



November 22, 2022

Ms. Nancy Marconi
Ontario Energy Board
PO Box 2319, 27th Floor
2300 Yonge St.
Toronto, ON M4P1E4

Dear Ms. Marconi:

**Re: Essex Powerlines Corporation (“Essex”)
Request to Defer Rebasing to January 1, 2025**

On December 1, 2021, the Ontario Energy Board (“**OEB**”) issued a letter to all electricity distributors inviting interested distributors to request deferral of up to three years of their rebasing if they consider it appropriate in their particular circumstances. On January 26, 2022, Essex sent a letter to the OEB requesting to defer the filing of its Cost of Service Application for eight months to April 30, 2023 for electricity distribution rates to be effective January 1, 2024. The OEB approved this request on March 9, 2022 (“**Initial Deferral**”).

For the reasons that follow, Essex is now requesting a further deferral to file its Cost of Service Application to April 30, 2024 for electricity distribution rates to be effective January 1, 2025 (“**Additional Deferral**”). The Initial Deferral and Additional Deferral only total one year and eight months combined and is therefore within the maximum deferral of three years set out in the OEB’s December 1, 2021 letter.

1. Unique Circumstances that Give Rise to this Additional Deferral Request

On March 30, 2022, shortly after the OEB approved Essex’s Initial Deferral request, the Independent Electricity System Operator and OEB announced they would be working with Essex on a market pilot to tap into local energy supplies in Leamington (“**Market Pilot**”).¹ The Market Pilot will implement a near real-time, local electricity market for Essex customers who can supply electricity or reduce electricity use on demand to support system reliability. The Market Pilot will help address constraints on the local distribution network and aligns with the key strategic goals outlined in Minister of Energy’s Letter of Direction dated October 21, 2022.

Essex expects that the Market Pilot will have a material impact on aspects of its rebasing application, including: (i) the distribution system plan; (ii) business plan informing the rate application; and (iii) the requested rate relief. The Market Pilot was only recently launched. However, Essex does not have sufficient time to complete the necessary analysis to account for the impacts the Market Pilot will have on the rebasing application. Essex requires additional time to gather data and analysis from the Market Pilot to inform the content of its rebasing application.

¹ <https://www.ieso.ca/Corporate-IESO/Media/News-Releases/2022/03/Local-Electricity-Market-Pilot-Coming-to-Essex-County>

2. The OEB should grant the Additional Deferral

Essex acknowledges that the OEB’s December 1, 2021 letter states that submission of deferral requests were due no later than January 28, 2022 and distributors would generally have one opportunity to request a deferral.

However, as noted in Section 1 above Essex’s circumstances are unique. Essex did not know that it was selected for the Market Pilot prior to requesting the Initial Deferral. In addition, the Additional Deferral is reasonable, especially since Essex is making this request nearly five months before the filing of its Cost of Service Application is due. Had Essex known about the status of the Market Pilot at the time of the Initial Deferral, it would have requested more time to file its rebasing application.

As set out further below, Essex meets both the financial and non-financial performance requirements for a deferral request.

a. Return on Equity

The OEB allows a distributor to earn within +/- 300 basis points of the expected rate of Return on Equity (“**ROE**”). When a distributor performs outside of this range, the actual performance may trigger a regulatory review of the distributor’s revenues and cost structure by the OEB. Essex’s allowed If Essex was to submit a COS application for 2023 rates the allowed Return of Quity (Deemed ROE) would be reset at 9.36% pursuant to the OEB’s 2023 Cost of Capital Parameters letter issued October 20, 2022. Therefore, Essex’s current Deemed ROE is 9.0%

Essex has consistently achieved a regulatory ROE within the +/- 300 basis point deadband and is again expected to be within this range when 2022 results are finalized.

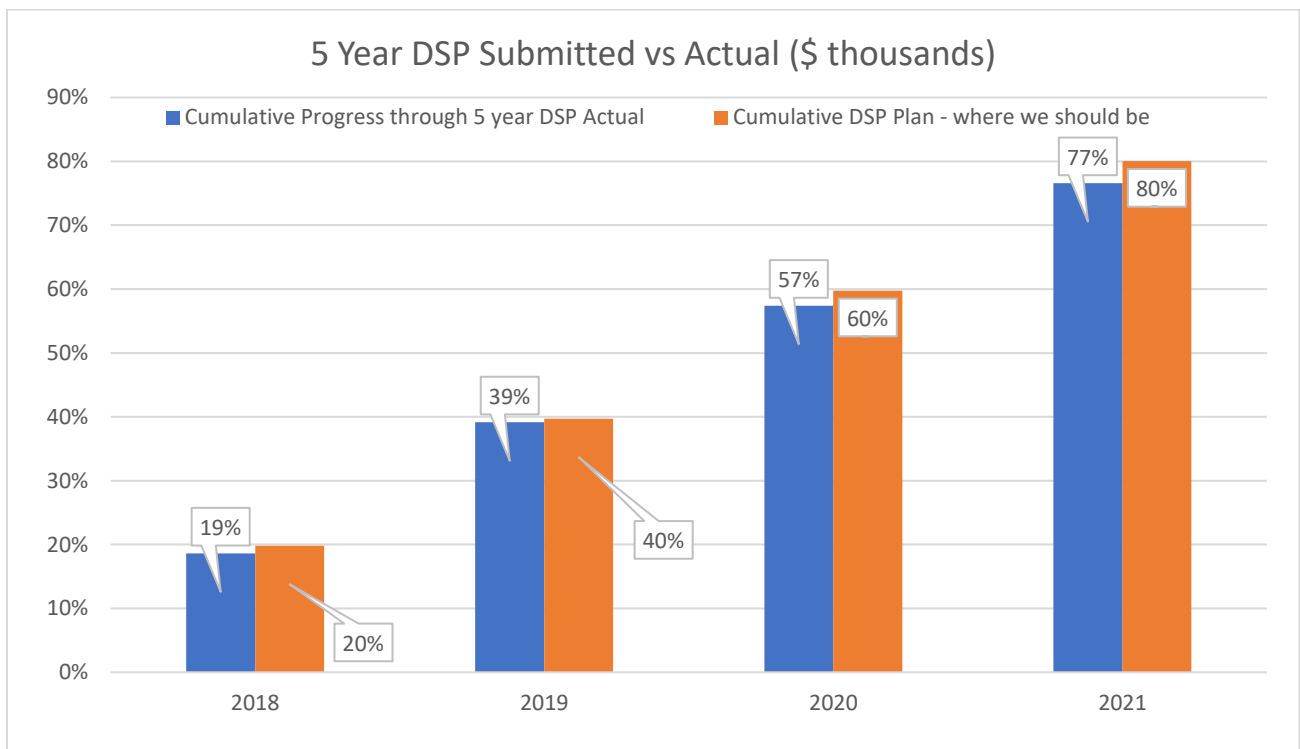
	2020 (audited)	2021 (audited)	2022 (projected)
Deemed ROE	9.00%	9.00%	9.00%
Actual ROE	6.14%	6.79%	7.20%
Difference	(2.86%)	(2.21%)	(1.80%)

b. Recent Capital Expenditures

Essex measures the progress of its DSP implementation as a ratio of actual total capital expenditures and system O&M over the total amount of planned capital expenditures and system O&M for the five-year DSP forecast. The 2021 measure indicates that Essex has completed 77% of its planned projected spend and is on target to complete its five-year plan.

Distribution System Plan Progress: Percentage of 5-Year DSP Completion

		2018	2019	2020	2021
2.1.19 e	Measurement: Percentage of DSP Completion (Dollars Spent)				
2.1.19 e	DSP Plan	\$9,250	\$9,301	\$9,384	\$9,483
	DSP Actual	\$8,692	\$9,597	\$8,535	\$8,970
2.1.19 e	% Complete Cumulative (Exhibit 2 DSP Target Table 4 -17 DSP)	94%	98.6%	96.0%	95.7%
2.1.19 e	Percentage of 5-Year DSP Completion (\$47,021)				
	Cumulative Progress through 5 year DSP Actual	19%	39%	57%	77%
	Cumulative DSP Plan - where we should be	20%	40%	60%	80%
	Percent under (+)/over (-)	1%	1%	2%	3%



c. Non-Financial Performance

Essex has consistently maintained a strong scorecard by meeting all service quality indicators (“SQIs”), reliability standards (SAIDI & SAIFI), public and employee safety and financial performance. Essex Powerlines has attached a copy of its 2021 Scorecard and Management Discussion and Analysis, setting out its performance matrix for the five years 2017 to 2021.

For the reasons stated above Essex respectfully requests that the OEB approve its request for the Additional Deferral and permit it to apply for rates under the Price Cap IR framework for rates effective January 1, 2025.

Regards,

A handwritten signature in black ink, appearing to be 'JB', with a stylized flourish at the end.

Joe Barile, Essex Powerlines Corporation