

BY E-MAIL

July 10, 2024

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Marconi:

**Re: Essex Powerlines Corporation (Essex Powerlines)
Application for 2025 Distribution Rates
Ontario Energy Board File Number: EB-2024-0022/EB-2024-0096**

In accordance with Procedural Order No. 1, please find attached OEB staff's interrogatories in the above noted proceeding. Essex Powerlines and all intervenors have been copied on this filing.

Essex Powerlines' responses to interrogatories are due by July 30, 2024. Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Yours truly,

Amber Goher
Advisor – Electricity Distribution Rates

Attach.

OEB Staff Interrogatories
2025 Electricity Distribution Rates Application
Essex Powerlines Corporation (Essex Powerlines)
EB-2024-0022/EB-2024-0096
July 10, 2024

*Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Exhibit 1 – Administration

1-Staff-1

Updated Revenue Requirement Work Form (RRWF) and Models

Upon completing all interrogatories from Ontario Energy Board (OEB) staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. Entries for changes and adjustments should be included in the middle column on Sheet 3 Data_Input_Sheet. Sheets 10 (Load Forecast), 11 (Cost Allocation), and 13 (Rate Design) should be updated, as necessary. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 14 Tracking Sheet and may also be included on other sheets in the RRWF to assist understanding of changes.

In addition, please file an updated set of models that reflects the interrogatory responses. Please ensure the models used are the latest available models on the OEB's 2025 Electricity Distributor Rate Applications webpage.

1-Staff-2

Letters of Comment

Following publication of the Notice of Application, the OEB received six letters of comment. Section 23.03 of the OEB's Rules of Practice and Procedure states that "Before the record of a proceeding is closed, the applicant in the proceeding must address the issues raised in letters of comment by way of a document filed in the proceeding." If the applicant has not received a copy of the letters or comments, they may be accessed from the public record for this proceeding.

Please file a response to the matters raised in the letters of comment referenced above. Please also ensure that responses to any matters raised in subsequent comments or letter are filed in this proceeding. All responses must be filed before the argument (submission) phase of this proceeding.

1-Staff-3

Customer Engagement

Ref 1: Exhibit 1, page 55-56

Ref 2: Exhibit 1, page 11

Ref 3: Distribution System Plan pages 15-16, 36-37, 53

Preamble:

In reference 1, Essex Powerlines states,

“The survey was conducted between November 2023 and ended early December 2023, engaging 1,874 residential and 21 general service (under 50 kW) customers. The online survey was designed to gather customer interests and use the results to support EPLC’s business planning and be incorporated in its 2025-2029 Distribution System Plan”

In reference 2, Essex Powerlines states that it completed its 2024 and 2025 business plan and 2024 budget in November 2023 and these plans were approved in December 2023.

In reference 3, Essex Powerlines states that respondents indicated a preference for investing in infrastructure and/or technology to better help withstand the impacts of adverse weather including reducing the number of outages during extreme weather events (Hardening). Respondents also indicated a preference for reducing the length of time to restore power during extreme weather events (Resiliency). Essex Powerlines stated that it has, and will continue to design and invest in, storm hardening measures (i.e. physical improvements that can make utility infrastructure more resistant to weather).

Question(s):

- a) Please explain how the customer engagement results specifically influenced the business plan given it had been approved prior to the survey results being available. Describe any changes made to the business plan as a result of customer feedback.
- b) Please explain how customer preferences have been taken into account when planning specifically for improved reliability?
- c) Were customers informed of specific investments planned for the 2025-2029 period?

- d) Were customers informed of the Powershare pilot project through these customer engagement surveys? Did Essex Powerlines conduct any specific customer engagement for the Powershare pilot project?
- e) Please detail what distribution system hardening activities are being undertaken in the DSP forecast period to address this customer preference?

1-Staff-4

Productivity

Question(s):

- a) Please discuss if Essex Powerlines has implemented any specific productivity initiatives over the 2019-2023 period to improve cost efficiency. If productivity initiatives have been implemented, please provide details of these initiatives as well as associated cost savings (for both capital and OM&A).
- b) Has Essex Powerlines planned any specific productivity initiatives for the 2024 and 2025 forecast period?

1-Staff-5

DSO Activities

Ref 1: Exhibit 1, Business Plan, page 6

Ref 2: OEB Innovation Sandbox Guidance DSO Pilot Project

Preamble:

In reference 1, Essex Powerlines states,

“A new category, called DSO Activities, highlights the additional costs to incorporate EPLC’s transition to a Distribution System Operator (DSO). It is important to note that monetizing this transition is still in the investigation stage. Even though the OEB has provided direction that these costs fall under distribution activities and can be captured in rates, the debate as to who the beneficiary is and who should ultimately pay is not fully understood.”

Question(s):

- a) Please clarify the OEB direction from reference 1 and if it is referring to the OEB Innovation Sandbox Guidance for Essex Powerlines Corporation containing the OEB’s staff view on the Powershare DSO Pilot Project (reference 2).

1-Staff-6

DSO Activities

Ref 1: Exhibit 2, Distribution System Plan, page 74

Ref 2: Undertaking Response JT1.5, Appendix B, GIF Contribution Agreement, page 13

**Ref 3: Distribution System Plan – Appendix A: Material Investment Narratives
pages 90-99**

Preamble:

In reference 1, Essex Powerlines states,

“To achieve a fully functional DSO, prudent system investments need to be made for a successful transition. These investments are necessary for grid modernization and to meet customer expectations of a reliable and affordable grid, but also have the added benefit of helping achieve DSO readiness. These projects are incorporated in EPLC’s distribution system plan under the system service category and are relevant for EPLC’s everyday operations.”

Question(s):

- a) Please clarify which specific system investments (with reference to relevant material investment narratives) this statement applies to.
- b) Which, if any, of these system investments are funded in full or in part by Essex Powerlines total contribution to the Powershare DSO pilot project (the \$1,148,598.10 quoted in reference 2)?
- c) Is the IESO contributing 50% towards these system investments as part of the Grid Innovation Fund (GIF) Contribution Agreement for the Powershare DSO pilot project?
- d) If Essex Powerlines does not proceed with the DSO pilot project, will it still undertake these grid modernization investments? If yes, how will these investments be impacted, if GIF funds are no longer available to make those investments?
- e) Are the system investments being made solely to advance the DSO pilot?
 - a. If so, are they necessary to i) meet an identifiable, forecasted system need in the near term, or ii) to inform whether the technologies being piloted can be adopted to meet a future system need, when such a system need materializes in the future? Please explain.
- f) For the PowerShare DSO pilot project (material investment narrative 5.34), what are the specific capital assets covered by the 2025 – 2029 forecast year expenditures, and why does project spending extend beyond the Pilot Project’s end date of March 31, 2026?

1-Staff-7

Activity and Program-based benchmarking

Ref 1: Exhibit 1, 1.6.7, page 69-73

Ref 2: Benchmarking Update Calculations (xlsx) [APB Unit Cost Calculations: 2023 Results \(xlsx\) - 27 March 2023](#)

Preamble:

In reference 1, Table 1-21 to 1-27 provides a summary of the Activity and Program Benchmarking unit cost results. Based on the year-over year calculations, OEB staff would like to inquire about the observed trends.

Question(s):

- a) In reference to Table 1-21: Billing O&M per Customer Benchmarking, please provide an explanation of the factors that led to the 13% increase in 2022 compared to 2021 and the 14% increase in 2020 compared to 2019.
- b) In reference to Table 1-22: Metering O&M per Customer Benchmarking, please explain:
 - i. The factors that led to 16% increase in metering O&M per customer unit cost observed in 2022.
 - ii. The current backlog in Metering O&M, and how is it impacting operational efficiency and customer service delivery?
- c) In reference to, Table 1-23: Vegetation Management O&M Benchmarking, please explain:
 - i. Why the vegetation O&M unit cost is above the industry average. Are there any specific cost categories (labor, material, trucking, other expenses) that tend to be significant drivers of this higher cost?
 - ii. What factors led to the increase of 14% in 2022 compared to 2021?
 - iii. While Table 1-23 values were updated from Cost (\$1000) to Unit Cost (\$/pole), the column name within the table has not been updated to reflect this change. Please update the column name to accurately reflect the unit cost values.
- d) In reference to Table 1-24: Lines O&M Benchmarking, OEB staff noticed that the values that were provided as lines O&M cost instead of Unit Cost (\$/Circuit km of Primary Line). Please provide the unit cost for this metric in the table below.

Distributor	Table 1-24: Lines O&M Benchmarking				
	Lines O&M Cost (\$/Circuit km of Primary Line)				
	2019	2020	2021	2022	Average
Essex Powerlines Corporation					

- e) In lieu of the unit cost metrics, OEB staff has conducted a year-over-year analysis using the Benchmarking Update Calculations (xlsx) and APB Unit Cost Calculations: 2023 Results (xlsx) - 27 March 2023 (Reference 2). Please provide

details on the specific factors that led to the 45% increase in Lines O&M costs in 2022 compared to 2021.

- f) In reference to Table 1-25: Poles, Towers O&M Benchmarking, please explain the 166% increase in Poles, Towers O&M costs from 2018 to 2019, and the 196% increase from 2021 to 2022. What challenges or factors contributed to these significant increases, and what measures are in place to mitigate such fluctuations in the future?
- g) In reference to Table 1-25: Poles, Towers O&M Benchmarking, please elaborate on the factors that contributed to the 9% increase in Lines O&M costs from 2020 to 2021? Additionally, please provide a detailed explanation for the 45% increase in Lines O&M costs observed in 2022 compared to 2021.
- h) While Table 1-25 values were updated from Cost (\$1000) to Unit Cost (\$/Pole), the column name within the table has not been updated to reflect this change. Please update the column name to accurately reflect the unit cost values.
- i) In reference to Table 1-26: Poles Capex Unit Cost Benchmarking, what specific factors contributed to the significant increases in poles and towers CAPEX, with a 49% rise from 2019 to 2020 and a 28% rise from 2021 to 2022.
- j) In reference to Table 1-27, what specific factors contributed to the increases in Line Transformer CAPEX, with rises of 26% from 2018 to 2019, 23% from 2020 to 2021, and 57% from 2021 to 2022? Please provide details on major projects, market conditions, or strategic decisions that drove these increases, particularly focusing on the costs of labor, materials, and expenses incurred in the maintenance and upgrade of overhead and underground distribution line transformers, as well as pole-type and underground voltage regulators owned by the utility.

Exhibit 2 – Rate Base

2-Staff-8

2024 Bridge Year Actual

Ref 1: Appendix 2-AA and Appendix 2-AB

Question(s):

- (a) Please update capital expenditures for 2024 bridge year in Appendix 2-AA format and Appendix 2-AB format (and update other related tabs in Chapter 2 Appendices accordingly) for the latest actuals. Please specify for which months actual data has been used and which months are forecast data.

2-Staff-9

5.2.1 Distribution System Plan Overview

Ref 1: Distribution System Plan pages 2, 14 and 81

Ref 2: Exhibit 4, page 28

Preamble:

Essex Powerlines states that to achieve the objectives of its five-year plan it will continue to expand Control Room collaborative work with similar, like-minded utilities. This includes collaborative work with other local distribution companies to realize synergies and cost efficiencies for projects such as the expansion of control room operations. In 2021, Essex Powerlines indicated that its Control Room was not yet operating at 24 hours/day.

In reference 2, Essex Powerlines states,

“EPLC was not able to achieve desired results with the third-party and had to reassess the value of continuing to invest without achieving expected outcomes.”

OEB staff notes the increased costs associated with Essex Powerlines decision to discontinue the original third-party control room work and evaluate other options.

Question(s):

- a) Is the Essex Powerlines Control Room currently operating 24 hours/day?
- b) What specific collaborative work has been achieved with other utilities and their control rooms, and what is planned for over the forecast period?
- c) How has this work affected historical and forecast control room operating and maintenance (O&M) cost?
- d) Please explain what desired results Essex Powerlines was unable to achieve with the third-party as stated in reference 2.
- e) Please explain what other options were evaluated and how Essex Powerlines determined that partnering with Welland Hydro was the most cost effective option as stated in reference 2.

2-Staff-10

5.2.1 Distribution System Plan Overview

Ref 1: Distribution System Plan pages 2, 14

Preamble:

In reference 1, Essex Powerlines states that it will continue to drive costs down with the implementation of modern management techniques and other process improvements

Question(s):

- a) What specific costs have been driven down over the historical 2018 – 2023 period through the use of modern management techniques and other process improvements?

- b) What specific costs are expected to be driven down over the forecast period through the use of modern management techniques and other process improvements?

2-Staff-11

5.2.1.2 Capital Investment Highlights

Ref 1: Distribution System Plan pages 10, 76, 78-80

Ref 2: Essex Powerlines_Chapter2Appendices_COS_20240517

Question(s):

- a) DSP Tables 5.2-1, 5.4-1, 5.4-3, 5.4-4, and 5.4-5 O&M figures for 2018, 2019 and 2020 differ from App. 2-AB table for 2018, 2019 and 2020 O&M. Please reconcile and update evidence as necessary.

2-Staff-12

5.2.4 Performance Measurement for Continuous Improvement

Ref 1: Distribution System Plan pages 23-37

Preamble:

Essex Powerlines has provided historical performance information for the 2018 – 2022 period. 2023 SAIDI and SAIFI numbers are considerably higher than targets and recent historical performance.

Question(s):

- a) Please provide 2023 performance information for all tables and charts in DSP section 5.2.4 Performance Measurement for Continuous Improvement that are not included in Appendix 2-G.
- b) Please explain the cause of 2023 SAIDI and SAIFI performance higher than target.
- c) Please provide 2018 – 2023 SAIDI and SAIFI performance for each of the four non-contiguous regions in the Essex Powerlines service area.

2-Staff-13

5.2.4 Performance Measurement for Continuous Improvement

Ref 1: Distribution System Plan page 37

Preamble:

Essex Powerlines states that Asset performance is measured by the annual number of cable failures and annual number of switchgear failures.

Question(s):

- a) Please provide these figures for the 2018 – 2023 historical period.

2-Staff-14

5.3 Asset Management Process

Ref 1: Distribution System Plan page 39

Preamble:

Essex Powerlines has identified seven business objectives for prioritizing investments. The seven business objectives have been assigned relative weights for the purpose of prioritizing investments.

Question(s):

- a) Please indicate how the weights were calculated and assigned by Essex Powerlines.

2-Staff-15

5.3 Asset Management Process

Ref 1: Distribution System Plan page 39

Preamble:

In reference 1, Essex Powerlines states that starting in 2019, its SmartMAP tool is capable of detecting the presence of EV's by identifying the charge characteristics associated with an individual residential meter.

Question(s):

- a) Please provide the 2019 – 2023 number of EVs detected by the SmartMAP tool in each of the four non-contiguous regions in the Essex Powerlines service area.

2-Staff-16

5.3.2 Overview of Assets Managed

Ref 1: Distribution System Plan page 47-48

Question(s):

- a) Please update DSP Tables 5.3-2, 5.3-3, 5.3-4 with 2023 data.

2-Staff-17

5.3.2 Overview of Assets Managed

Ref 1: Distribution System Plan page 53

Preamble:

Essex Powerlines states that between 2024 and 2025, Essex Powerlines expects to add 18MW of night load and about 3 to 4 MW of baseload due to increased production of greenhouses and manufacturing within the Leamington and Amherstburg service areas.

Question(s):

- a) Have these figures been incorporated into Essex Powerlines' load forecasts for consumption and demand provided in Exhibit 3?
- b) What is the projected day/night demand on the existing distribution feeders that supply these areas?

2-Staff-18

Asset Condition Assessment

Ref 1: Distribution System Plan page 54-57

Ref 2: Appendix B: 2023 Asset Condition Assessment (ACA) Report

Preamble:

The October 2023 Asset Condition Assessment Report by BBA provided a number of recommendations for data improvement to aid in assessing the health index of assets.

Question(s):

- a) For the recommendations provided, please advise of Essex Powerlines' acceptance or rejection of the individual recommendations and the time frame in which Essex Powerlines would institute the recommended practices.

2-Staff-19

Table 5.4-4: Variance Explanations - 2019 Planned Versus Actuals

Ref 1: Distribution System Plan page 79

Preamble:

Table 5.4-4 O&M Variance explanation states that Essex Powerlines saw an improvement in their SAIDI and SAIFI, therefore lowered maintenance, and operating costs.

Question(s):

- a) Please elaborate on the nature of lowered maintenance and operating costs (i.e., reduction in overtime costs, etc.?).

2-Staff-20

System O&M Costs

Ref 1: Distribution System Plan page 102

Preamble:

Average 2018-2023 O&M was \$2.5M. 2024 O&M costs are estimated to be \$2.8M. This represents a 13% increase in cost. 2025 O&M costs are forecast to be \$3.2M. This

represents a 13% increase in costs over 2024 O&M and a 28% increase in costs over 2018 – 2023 historical average.

Question(s):

- a) Please explain the increase in 2025 O&M costs over 2013-2018 historical average and 2024 projected O&M.

2-Staff-21

Forecast System Access Expenditures

Ref 1: Distribution System Plan pages 82-86, 98-99

Ref 2: Distribution System Plan – Appendix A: Material Investment Narratives pages 35-49

Preamble:

Essex Powerlines has provided forecast System Access expenditures based on known investments and historical trends.

Question(s):

- a) Please provide the number of general service projects completed in each of the four non-contiguous regions in the Essex Powerlines service area for each year of the 2018 – 2023 historical period.
- b) Please provide the number of Municipal Request projects in each of the four non-contiguous regions in the Essex Powerlines service area for each year of the 2018 – 2023 historical period.
- c) Please provide the number of Residential Connections for each year of the 2018 – 2023 historical period.
- d) Please provide the number of Subdivision units for each year of the 2018 – 2023 historical period.

2-Staff-22

Forecast System Renewal Expenditures

Ref 1: Distribution System Plan pages 86-88, 99-100

Ref 2: Distribution System Plan – Appendix A: Material Investment Narratives pages 50-

Preamble:

Essex Powerlines has provided forecast System Renewal expenditures based on needs identified from annual inspection data, the latest Asset Condition Assessment and customer servicing requirements. Essex Powerlines states that it plans to replace approximately an average of 60 poles a year as part of its 2025-2029 Pole Replacement program.

Question(s):

- a) Does the TEC Clarice OH rebuild and the LEA Bowman OH rebuild remove all rear-lot infrastructure?
- b) Pole replacement costs are not consistent over the 2025-2029 forecast period. Please provide the number of poles to be replaced in each of the 2025-2029 forecast years for the Pole Replacement program.

2-Staff-23

Forecast System Service Investments

Ref 1: Distribution System Plan pages 12, 68, 89, 92, 105, 109

Ref 2: Distribution System Plan – Appendix A: Material Investment Narratives pages 73-75

Preamble:

Essex Powerlines states that a new program is being put in place over the 2025 – 2029 forecast period for Network upgrades from 100A to 200A to facilitate the increase in EV chargers and other devices being installed at residential locations. Essex Powerlines references Ontario Energy Board (OEB) Bulletin issued on August 24, 2023, on Residential Customer Connections, Service Upgrades, and newly constructed homes as a driver for this program. Essex Powerlines is expecting to upgrade approximately 8 combined overhead and underground infrastructure per year from 100A to 200A over the forecast period. Essex Powerlines states that this investment is considered to be of low priority and is a proactive upgrade. The August 24, 2023 OEB Bulletin states that it is “...not intended to suggest distributors should proactively upgrade transformers across their service areas to accommodate a 200-amp service capacity for all residential customers.”

Question(s):

- a) What are the distribution system components affected by the 200A upgrade (i.e., distribution transformers, service conductors, other components)?
- b) Has Essex Powerlines standardized on 200A infrastructure going forward for new residential customer connection requests?
- c) As proactive infrastructure upgrades are not supported by the OEB August 24, 2023 bulletin, please provide the business case or cost benefit analysis Essex Powerlines used to support these expenditures.

2-Staff-24

Forecast System Service Investments

Ref 1: Distribution System Plan pages 12, 18, 34, 68, 79-80, 89, 92

Ref 2: Distribution System Plan – Appendix A: Material Investment Narratives pages 65-72

Preamble:

Essex Powerlines states that it has planned for asset purchases and asset transfers from HONI. This includes three feeder sections in Amherstburg and two feeder sections in Leamington. Planned asset purchases from HONI in 2019, 2020, 2021, 2022 and 2023 did not occur as HONI did not sell assets that Essex Powerlines desired to purchase.

Question(s):

- a) As HONI has not sold assets to Essex Powerlines in the historical period, what assurances are there that HONI will sell assets to Essex Powerlines in the 2025 Test Year and other forecast years?

2-Staff-25

Forecast System Service Investments

Ref 1: Distribution System Plan page 92

Ref 2: Distribution System Plan – Appendix A: Material Investment Narratives page 78-79

Preamble:

Essex Powerlines states that the AMI 2.0 project is expected to put downward pressure on O&M costs.

Question(s):

- a) Please provide an estimate of reduction in O&M costs for each of the 2027 – 2029 forecast years.
- b) Have the reductions in O&M costs been factored into the 2027-2029 forecast O&M costs?
- c) Why are metering 2024 Bridge Year costs much higher than historical and forecast costs?

2-Staff-26

Forecast System Service Investments

Ref 1: Distribution System Plan – Appendix A: Material Investment Narratives pages 76-85 (Metering Replacement)

Preamble:

Essex Powerlines describes its forecast AMI 2.0 upgrade starting in 2027, and notes that it plans to file an ICM application with the OEB during the forecast period once it has completed the RFP and options analysis process.

Question(s):

- a) Please clarify which aspects of the Metering Replacement project are included within the costs over the rebasing term to be funded through base rates (Table 3 on pg. 79), and which aspects are proposed to be funded through the ICM.

2-Staff-27

Forecast System Service Investments

Ref 1: Distribution System Plan page 93

Preamble:

Essex Powerlines states in reference 1 that the Switchgear/cubicle upgrades program will replace live-front switchgear units that have failed or are at the end of their service life due failure risk.

Question(s):

- a) Why is this program in the System Service category and not the System Renewal category?

2-Staff-28

Forecast General Plant Investments

Ref 1: Distribution System Plan pages 11- 12

Ref 2: Distribution System Plan – Appendix A: Material Investment Narratives pages 2-8

Ref 3: Exhibit 4, page 37

Preamble:

Essex Powerlines plans to implement building and office furniture investments in the 2025 Test Year and the forecast period. Essex Powerlines' third-party building assessment is to begin in 2025. Specific investments for the 2025 Test Year include HVAC replacement and roof rehabilitation. In reference 2, Essex Powerlines states that it has replaced one of its HVAC units in 2023 and has sought quotes for additional HVAC unit replacements with similar year/model for the 2025 year. Further, Essex Powerlines had a third-party assessment performed on its roof in 2022 that has informed its rehabilitation. The remaining proposed 2025 Test Year spend is undetermined at the present time and will be an outcome of the 2025 assessment inspection.

In reference 3, Essex Powerlines has budgeted \$805k in the 2024 Bridge Year related to general building expenses under OM&A. Essex Powerlines further states that 2023 actuals were \$140k higher than 2022 actual due to roofing repairs. It expects a full roof recovering is necessary for 2025.

Question(s):

- a) As this program is considered low priority as stated in reference 1 and the 2025 building Asset Condition Assessment is still to be done, what constitutes the substance of the \$330,000 capital spend in 2025?
- b) Please explain how much of the OM&A spend stated in reference 3 is budgeted for this roof recovering in 2025 and what are these estimates based on?
- c) Why is the roof recovering planned and budgeted for prior to obtaining the results of the inspection?

- d) When is the full inspection planned for in 2024? Why was this inspection not conducted in 2023 given the deficiencies found in the roofing earlier?

2-Staff-29

Forecast General Plant Investments

Ref 1: Distribution System Plan pages 93

**Ref 2: Distribution System Plan – Appendix A: Material Investment Narratives
page 9-20**

Preamble:

Per Table 5.4-13 in reference 1, Essex Powerlines plans to invest \$0.6M in IT hardware investments and \$1.0M in IT software investments in the 2025 Test Year. Both hardware and software investments are considerably higher than similar investments in the 2026-2029 forecast years as shown in reference 2. Essex Powerlines states that it replaced its servers and SANs in 2024.

Question(s):

- a) What are the specific hardware investments planned for 2025?

2-Staff-30

Forecast General Plant Investments

**Ref 1: Distribution System Plan – Appendix A: Material Investment Narratives
page 21-26**

Preamble:

In reference 1, OEB staff notes that Essex Powerlines has spent an annual average of \$49k on tools over the 2018-2023 historical period. Essex Powerlines projects it will spend \$100k on tools in each of 2024 and 2025. This represents over 100% increase annually in tool costs compared to the historical period. Essex Powerlines states that purchases for tools are completed on an as needed basis and that historical spending has been impacted by supply chain issues and budget reallocations to higher priority projects.

Question(s):

- a) Please provide a list of tools that Essex Powerlines proposes to purchase in 2024.
b) Actual tool expenditures have been provided for the 2018-2023 historical period.
Please provide the planned tool expenditure for the 2018-2023 historical period.

2-Staff-31

Forecast General Plant Investments

Ref 1: Distribution System Plan pages 95

**Ref 2: Distribution System Plan – Appendix A: Material Investment Narratives
page 10**

Preamble:

Essex Powerlines states that it is planning to replace multiple fleet vehicles that will be at the end of their useful life and in poor condition over the forecast period. Vehicle assessment for replacement is based on a number of factors including vehicle age, mileage, engine and PTO hours, maintenance and inspection analysis, use case requirement, and changing regulations. Essex Powerlines has provided a fleet listing of their vehicles. Vehicles #77, #80 and #10 are being replaced in the 2025 Test Year.

Question(s):

- (a) Did the 2021-2023 maintenance costs, and any 2024 maintenance costs not listed, for vehicles #77, #80 and #10 provide any useful life extension beyond 2024?
- (b) Please provide the most recent documented replacement assessments for vehicles #77, #80 and #10.
- (c) What are the individual estimated replacement costs for vehicles #77, #80 and #10?

2-Staff-32

Software Capital and OM&A

**Ref 1: Distribution System Plan – Appendix A: Material Investment Narratives
page 10**

Ref 2: Exhibit 4, page 19

Preamble:

OEB staff notes that Essex Powerlines has included software related costs in both capital and OM&A in the forecast period.

Question(s):

- a) Please complete the following table on spending between on premise and cloud software investments.

		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
On Premise											
	Capex	\$									
	OM&A	\$									
SaaS											
	Capex	\$									
	OM&A	\$									

Exhibit 3 – Operating Revenue

3-Staff-33

Electric Heating

Ref 1: Exhibit 3, Attachment 3-A, page 41-42

Preamble:

Essex Powerlines expects a customer to install new electric heating equipment with incremental peak load of 2,000 kW. It has assumed that it will result in 1800 kW billing demand in a normal January (the coldest month of the year). For other months, it has assumed that the billing demand in other months would be proportionate to the ratio of HDD in that month relative to January.

A Load Factor of 21.1% is used to estimate energy use throughout the year, which is equal to the proportion of HDD which occur in January. The customer is forecasted to complete the conversion in Fall 2025. Annual consumption is multiplied by the share of HDD in September to December.

Question(s):

- a) Is Essex Powerlines able to obtain any estimates of energy use and demand directly from the customer or does Essex Powerlines have access to any sources for expected energy use of similar equipment installed elsewhere?
- b) What is the basis for scaling load with HDD in the month, as opposed to the equipment potentially cycling output on a much shorter duration such as minutes or hours?
- c) The forecast is used to underpin rates for 2025-2029. Please explain why only load from September to December would be included.
- d) Why was proportion of HDD in January used as the annual load factor?

3-Staff-34

Electric Heating

Ref 1: Exhibit 3, Attachment 3-A, pp. 39-41

Preamble:

Essex Powerlines forecasts that 0.5% of existing customers in the residential and GS<50 classes will convert from natural gas to electricity heating each year and that 15% of new customers will have electric heating.

Question(s):

- a) Please describe the basis for these estimates for electrification of heating within these customer classes. Does Essex Powerlines have any data on actual uptake to date of full or partial electrification of space heating among its new and existing customers?
- b) Were these estimates informed in any way by discussion or sharing of information with Enbridge Gas Distribution regarding their forecasting assumptions around electrification of heating? If so, please describe.

3-Staff-35

Electric Heating

Ref 1: Exhibit 3, Attachment 3-A, page 39, Table 48

Preamble:

Essex Powerlines forecasts additional loads from electric heating.

Question(s):

- a) Essex Powerlines' estimate of kWh per customer (Table 48) associated with electric heating appears to assume the same level of end use energy efficiency in the natural gas heating equipment and the electric equipment that replaces it. Assuming that the source of (new) electric heating is most likely an electric heat pump, why did Essex Powerlines not account for the much higher end use efficiency of an electric heat pump in this calculation?

3-Staff-36

Conservation and Demand Management Adjustments

Ref 1: EPLC_Loadforecastmodel_COS_20240501, "Historic CDM" tab

Preamble:

Essex Powerlines makes an adjustment to its load forecast to account for the historical impact of conservation and demand management (CDM) program activity.

Question(s):

- a) The CDM savings in the file EPLC_Loadforecastmodel_COS_20240501, "Historic CDM" tab, cells D118:D122, do not appear to reference the correct source data from the "CDM Framework" tab. If confirmed, please correct and update the "Historic CDM" tab and any propagating impacts on the load forecast calculations as necessary.
- b) EPLC_Loadforecastmodel_COS_20240501, "Historic CDM" tab, column P notes the data sources used for information on historical CDM program savings. Did the data sources used for CDM program savings for program activity years 2011-2019 ("2011-2014 Final Results Report_EPLC" and "Participation and Cost Report - Essex Powerlines Corporation 2019 04") provide sufficient information for Essex Powerlines to calculate persistence of savings from these programs through 2025, or did Essex Powerlines need to make any assumptions regarding persistence of these CDM savings? If the latter, please describe.
- c) Please confirm that the approach used by Essex Powerlines to estimate persistence of CDM savings from the IESO's 2021-2024 CDM Framework (EPLC_Loadforecastmodel_COS_20240501, "Historic CDM" tab, rows 118-131) is based on an average of persistence assumptions for CDM program savings from earlier program years (using the data sources described in the

previous question), rather than a persistence assumption specific to the 2021-2024 CDM Framework.

- d) If confirmed, is this because, to Essex Powerlines' knowledge, information on persistence assumptions specific to CDM savings from the 2021-2024 CDM Framework is not available?

3-Staff-37

Electric Vehicle Load

Ref 1: Exhibit 3, Attachment 3-A, pp. 35-39

Preamble:

Essex Powerlines forecasts the cumulative amount of electric vehicles that will be added to its service territory, and their forecast electricity consumption.

Question(s):

- a) Please confirm that the data on number of new electric vehicles, by type (used in Table 40) and Canada's zero-emission vehicle sales target of 20% by 2030 (used in Table 42) exclude hybrid or plug-in hybrid vehicles that would run partially on gasoline and partially on electricity.
- b) If not confirmed, please provide details, and explain why the estimates of electricity consumption per vehicle used in Table 44 are appropriate (as these estimates appear to assume that 100% of vehicle kilometres travelled would be using electricity).
- c) Why does Essex Powerlines use Essex's share of the total Ontario population (0.77%) as the point estimate for Essex's share of new electric vehicles in 2026, as opposed to using Essex's actual share of new electric vehicles in 2023 (0.55%) or an average based on the historical data shown in Table 40?

3-Staff-38

Conservation and Demand Management Adjustments

Ref 1: Exhibit 3, page 20, Table 3-13

Ref 2: Exhibit 3, Attachment 3-A, pp. 42-43

Ref 3: EPLC_Loadforecastmodel_COS_20240501, "CDM Framework" tab

Preamble:

Essex Powerlines makes an adjustment to its load forecast to account for the expected impact of conservation and demand management (CDM) programs in the 2021-2024 CDM Framework and expected 2025 CDM program activity.

Question(s):

- a) Please describe the basis for Essex Powerlines' estimate that the share of savings from the IESO's targeted greenhouse program within Essex Powerlines' service territory will be 1% of the overall savings from this program; e.g., does the 1% estimate correspond to Essex Powerlines' share of a related activity variable for the greenhouse sector, such as floor space or electricity load?
- b) Please describe how, if at all, the 1% estimate takes into account the large customer greenhouse expansions in Essex Powerlines' service territory described in Attachment 3-A, pp. 42-43.
- c) The in-year energy savings for 2021-2025 CDM program activity within Essex Powerlines' service territory (calculated in "CDM Framework" tab, cells L14:P14, and the cumulative savings with ½ year adjustment in cells L28:P28 of the same tab), appear to exclude savings from the Energy Affordability Program. Please confirm that savings from the Energy Affordability Program should be included in these totals, and, if confirmed, identify whether this correction has any impact on Essex Powerlines' proposed CDM adjustment for the test year or its consideration of CDM impacts in the historical load forecast data (OEB staff believe there is likely no impact). If there is an impact, please update Essex Powerlines' evidence as appropriate.

Exhibit 4 – Operating Costs

4-Staff-39

Unionized labour

Ref 1: Exhibit 4, page 43

Preamble:

Essex Powerlines states,

"Costs and Models in this application have not been updated to reflect any anticipated new contractual obligations; EPLC has continued with the above noted 2% increase at this time. The most recent round of negotiations is currently underway and at such time as negotiations are successfully concluded, EPLC will update all affected schedules to reflect those new increase amounts. It is expected that this will be completed during the interrogatory or draft rate order phase of the Application process."

Question(s):

- a) Please provide an update on the bargaining process and update the evidence as necessary.

4-Staff-40

Regulatory Costs

Ref 1: Exhibit 4, page 60

Preamble:

Essex Powerlines states,

“EPLC’s cost associated with the creation of this Cost of Service application which is currently estimated at \$557,830. This cost includes legal, consulting, administrative, and intervenor costs. Consulting costs include costs for customer engagement (Innovative Research \$22.5k), DSP (Metsco \$100k) and third-party application support and review (Elenchus \$60k). EPLC also included \$300k in incremental costs associated to other resources required to generate the required information in support of this Application.”

Question(s):

- a) Please explain any assumptions used to forecast the \$557,830 one-time regulatory cost for the 2025 cost of service proceeding (e.g., how many intervenors, written vs oral hearing, etc.).
- b) Please explain what is included in the \$300k incremental costs.

4-Staff-41

Compensation

Ref 1: Exhibit 4, page 43

Ref 2: Exhibit 4, page 42

Preamble:

In reference 1, Essex Powerlines states that it has been participating in the MEARIE salary survey since 2011.

Essex Powerlines further states,

“In 2020, EPLC also engaged Marjorie Richards & Associates Ltd. to complete a third-party review and development of Job Description and Job Evaluation of each management and non-union position, against the Hay Point methodology. The Job Evaluations resulting from this engagement were used to ensure alignment between job requirements and EPLC’s compensation structure and pay bands.”

In reference 2, Essex Powerlines states,

“There is an increase of \$257,300 in 2022 Actual versus 2021 Actual results. This is the result of the outcomes of the job evaluation process that was undertaken in 2020 and the associated alignment of pay structures and pay bands with job requirements as reviewed using the Hay point methodology and in alignment with the MEARIE Survey results.”

Question(s):

- a) Please explain how Essex Powerlines compared to the industry average as demonstrated by the MEARIE survey and review by Majorie Richards & Associates Ltd.
- b) What changes were made to the executive compensation as a result of the MEARIE survey and review by Marjorie Richards & Associates Ltd.
- c) What was the percentage increase in compensation attributed to the Hay Point methodology and MEARIE survey in 2022 in reference 2?

4-Staff-42

FTEs

Ref 1: Exhibit 4, page 53

Ref 2: Exhibit 4, page 50

Ref 3: Chapter 2 Appendices, Tab 2K

Preamble:

In reference 1, Essex Powerlines states,

"In 2024 EPLC is also adding a full-time Control Room position as planned in the re-establishment of full control room services in collaboration with Welland Hydro. This position will support the EPLC control room initiative from a day-to-day operations perspective and be supported through collaborative undertaking."

In reference 2, Essex Powerlines states,

"Beginning in 2024 and fully included in the 2025 Test Year, EPLC has included four new positions that reflect a re-alignment of previous positions and were not considered in EB-2017-0039. These new positions are enablers for EPLC to adapt to the evolving needs in the areas of technology adoption and advancements in cyber threats, while maintaining the appropriate focus on customer relations and support."

OEB staff notes that the 4 new positions listed by Essex Powerlines are Director of Customer Experience, IT Cybersecurity Analyst, Distribution System Engineer, and Purchasing Manager.

In reference 3, total FTEs have increased by 4 in 2025 and 2 in 2024.

Question(s):

- a) Please clarify which position listed in reference 2 was hired in 2024.
- b) Please explain the 2 new FTEs in 2024.
- c) What is Essex Powerlines historical churn rate with respect to FTE positions?

4-Staff-43

Shared Services and Corporate Cost Allocation

Ref 1: Exhibit 4, page 58

Ref 2: [Affiliate Relationship Code](#)

Preamble:

In reference 1, Essex Powerlines has the following table for the 2025 Test Year:

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To				
				\$	\$
EPLC	Municipalities of Tecumseh, Amherstberg	Water billing & collection	Flat monthly service charge	\$329,600	
EEC	EPLC	Engineering support services	Hourly rate		\$302,870
EEC	EPLC	IT Development Services	Hourly rate		\$41,229
EPLC	EEC	Streetlight Maintenance, MSP	Fully allocated cost	\$142,539	
EPC	EPLC	HR Services, Finance Services, Executive Services, Board Costs	Fully allocated cost		\$1,421,985
UC	EPLC	Wholesale Settlement Services, Meter Reading Services	Negotiated contract with market tested rates		\$398,417

As per reference 2,

“Where a reasonably competitive market does not exist for a service, product, resource or use of asset that a utility sells to an affiliate, the utility shall charge no less than its fully-allocated cost to provide that service, product, resource or use of asset. The fully-allocated cost shall include a return on the utility’s invested capital. The return on invested capital shall be no less than the utility’s approved weighted average cost of capital.”

Question(s):

- Please clarify on what basis Essex Powerlines determined that cost-based pricing in accordance with the Affiliate Relationship Code applies to the services listed in reference 1 where fully allocated costs are not used.

- b) Please confirm that fully allocated costs as listed in the table from reference 1 are inclusive of a return on the utility's invested capital no less than the utility's approved weighted average cost of capital.

4-Staff-44

Cable Locates

Ref 1: Exhibit 4, page 25

Preamble:

In reference 1, Essex Powerlines has budgeted \$325k for the Cable Locates program in 2024 and \$564k in 2025.

Question(s):

- a) Please explain the reason for the material increase between the Bridge and Test Years.

4-Staff-45

Meter Operations

Ref 1: Exhibit 4, page 27

Preamble:

Essex Powerlines states,

"There is an increase in Meter Operations in the 2025 Test Year, as EPLC's AMI 1.0 meter population is now approaching end of life and the second round of seal reverifications will be necessary beginning in 2025. The cost for that activity plus ongoing and increasing meter failures due to age are the contributing factors to this increase."

Question(s):

- a) Please explain how much has been budgeted for reactionary work in 2025 for this program. Explain any assumptions used to develop the forecast for 2025.
- b) How much of the \$175k budgeted for 2024 is related to meter failures? Please explain all assumptions used.

4-Staff-46

Customer Collections

Ref 1: Exhibit 4, page 37

Preamble:

In reference 1, Essex Powerlines states,

“There is an increase of \$221,280 in the 2025 Test Year when compared to the 2024 Bridge Year. This is the result of increased spending on collection efforts and disconnection activities as we work closely alongside customers as we manage costs between collection efforts and bad debt expenses.”

Question(s):

- a) Please elaborate on the collection efforts that are forecasted in the 2025 Test Year and resulted in a material increase over 2024. Please state all assumptions that were included in the forecast.

4-Staff-47

Audit, Legal & Consulting

Ref 1: Exhibit 4, page 39

Preamble:

Essex Powerlines has included additional legal costs related to Powershare and how to incorporate appropriate new distribution models into planning within the Audit, Legal and Consulting OM&A program category. The 2024 budget is \$442k and 2025 budget is \$249k.

Question(s):

- a) Please explain how much of the budget in 2024 and 2025 is attributed to legal costs associated with Powershare? Please provide a breakdown of these costs and explain any assumptions included in the forecast.
- b) Please confirm if the IESO is contributing 50% to the legal costs related to Powershare through the Grid Innovation Fund. If so, are the above noted costs in question (a) net of the IESO's Grid Innovation Fund?
- c) How much of these costs does Essex Powerlines expect to incur annually between 2026-2029?

4-Staff-48

FTEs

Ref 1: Exhibit 4, page 53

Preamble:

In reference 1 Essex Powerlines states,

“Specifically, EPLC hired 2 additional Design Technicians and they were employed for all of 2023 in anticipation of 2 upcoming retirements. There was an extended period of overlap to permit adequate training for the role, especially

considering that the 2 existing long-term staff were expected to retire at approximately the same time early in 2024.”

Question(s):

- a) Please explain why the costs have not normalized in 2024 given the 2 retirements compared to 2023.

4-Staff-49

Inflationary increase

Ref 1: Exhibit 4, page 16, Table 4-4

Preamble:

In reference 1, Essex Powerlines shows the year over year increase in total OM&A expenses. In 2025, Essex Powerlines has assumed inflation for budgeting purposes of 2%.

Question(s):

- a) Please provide an annual inflation estimate for total OM&A expenses using the 2018 actual OM&A as the base and escalating each year thereafter using the adjusted inflation value (OEB inflation less stretch factor).
- b) Please provide an annual inflation estimate for total OM&A expenses using the 2018 OEB-approved OM&A as the base and escalating each year thereafter using the adjusted inflation value (OEB inflation less stretch factor).

4-Staff-50

Chapter 2 Appendices

Ref 1: Chapter 2 Appendices, Tab 2-JA

Preamble:

OEB staff has noted an error in reference 1. The cells U18 and V18 should reference F25 and G25 respectively.

Question(s):

- a) Please reconcile the error and file an updated model.

4-Staff-51

OPEBs

Ref 1: Filing Requirements For Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications, Chapter 2, Cost of Services, p31

Preamble:

Chapter 2 of 2024 Filing Requirements notes that:

A breakdown of the pension and OPEBs amounts included in OM&A and capital must be provided for in the last OEB-approved rebasing application, and for historical, bridge and test years. The most recent actuarial report(s) must be included in the pre-filed evidence and be reconciled with the pension and OPEBs amounts (as applicable).

OEB staff notes that the above evidence can not be found.

Question(s):

- a) Please provide the following schedules as noted in reference 1.
 - I. A breakdown of the Pension & OPEBs amounts between capital and OM&A from the last OEB-approved to the Test Year, year-by-year.
 - II. A reconciliation of the 2023 actuarial report with the Pension & OPEBs amounts.

Exhibit 5 – Cost of Capital

5-Staff-52

Return on Equity

Ref 1: Exhibit 5, 5.2.7 Historical ROE, page 6

Preamble:

Essex Powerlines' achieved Return on Equity (ROE) in 2023 is 4.50% and deemed ROE is 9%. OEB staff notes that achieved ROE is 300 basis points below the deemed.

Question(s):

- a) Please explain the reason for the achieved ROE being 300 basis points below deemed in 2023.

5-Staff-53

Cost of Capital

Ref 1: EB-2024-0063, Notice, March 6, 2024

Ref 2: EB-2024-0063, OEB Letter, April 22, 2024

Preamble:

On March 6, 2024, the OEB commenced a hearing (EB-2024-0063) on its own motion to consider the methodology for determining the values of the cost of capital parameters and deemed capital structure to be used to set rates for electricity transmitters, electricity distributors, natural gas utilities, and Ontario Power Generation Inc. The methodology for determining the OEB's prescribed interest rates and matters related to

the OEB's Cloud Computing Deferral Account will also be considered, including what type of interest rate, if any, should apply to this deferral account.

On April 22, 2024, the OEB approved the final Issues List for this proceeding, including the following two issues, amongst other issues:

18. How should any changes in the cost of capital parameters and/or capital structure of a utility be implemented (e.g., on a one-time basis upon rebasing or gradually over a rate term)?
19. Should changes in the cost of capital parameters and/or capital structure arising out of this proceeding (if any) be implemented for utilities that are in the middle of an approved rate term, and if so, how?

Question(s):

- a) Please confirm that the applicant proposes to implement the outcomes from the OEB's generic cost of capital proceeding, including what the OEB decides with respect to implementation. If this is not the case, please explain.

Exhibit 6 – Revenue Requirement and Revenue Deficiency or Sufficiency

6-Staff-54

Tax Return

Ref: Exhibit 6, page 8

Preamble:

Essex Powerlines states that:

“EPLC has not filed its 2023 Corporate Income Tax Return with the Canada Revenue Agency (CRA); as a result, the information included in the 2023 Historical year in the Income/Tax/PILs model could potentially change. Once EPLC has filed its 2023 statutory corporate income tax return with the CRA, then EPLC will use the information from its T2 return to update the 2023 projection, and it will make any updates to the 2024 Bridge Year and the 2025 Test Year Income Tax/PILs model as required and incorporate those changes in an update to the rate application during the Interrogatory phase should that prove necessary.”

Question(s):

- a) Please provide the 2023 T2 return if available and update the relevant evidence as necessary.

6-Staff-55

PILS

Ref 1: Exhibit 6, pages 9-10

Ref 2: Essex Powerlines' PILs model

Ref 3: [Letter - Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance \(oeb.ca\)](#)

Preamble:

Essex Powerlines has estimated the impact the accelerated program will have on PILs throughout the planned cost of service cycle from 2025–2029 and derived the adjustment to smooth the impact of CCA in the 2025 Test Year, as summarized in Tables 6-7.

OEB staff notes that Essex Powerlines adjusted its 2025 PILs upward by \$529,738 which is derived from the table below.

Table 6-7: CCA Smoothing Adjustment

	2025	2026	2027
Unaccelerated CCA	\$ 7,383,579	7,542,855	7,427,927
Accelerated CCA	6,209,745	6,495,020	6,514,093
additional CCA to	1,173,834	1,047,835	913,834
5 year average	644,096		
Adjustment to smooth the CCA impact	529,738		

OEB staff notes that the CCA calculated in 2025 PILs model (Tab 8 Sch 8 CCA Test) is \$7,124,792 using the OEB's PILs model which is based on the phased out effect of the CCA for 2025. This amount does not equal to any of the amounts for 2025 in the table above.

The OEB issued a letter in 2019 while establishing the sub-account CCA changes under Account 1592. The letter states that:

Under the Accounting Procedures Handbook, electricity distributors and transmitters are to record the impact of any differences that result from a legislative or regulatory change to the tax rates or rules assumed in the OEB Tax Model that is used to determine the tax amount that underpins rates.

The letter also states that:

The OEB expects Utilities, including those whose applications are currently before the OEB, to reflect any impacts arising from CCA rule changes in their cost-based applications for 2020 rates and beyond. The OEB recognizes that there may be timing differences that could lead to volatility in tax deductions over

the rate-setting term. The OEB may consider a smoothing mechanism to address this.

OEB staff compiles a table summarizing the differences in the CCA tax rules that are embedded in rates and the CCA tax rules to be applied by utilities for the rate term of 2025 to 2029:

OEB staff Table 1: CCA Tax Rules Differences for the Rate Term 2025 - 2029

	2025	2026	2027	2028	2029
CCA Tax rules embedded in rates	Accelerated CCA (Twice of the legacy rule for the additions)				
Actual CCA tax rules to be applied by Utilities in Tax filings	Accelerated CCA (Twice of the legacy rule for the additions) Accelerated CCA			Legacy half-year rule	Legacy half-year rule

Question(s):

- a) Please explain the following for Table 6-7:
 - i. How does Essex Powerlines calculate the numbers in the row of "Unaccelerated CCA" for 2025 to 2027?
 - ii. How does Essex Powerlines calculate the numbers in the row of "Accelerated CCA" for 2025 to 2027?
 - iii. Why the numbers in the row of "Accelerated CCA" are less than the numbers in the row of "Unaccelerated CCA"?
 - iv. Please explain how the five-year average of \$644,096 is calculated.
- b) Please confirm that Essex Powerlines has reflected the AIIP rule in the test year's CCA calculation in the PILs model. Please update the evidence and PILs model if not confirmed.
- c) Based on the OEB staff Table 1 above, please confirm that there will be no differences with respect to the CCA tax rules between the CCAs that is embedded in rates and the actual CCAs to be claimed by Essex for the years of 2025 to 2027 and the tax rule differences are in the years of 2028 and 2029.
- d) Based on the OEB staff Table 1 above, please confirm that the tax rule differences in 2028 and 2029 would result in a collection from customers because Essex Powerlines would deduct less CCAs using the legacy half-year

rule in 2028 and 2029's tax filings as compared to the accelerated CCA rule that is embedded in the rates of this rate term.

- e) Based on the above understanding, please recalculate the smoothing adjustment for the rate term of 2025 to 2029 showing no differences in the years of 2025 to 2027 and differences in 2028 and 2029. Please provide the detailed calculations for the CCAs which are used in deriving the adjustment.
- f) Please also confirm that Essex Powerlines' proposal is to adjusting the Test Year's PILs by smoothing the PILs impact in its rate term and discontinue the use of Account 1592 sub-account CCA changes.

Exhibit 7 – Cost Allocation

7-Staff-56

Weighting Factors

Ref 1: Exhibit 7, Page 5

Preamble:

Explanations are provided to support the relative the approximate weighting factors but are not at a level of detail sufficient to determine the appropriate weightings.

Question(s):

- a) Please provide a detailed derivation of the Billing and Collecting weighting factors used.
- b) Please confirm that each sentinel light is billed as a separate customer.
- c) Please advise if sentinel lights are billed separately from other services, or if they are included as a line item on separate bills, and how this is reflected in the weighting factor used.

7-Staff-57

Primary / Secondary Breakout

Ref 1: Exhibit 7, Page 7

Preamble:

Essex Powerlines indicates that assets were broken out into primary and secondary distribution functions using current information on the distribution system.

Question(s):

- a) Please describe the methodology for breaking assets out into primary and secondary distribution functions. For example, if a project replaced a pole line with both primary and secondary conductors, please describe the methodology to

track primary costs and secondary costs with respect to the poles, fixtures, conductors, and labour.

7-Staff-58

Meter Reading

Ref 1: Cost Allocation Model, sheet I6.2 Customer Data, sheet I7.2 Meter Reading

Preamble:

The meter reading table includes 353,451 meter reading events for Residential. This is consistent with the 353,451 annual residential bills (29,454 customers * 12 bills per year each). The meter reading table indicates 2,098 meter reading events for GS < 50, 235 meter reading events for GS > 50, and 4 meter reading events for Large Use. These match the number of customers in each of those classes, not the number of annual bills.

Question(s):

- a) Please revise the cost allocation model so that the meter reading tab consistently reflects either the number of customers, or the number of bills for all classes. If Essex Powerlines believes this is not appropriate, please explain why.

Exhibit 8 – Rate Design

8-Staff-59

Z Factor

Ref 1: Exhibit 8, page 19

Preamble:

Essex Powerlines states,

“Essex Powerlines has planned and implemented several strategies for mitigating the potential impact of extreme and severe weather events such as proactive vegetation management, disaster recovery planning and emergency response preparedness, however it could not have foreseen, planned or budgeted for the storm experienced on February 23.”

Question(s):

- a) Has Essex Powerlines taken any steps since the February 2023 storm to improve its risk assessment and risk management in light of increasing extreme weather events? If so, please describe.

- b) Please provide Essex Powerlines annual budgeted and actual amounts for capital expenditures and OM&A related to emergency response which are included in base distribution rates for the period 2018 to date.

8-Staff-60

RTSRs

Ref 1: RTSR Workform

Question(s):

- a) Please confirm which historic year of RRR data has been used.
- b) Please confirm which year of wholesale purchase volumes have been used.

8-Staff-61

Low Voltage Charges

Ref 1: Exhibit 8, pages 9-10

Ref 2: RTSR Workform, sheet 9. LV Rates

Preamble:

The evidence in Exhibit 8 details how the LV expense is apportioned to rate classes and used to derive rates. It does not appear to explain how the LV charge of \$1,767,704 is derived. The RTSR Workform appears to have escalated the 2023 volumes and 2023 charges by 2% each year to 2025.

Question(s):

- a) Please provide the rationale for the 2% annual increase on volumes.
- b) As a scenario, please calculate, and provide the derivation of the LV charge that would result if the 2024 host rates were used.

Exhibit 9 – Deferral and Variance Accounts

9-Staff-62

Ref 1: EB-2017-0039, Decision and Order

Preamble:

In reference 1, the OEB directs “Essex Powerlines to report to the OEB’s Audit & Investigation group when the audit reports’ remaining recommendations are complete. The OEB expects the report to be filed within one year, by August 31, 2019. In addition, Essex Powerlines is directed to file this report with its next rate setting application.”

Reference 1 further notes that rate setting application refers to Price Cap IR or Custom IR and exclude IRM application.

Questions(s):

- a) Please provide the report referred to in reference 1.

9-Staff-63

DVA Continuity Schedule

Ref 1: 2024 DVA Continuity Schedule, Tab 2a, Cells C60, BW26, BW28 & BV28

Preamble:

References Cell C60 states that “RRR balance for Account 1580 RSVA - Wholesale Market Service Charge should equal to the control account as reported in the RRR. This would include the balance for Account 1580, Variance WMS – Sub-account CBR Class B.”

OEB staff notes that the control account 1580 in the continuity schedule excludes balances in CBR Class A and CBR Class B. The control account in RRR includes the balances of the two sub-accounts. Therefore, in the variance column, it is expected to see a variance in cell BW26 equaling the RRR balance of 1580 Sub-account CBR Class B in cell BV28.

Question(s):

- a) Please explain why the variance in Cell BW26 is not equal to the RRR balance in Cell BV28.
 - a. Please revise the schedules or the RRR filing (2.1.7) as needed. If not, please explain.

9-Staff-64

DVA

Ref 1: [Prescribed interest rates | Ontario Energy Board \(oeb.ca\)](https://www.oeb.ca/prescribed-interest-rates)

Preamble:

The OEB has recently published its prescribed interest rate for deferral and variance account balances for Q3 2024 of 5.20%.

Question(s):

- a) Please update the DVA schedules accordingly using the updated prescribed interest rate.

9-Staff-65**Ref 1: Exhibit 9, pages 15-16****Ref 2: Filing Requirements For Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications, December 15, 2022, page 65****Ref 3: Accounting Guidance on Wireline Pole Attachment Charges, July 20, 2018, page 3**

Preamble:

Essex Powerlines is requesting the disposition of Account 1508 – Pole Attachment Revenue Variance (credit balance of \$685,105) and to continue using this account as appropriate, depending on the outcome of any OEB review initiatives.

Section 2.9.1.7 of the Filing Requirements states that distributors are to provide a table showing the calculation of the account balance, showing at a minimum, the annual balance broken down customer type, if applicable and:

- the number of poles used in the calculation.
- the pole attachment charge incorporated in rates.
- the updated charge.

Pole Attachment Revenue Variance Accounting Guidance states that “once an LDC has had the new pole attachment charge incorporated in a cost-based rate application, the variance account will no longer be required and must be closed after disposition of the last of the amounts that have been tracked.”

Question(s):

- a) Please provide the information as noted in the Section 2.9.1.7 of the Filing Requirement to support the Account 1508 – Pole Attachment Revenue variance balances requested in this application for disposition.
- b) Please explain what Essex Powerlines means by “to continue using this account as appropriate, depending on the outcome of any OEB review initiatives,” in light of the Pole Attachment Charges Accounting Guidance.

9-Staff-66**Ref 1: Exhibit 9, pages 16-17****Ref 2: Regulatory Treatment of Impacts Arising from the COVID-19 Emergency, EB-2022-0133, June 17, 2021, page 20****Ref 3: 2024 DVA Continuity Schedule, Tab 2b, Cells AT110 (2022 transactions), BD110 (2023 transactions)**

Preamble:

Essex Powerlines is requesting the disposition of account: Account 1509 – Impacts Arising from COVID-19 with a debit balance of \$108,194. which represents waived late payment charges plus interest.

Section 4.2.2 of the COVID-19 Guidance states that the Exceptional Pool of costs will be eligible for recoveries up to 100% provided they are prudently incurred and material, and subject to an ROE plus 300 bps limitation, as outlined in the Staff Proposal.

Question(s):

- a) Please provide evidence to demonstrate how Essex Powerlines meets the requirements as noted in Sec 4.2.2. of the COVID-19 Guidance, given that the waived late payment falls under the Exceptional Pool of costs.
- b) Please provide Essex Powerlines' thought of closing this account given the 2022 transactions (Cell AT110: credit balance of \$148) and 2023 transactions (Cell BD110: credit balance of \$3) are negligible. If not, please explain.

9-Staff-67

Ref 1: Exhibit 9, pp. 18-19

Ref 2: Filing Requirements For Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications, December 15, 2022, pp.63-64

Preamble:

Essex Powerlines is requesting the disposition of account: Account 1592 – PILS and Tax Variances (credit balance of \$1,698,140).

Section 2.9.1.5 of the Filing Requirements states that distributors are to provide calculations for accelerated CCA differences per year, based on actual capital additions. These calculations should include:

- The undepreciated capital cost (UCC) continuity schedules for each year, itemized by CCA class.
- The calculated PILs/tax differences.
- The grossed-up PILs/tax differences,
- Any other applicable information.
- Confirmation that Account 1592 amounts related to ICM/ACM have been included in the account, if applicable.
- A reconciliation of these amounts to the amounts presented in the Account 1592 sub-account for CCA changes in the DVA continuity schedule.

Question(s):

- a) Please provide the information as noted in Section 2.9.1.5 of the Filing Requirement to support the Account 1592 – PILS and Tax Variances requested in this application for disposition.

9-Staff-68

Ref 1: Exhibit 9, pp.17-18

Ref 2: EB-2017-0039, Decision and Order, page 113

Ref 3: The Accounting Procedures Handbook, FAQs, March 2025

Preamble:

Essex Powerlines requested the disposition of a debit balance of \$147,817 in Account 1576, Accounting Changes under CGAAP. Essex Powerlines states that: In EPLC's 2018 Cost of Service rate application, \$3,217,101 was approved for disposal based on actual and forecast costs to May 31, 2018.

The Q&A of the Accounting Procedures Handbook FAQs dated March 15 provides the guidance on the journal entries that should be used to implement the disposition of Account 1575 IFRS-CGAAP Transitional PP&E Amounts and Account 1576 CGAAP Accounting Changes. The FAQ states that:

The account balance plus the rate of return is disposed through a separate rate rider, distinct from any other rate rider that may be approved to implement the combined disposition of the remaining Group 1 and Group 2 accounts. As indicated in the July 2012 FAQs, the approved disposition of the account balance for both Account 1575 and Account 1576 would be reflected as an offset to depreciation expense over the approved amortization period.

The journal entry shows that the disposition of the rate riders refunded is debited in USoA 4080 distribution revenues and credited in USoA 1100 Customer Accounts Receivable.

Question(s):

- a) Please confirm that the balance of \$147,817 represents that the total refunding of Account 1576 rate riders using the actual volumes is greater than the approved refunding of Account 1576 rate riders using the actual and forecast volumes.
- b) Please confirm that Essex Powerlines has recorded the accounting entries while disposing the account 1576 balance and refunding to the customers for the Account 1576 rate riders in accordance with the APH FAQs dated March 2015.
- c) Based on the March 2015 FAQs, there is no true-up of the Account 1576 rate riders because the rate riders are recorded in Account 4080 rather than Account

1595. Please provide Essex Powerlines thought of writing off the balance of \$147,817 in this application.