executed copy of this amending agreement from the other party.
11. **Effect of this Amending Agreement.** It is acknowledged and agreed that the terms of this amending agreement are in addition to and, unless specifically provided for, shall not limit, restrict, modify, amend or release any of the understandings, agreements or covenants as set out in the Letter of Agreement. This amending agreement supersedes all prior agreements, understandings, drafts, negotiations and discussions, whether oral or written, with respect to the subject matter specifically provided for herein. The Letter of Agreement shall henceforth be read and construed in conjunction with this amending agreement, and the Letter of Agreement together with all of the powers, provisions, conditions, covenants and agreements contained or implied in the Letter of Agreement shall be and shall continue to be in full force and effect (as amended hereby). References to the “Letter of Agreement” in the Letter of Agreement or in any other document delivered in connection with, or pursuant to, the Letter of Agreement shall mean the Letter of Agreement, as amended hereby.
12. **Successors and Assigns.** This amending agreement shall be binding upon and enure to the benefit of the parties to this amending agreement and their respective successors and permitted assigns.
13. **Severability.** If any provision of this amending agreement is or becomes prohibited or unenforceable in any jurisdiction, such prohibition or unenforceability shall not invalidate or render unenforceable the provision concerned in any other jurisdiction nor invalidate, affect or impair any of the remaining provisions of this amending agreement.
14. **Governing Law.** This amending agreement shall be construed in accordance with and governed by the laws of the Province of Ontario and of Canada applicable therein.
15. **Entire Agreement.** The Letter of Agreement, this amending agreement, and any other written agreement delivered pursuant to or referred to in the Letter of Agreement or this amending agreement constitute the whole and entire agreement between the parties in respect of the subject matter contemplated by the Letter of Agreement, as amended hereby. There are no verbal agreements, undertakings or representations in connection with the subject matter contemplated by the Letter of Agreement, as amended hereby.
16. **Counterpart Execution.** This amending agreement may be executed in any number of counterparts and by different parties in separate counterparts, and by facsimile or electronic PDF counterparts, each of which when so executed shall be deemed to be an original and all of which taken together constitute one and the same instrument.



**[THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK]**

**EACH OF THE UNDERSIGNED** accepts this amending agreement and agrees to be bound by the terms and conditions hereof as of the date first set out above.

**BRANTFORD POWER INC.**

Per:



Name: Paul Kwasnik  
Title: President & CEO



Name: Brian D'Amboise  
Title: Corporate Secretary

I/We have authority to bind the Corporation

**ENERGY + INC.**

Per:



Name: Ian Miles  
Title: President & CEO

I/We have authority to bind the Corporation



Brantford Power Inc.  
84 Market Street Box 308  
Brantford, ON N3T 5N8

September 26, 2018

**Private and Confidential**

Mr. Ian Miles, President and CEO  
Energy+ Inc.  
1500 Bishop Street North  
Cambridge, ON N1R 5X6

**RE: AMENDMENT NO. 1 to LETTER OF AGREEMENT – Purchasing Complications**

Dear Ian,

As discussed September 25, Brantford Power Inc. (“BPI”) has experienced some complications in the procurement process, causing delays in the estimated Milestone Dates set forth in Amendment No. 1 to our Letter of Agreement dated November 2, 2017 (the “Amendment”). Under that Amendment, the milestone for “Award Tender” was September 27, 2018. Due to unexpected outcomes from the Tendering Process, BPI will not be able to award the tender on September 27, 2018 but is working diligently to determine an appropriate solution. As a result of these complications, all the Milestone Dates contained in the Amendment are subject to change.

BPI will connect in the near future regarding the remaining changes to the Milestone Dates however, the Amendment specifically stipulates the expectation for the Parties to sign a Joint Use Agreement by September 27<sup>th</sup>, 2018 (“or such other date that is mutually acceptable by both parties”). BPI anticipates a date of November 30<sup>th</sup>, 2018 may be a more attainable goal, subject to further delays.

Sincerely,

**Paul Kwasnik**

**Appendix – E-Staff-37**

**GA Analysis Workform Appendix A**

**Appendix A**  
**GA Methodology Description**  
**Questions on Accounts 1588 & 1589<sup>1</sup>**

1. Please complete the Table below for principal adjustments on the DVA Continuity Schedule for Account 1588:

**Reconciliation of Account 1588 - 2018**

	<b>Principal Adjustments</b>	<b>Was the amount a "Principal Adjustment" in the previous year? (Y/N)</b>
<b>Balance December 31, 2018</b>	(\$1,739,794)	
<b>Reversals of Principal Adjustments - previous year</b>		
1. Reversal of Cost of Power accrual from previous year		
2. Reversal of CT 1142 true-up from the previous year		
3. Unbilled to billed adjustment for previous year		
4. Reversal of RPP vs. Non-RPP allocation	\$640,180	Y
<b>Sub-Total Reversals from previous year (A):</b>	(\$1,099,614)	
<b>Principal Adjustments - current year</b>		
5. Cost of power accrual for 2018 vs Actual per IESO bill		
6. True-up of CT 1142 for 2018 consumption recorded in 2019 GL		
7. Unbilled accrued vs. billed for 2018 consumption		
8. True-up of RPP vs. Non-RPP allocation of CT 148 based on actual 2018 consumption		
9. Other	\$669,995	
<b>Sub-Total Principal Adjustments for 2018 consumption (B)</b>	\$669,995	
<b>Total Principal Adjustments shown for 2018 (A + B)</b>	\$1,310,175	
<b>Bal. For Disposition - 1588 (should match Total Claim column on DVA Continuity Schedule)</b>	(\$429,619)	

<sup>1</sup>In all references in the questions relating to amounts booked to accounts 1588 and 1589, amounts are not booked directly to accounts USoA 1588 and 1589 relating to power purchase transactions, but are rather booked to the cost of power USoA 4705 Power Purchased, and 4707, Charges – Global Adjustment, respectively. However, accounts 1588 and 1589 are impacted the same way as account 4705 and 4707 are for cost of power transactions.

2. In booking expense journal entries for Charge Type (CT) 1142 and CT 148 from the IESO invoice, please confirm which of the following approaches is used:
  - a. CT 1142 is booked into Account 1588. CT 148 is pro-rated based on RPP/non-RPP consumption and then booked into Account 1588 and 1589 respectively.
  - b. CT 148 is booked into Account 1589. The portion of CT 1142 equaling RPP minus HOEP for RPP consumption is booked into Account 1588. The portion of CT 1142 equaling GA RPP is credited into Account 1589.
  - c. If another approach is used, please explain in detail.
  - d. Was the approach described in response to the above questions used consistently for all years for which variances are proposed for disposition? If not, please discuss.

## **RESPONSE**

Energy+ confirms the use of approach a. in booking expense journal entries for Charge Type 1142 and Charge Type 148 from the IESO invoice. CT 1142 is booked into Account 1588 and CT 148 is pro-rated based on RPP/non-RPP consumption and then booked into Account 1588 and 1589 respectively.

3. Questions on CT 1142

- a. Please describe how the initial RPP related GA is determined for settlement forms submitted by day 4 after the month-end (resulting in CT 1142 on the IESO invoice).
- b. Please describe the process for truing up CT 1142 to actual RPP kWh, including which data is used for each TOU/Tier 1&2 prices, as well as the timing of the true up.
- c. Has CT 1142 been trued up for with the IESO for all of 2018?
- d. Which months from 2018 were trued up in 2019?
  - i. Were these true ups recorded in the 2018 or 2019 balance in the General Ledger?
- e. Have all of the 2018 related true-up been reflected in the applicant's DVA Continuity Schedule in this proceeding?

**RESPONSE**

- a. As a result of the revised Accounting Guidance for Commodity Accounts, Energy+ has identified changes to the RPP Settlement process that will be effective August 31, 2019.

With the previous process, Energy+ extracted the billed consumption from the statistical table in the CIS system and applied the billed customer RPP rates (TOU and Tier 1/Tier 2 pricing). In order to settle and report on the Global Adjustment for the month the energy was consumed, Energy+ pro-rated the billed consumption from the journal history statistics based on read dates. The actual GA rate was applied against any consumption where the actual rate is available, and the IESO 2<sup>nd</sup> estimate was applied to any consumption that fell in the current claim month.

With the revised process, the RPP consumption is estimated based on a total basis using meter data from the current month, and applied to the prior month's split of TOU, Tier 1 and Tier 2 consumption. The allocated amounts are then applied against the RPP TOU, Tier 1 and Tier 2 pricing. The revenue calculated will be settled against the estimated consumption applied to the IESO 2<sup>nd</sup> estimate GA rate.

- b. As a result of the revised Accounting Guidance for Commodity Accounts, Energy+ has identified changes to the RPP Settlement True-up process that will be effective August 31, 2019.

With the previous process, Energy+ submitted a monthly true up to the IESO for the prior month. Energy+ calculated the actual GA and Power charges by applying the corresponding actual rates against the consumption that was claimed at the 2<sup>nd</sup> Estimate rate in the previous submission.

With the revised process, the first true-up will be prepared in the month following the initial RPP settlement claim. The first true-up revises the rates from the initial settlement and utilizes the actual GA and Power rates. A second true-up will also be completed to correct the RPP consumption from the initial settlement and is prepared once the differences between estimated and actual RPP consumption is available. The actual RPP consumption is extracted from the CIS system.

- c. Yes, CT 1142 has been trued up for with the IESO for all of 2018.
- d. The months of October through December in 2018 were initially trued up in 2019. These amounts were recorded in 2019 in the General Ledger.
- e. Energy+ confirms that all the 2018 related true-ups been reflected in the DVA Continuity Schedule, as part of the Application.

Energy+ has analyzed the commodity and global adjustment variance account balances as part of its adoption of the new Accounting Guidance for Commodity Accounts. The variance account balances for 2018 were recalculated using the OEB's Illustrative Model. The differences have been presented as principal adjustments in the DVA Continuity Schedule since the correcting entry will be posted in 2019 in the General Ledger.

The table below summarizes the differences between the previous and revised process. The changes are attributable to utilizing actual months sales consumptions, instead of the billed consumption figures. The RPP/non-RPP split has also been updated based on actual months sales consumption.



	2018 Actual	2018 Revised	Difference
<b>Revenue</b>			
Commodity	(84,899,821)	(84,269,754)	630,067
Global Adjustment	(83,516,089)	(83,312,835)	203,254
<b>Expense</b>			
Commodity	83,838,326	83,878,254	39,928
Global Adjustment	82,173,988	81,966,193	(207,795)
<b>DVAs</b>			
Commodity	(1,061,495)	(391,500)	669,995
Global Adjustment	(1,342,101)	(1,346,642)	(4,541)

4. Questions on CT 148

- a. Please describe the process for the initial recording of CT 148 in the accounts (i.e. 1588 and 1589).
- b. Please describe the process for true up of the GA related cost to ensure that the amounts reflected in Account 1588 are related to RPP GA costs and amounts in 1589 are related to only non-RPP GA costs.
- c. What data is used to determine the non-RPP kWh volume that is multiplied with the actual GA per kWh rate (based on CT 148) for recording as the initial GA expense in Account 1589?
- d. Does the utility true up the initial recording of CT 148 in Accounts 1588 and 1589 based on estimated RPP/non-RPP consumption proportions to actuals based on actual RPP-non-RPP consumption proportions?
- e. Please indicate which months from 2018 were trued up in 2019 for CT 148 proportions between RPP and non-RPP
  - i. Were these true ups recorded in the 2018 or 2019 balance in the General Ledger?
- f. Are all true-ups for 2018 consumption reflected in the DVA Continuity Schedule?

**RESPONSE**

- a. Charge Type 148 is pro-rated based on RPP and Non-RPP consumption and booked into Account 1588 and 1589, respectively.

With the previous process, Energy+ determined the proration between RPP and Non-RPP customers based upon the percentage of the billed kWh for each customer type, as a percentage of the total billed kWh.

The revised process will use the estimate/actual kWh instead of billed kWh.

- b. Please refer to response 3 a) and b) above.
- c. With the previous process, the non-RPP kWh volume was determined from a monthly billing statistics report produced from the Customer Information System. The billing statistics report is available one day following the month-end.

The revised process will use smart meter data to estimate the non-RPP kWh volume.

- d. With the previous process, the initial recording of CT 148 in Accounts 1588 and 1589 were based on actual billed consumption proportions for RPP and non-RPP. Due to the lag from settling on billed consumption, the initial recording of CT 148 was inherently a true-up of prior months consumption.

With the revised process, the initial settlement will be based on estimated consumption and a true up will be prepared based on final consumption figures once available.

- e. The months of October through December in 2018 were trued up in 2019. These amounts were recorded in 2019 in the General Ledger.
- f. Energy+ confirms that at all true-ups for 2018 consumption are reflected in the DVA Continuity Schedule. Please see the response to 3e.

5. Questions regarding principal adjustments and reversals on the DVA Continuity Schedule:

Questions on Principal Adjustments - Accounts 1588 and 1589

- a. Did the applicant have principal adjustments in its 2019 rate proceeding which were approved for disposition?
- b. If yes, please provide a break-down of the total amount of principal adjustments that were approved (e.g. true-up of unbilled, true up of CT 1142, true up of CT 148 etc.) for each of Accounts 1588 and 1589.
- c. Has the applicant reversed the adjustment approved in 2019 rates in its current proposed amount for disposition?  
**NB:** only the principal adjustments amounts that were disposed in the previous proceeding should be reversed in this proceeding. For example, if no amount related to unbilled to billed adjustment for 2018 consumption was included in 2019 proceeding, this amount should not be included as a “reversal” from previous year.
- d. Please confirm that the allocation of charge type 148 has been trued up to actual proportion of RPP/non-RPP consumption in the GL.

**RESPONSE**

- a. Yes Energy+ had principle adjustments in its 2019 Cost of Service (EB-2018-0028) which were approved for disposition.
- b. The following tables summarize the amount of principal adjustments that were approved for disposition in Account 1588 and Account 1589 at December 31, 2017.

<b>DVA Continuity Schedule Adjustment (COP 1588)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>Total</b>
RPP / Non RPP allocation correction	(3,282,622)	(303,032)	(640,180)	(4,225,834)
<b>Total</b>	<b>(3,282,622)</b>	<b>(303,032)</b>	<b>(640,180)</b>	<b>(4,225,834)</b>
<b>DVA Continuity Schedule Adjustment (GA 1589)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>Total</b>
Remove 2015 year end unbilled to actual revenue difference	-	-	14,906	14,906
Add 2016 year end unbilled to actual revenue differences	-	-	(209,336)	(209,336)
IESO overbilling - Class A timing differences	-	-	(595,817)	(595,817)
RPP / Non RPP allocation correction	3,282,622	303,032	640,180	4,225,834
<b>Total</b>	<b>3,282,622</b>	<b>303,032</b>	<b>(150,067)</b>	<b>3,435,587</b>

- c. Energy+ has reversed the 2017 RPP/non-RPP allocation correction of \$640,180 which was approved in 2019 related to Accounts 1588 and 1589. This was a

correcting entry posted in 2018. The other adjustments were correcting entries posted in 2017 related to prior periods and are not reversed in 2018.

- d. Energy+ has adjusted the allocation of charge type 148 to true-up the actual proportion of RPP/non-RPP as a principal adjustment in the DVA Continuity Schedule. The correcting entry will be posted to the General Ledger in 2019. Please see response to question 3e.