

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, Schedule B, amended (the “OEB Act”);

AND IN THE MATTER OF an Application by Essex Powerlines Corporation (Essex or EPLC) under section 78 of the OEB Act to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of January 1, 2025.

INTERROGATORIES

ON BEHALF OF THE

SCHOOL ENERGY COALITION

1-SEC-1

[Ex. 1, p. 23] Essex is currently negotiating a new union contract and has used a 2% annual increase as a placeholder.

- a. Please provide an update on the negotiations.
- b. What are Essex’s intentions with respect to adjusting the placeholder should the contract be finalized during this proceeding?

1-SEC-2

[Ex. 1] Please provide copies of all benchmarking studies, reports, and analyses that Essex has undertaken or participated in since the filing of its last rebasing application, that are not already included in the Application.

1-SEC-3

[Ex. 1, Attachment 1-A EPLC 2024-2025 Business Plan and Appendix 2-AB] Essex has provided a copy of its Business Plan, which was approved by its Board on December 6, 2023.

- a. Page 5 of the Business Plan states that “spending for 2023 and 2024 has been planned to match pace with the previous DSP”. Please explain this statement given that the average Capex from 2018 to 2022 was \$5,547k and the Capex in 2023 was \$7,679k and forecasted to be \$9,308k in 2024 in 2-AB.
- b. Please explain the differences between the capital numbers shown in the Business Plan and those shown in 2-AB for 2022 to 2024.

- c. Were the increases in capital from the plan to the Application for 2024 approved by the Board? If so, please provide copies of any related documents.
- d. What 2025 budget was presented to the Board? Please provide copies of any documents where the Cost of Service application budget was discussed and/or approved by the Board.
- e. Please provide any other materials provided to Essex's Board of Directors regarding its approval of the Application and the underlying budgets.

1-SEC-4

[Ex. 1] Please provide details of all productivity and efficiency measures Essex has undertaken over the last five years and any it plans to undertake in the test year and subsequent four years. Please quantify the forecasted savings and explain how they were calculated.

1-SEC-5

[Ex. 1, Scorecard] Please file on the record Essex's preliminary scorecard for 2023.

1-SEC-6

[Ex. 1, Table 1-12]

- a. The bill impacts shown for 'Distribution Bill Impact %' do not agree with the Bill Impact spreadsheet Tab 6. Please provide the correct numbers.
- b. Tab 4 of the Bill Impact spreadsheet has incorrect designations (e.g. Sub-total A or B for the Group 2 DVA accounts). Please confirm that the correct sub-total is specified for all Rate Riders and update impacts as required.

1-SEC-7

[Ex. 1, Tables 1-19, 1-20 and 1-23]

- a. Please explain the high Total Cost (\$) per Km of Line in 2018 and 2019 and the drop in 2020 in Table 1-20 and reconcile with Table 1-19.
- b. Please provide a further explanation about why Essex's Vegetation Management O&M costs are so much higher than its peers.

1-SEC-8

[Ex. 1, Figure 1-2] Please confirm that all positions shown are in the regulated company. If not, please provide which company each position is a part of.

1-SEC-9

[Ex. 1, p. 56] How has Essex engaged its customers in the GS > 50 kW class? Specifically what changes, if any, were made to the 2025 budget as a result of customer engagement.

1-SEC-10

[Ex. 1, p. 65] Essex states that it is committed to maintaining its current efficiency ranking of Cohort 1, yet forecasts moving to Cohort 2 because of this Application. Please explain how Essex determined that it would accept moving to Cohort 2.

1-SEC-11

[Ex. 1, p. 58] Does Essex have a corporate scorecard or similar document used by its Board of Directors to monitor and measure performance? If so, please provide a copy of each annual document from 2018.

2-SEC-12

[Ex. 2, Appendices 2-AA, 2-AB and 2-BA]

- a. Please update 2-AA and 2-AB showing actuals to date for 2024, and an updated forecast for 2024 and 2025 if required.
- b. If the forecast for either year changes, please update 2-BA.
- c. Please provide actuals for 2022 and 2023 to the same date as provided in part a.
- d. Please provide the source for the planned amounts for 2018 to 2024 (e.g. internal budget documents).

2-SEC-13

[Ex. 2, Appendix 2-BA] Please explain what assets are included in the \$545,908 of Construction Work in Progress going into service in 2024, in addition to the \$9,306,987 of Capex.

2-SEC-14

[Ex. 2, DSP Tables 5.3-1 and 5.3-12]

- a. Of the seven Asset Management Objectives, five use qualitative scores, i.e., the score is not based on a measurable objective. Please explain how these scores are determined.
- b. Please provide the details behind the strategic objective scores provided in Table 5.3-12.

2-SEC-15

[Ex. 2, Distribution System Plan (DSP) Figure 5.3-9] For each asset included in Figure 5.3-9, please provide a table showing the number of assets replaced or forecasted to be replaced for 2018 to 2029.

2-SEC-16

[Ex. 2, DSP, Attachment 2-A EPLC Distribution System Plan, p. 96] Essex states that it “is planning a third-party building condition assessment that is to be completed in 2025.”

- a. Until that assessment is completed, how has Essex determined what work is to be done and the budget for 2024 and 2025?
- b. Please provide an update on the status of the planned work on the buildings for 2024 and the associated budget.

2-SEC-17

[Ex. 2, p. 35 and 41, DSP, Appendix A Material Investment Narratives, p. 9, IT Software & Hardware, and Appendix 2-AA]

- a. Essex states that in 2024 and 2025 it plans to upgrade/replace its CIS, however no funds are shown in 2024 on page 35, only \$909k in 2025 on page 41. What work is planned for 2024 and what is the budget?
- b. Please provide details of the \$885k forecast for computer software in 2024.
- c. Essex has provided two quotes for the CIS work: one at \$1,059k and one at \$700k. How did Essex determine its 2025 budget based on these two quotes?
- d. Essex states that it has partnered with three other utilities who wish to upgrade their CIS platforms and is currently in negotiations with potential vendors to reduce costs. What is the status of these negotiations?
- e. Did Essex investigate obtaining CIS services from a third party? If so, please provide details. If not, why not?

2-SEC-18

[Ex. 2, p. 38, DSP, Appendix A Material Investment Narratives, p. 27, Transportation & Fleet]

- a. Essex plans to replace five vehicles in 2024. Does the RFP included with the Fleet Management Policy refer to the replacement of one of these vehicles? If so, which one?
- b. Please provide an update on the vehicles to be purchased in 2024. When are the scheduled delivery dates?
- c. Have the Purchase Orders for the four vehicles to be purchased in 2025 been issued? If not, when does Essex expect to issue them?

2-SEC-19

[Ex. 2, p. 37 and 42, DSP Appendix A, Material Investment Narratives, p. 27 Pole Replacements and Appendix 2-AA] Page 37 states that Essex plans to spend \$488k to replace 50 poles in 2024 and Page 42 says 150 poles to be replaced at a cost of \$1,426k under the Pole Replacement Program.

- a. Please reconcile these dollars to those shown in 2-AA under Pole Replacement Program; i.e. \$194,934 for 2024 and \$1,097,247 for 2025.
- b. How many wood poles does Essex plan to replace each year in 2024 to 2029?

2-SEC-20

[Ex. 2, Tables 5.4-4 to 5.4-8, DSP Appendix A Material Investment Narratives, p. 65 Asset Purchase and Appendix 2-AA] Essex has forecasted \$700k in 2024 and \$384k in 2025 to purchase HONI assets.

- a. Specifically, which assets is Essex planning to purchase each year?
- b. Why does Essex think that HONI is prepared to sell these assets now, when it hasn't in 2019 to 2023?
- c. Please provide the status of any discussions Essex has had with Hydro One concerning the purchase of the assets in 2024 and 2025.

2-SEC-21

[Ex. 2, p. 73, DSP Appendix A Material Investment Narratives, p. 73 200A Network Upgrades]

- a. How does Essex define its Basic Connection?
- b. In the OEB Bulletin issued on August 24, 2023, on Residential Customer Connections, Service Upgrades, and newly constructed homes, it states that “38 of the 58 distributors include the necessary transformation and conductor to provide electrical capacity to accommodate a 200-amp service as part of their Basic Connection.” Is Essex included in the 38 Distributors? If not, going forward does Essex intend to change its Basic Connection definition to include a 200-amp service?
- c. Essex has not included any contributed capital for assets, only servicing the customer requesting the upgrade. Please explain.

2-SEC-22

[Ex. 2, p. 62, DSP Appendix A Material Investment Narratives, p. 76 Metering Replacement]

- a. Please provide the number of meters and gatekeepers to be purchased in 2024.
- b. Please explain why Essex believes its AMI 2.0 will be eligible for ICM treatment and has chosen not to apply for an ACM as part of this Application, given that page 26 of the Filing Requirements For Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications - Chapter 3 Incentive Rate-Setting Applications, June 15, 2023 states that an ICM “is intended to address the treatment of capital investment needs that arise during the rate-setting plan ...” and ‘...is also available for capital projects that were not included in the distributor’s last filed Distribution System Plan”.

2-SEC-23

[Ex. 2, DSP Appendix A Material Investment Narratives, p. 86 Self-Healing Grid and Appendix 2-AA]

- a. Essex has obtained a NRCAN grant for \$1,500,313. Please provide details on when Essex spent or plans to spend these funds, by year and by asset.
- b. This project is part of System Service. Please explain how the NRCAN funds are accounted for as no capital contributions are shown for System Service in 2-AA.
- c. Is any IESO DSO funding from the PowerShare project going towards this project?
- d. Please explain why the budget for this project is increasing in 2024 and 2025.

2-SEC-24

[Ex. 2, DSP Appendix A Material Investment Narratives, p. 90 PowerShare DSO Project, Appendix 2-AA and EB-2024-0002, JT 1.5, Appendix B, Schedule A, and JT1.3 Appendix B] Essex has provided the following capital spend for the PowerShare DSO Project.

2023	2024	2025	2026	2027	2028	2029
260,000	371,654	150,304	153,310	156,377	159,504	162,694

- a. Please indicate whether these costs are included in the Detailed Project Budget provided in Appendix B, and if so under which activity.
- b. Is there any IESO contribution towards these assets?
- c. The above table totals \$1,413,843. Please reconcile this amount to the \$1,134,209.70 shown in the Detailed Project Budget for Essex Powerlines Corporation.

- d. For each project milestone, please provide the forecast budgeted costs (capital and OM&A) to be incurred by each company (Essex Powerlines, NODES AS, Essex Energy Corporation, Utilismart, and IESO), and the actual costs or revised forecast budget.
- e. Please confirm that the 2023 In-Service Addition (ISA) for the DSO project equals \$260k, and for 2024 ISAs are forecast to be \$371,654. If not confirmed, please provide the ISAs for each year.
- f. Please provide details on all other capital costs that are a result of the PowerShare project, and for each line item indicate whether IESO funding will contribute 50%. For example, Essex states that the CIS Upgrade/Replacement is critical to its requirements of becoming a DSO.

3-SEC-25

[Ex. 3, Table 3-1]

- a. Please provide an update on actual customer numbers to date, for each class in 2024.
- b. Please rerun the regression models using actual data to date for 2024 for all inputs.

3-SEC-26

[Ex. 3, p. 44]

- a. What is the basis for Essex's assumption that CDM savings in 2025 will be the same as 2024 savings?
- b. Please provide the kW adjustment for CDM applied to the GS > 50 kW class for 2025 and how it was determined.

4-SEC- 27

[Appendices 2-JA, 2-JD, and 2-K]

- a. Please update Appendices 2-JA, JD and K for 2024 actuals to date and provide actuals for the same date in 2022 and 2023.
- b. Please provide the internal budget for OM&A for 2019 to 2023.

4-SEC- 28

[Ex. 4, p. 18] Essex states that "charges for material costs for locate work, when performed by EPLC staff, increased".

- a. Please explain under what circumstances Essex does its own locates and why costs are higher when it does.
- b. Please confirm that Essex has included any increased costs related to the Getting Ontario Connected Act and does not plan to make use of the generic DVA account set up by the OEB.

4-SEC- 29

[Ex. 4, Tables 4-6, 4-17, 4-18 and Appendix 2-K]

- a. Table 4-17 highlights the new positions to be added in 2025; one in Engineering (Design Analysis), one in Corporate Services (Purchasing Manager), one in IT (Cybersecurity), and one in Billing & Collecting (Director of Customer Service). These additions do not agree with the increases shown in Table 4-18. Please reconcile.
- b. Table 4-18 shows an increase in FTEs of 2.3 for 2024. Please provide details on these new positions and provide an update on hiring.
- c. Table 4-6 shows a total increase from 2018 approved to 2025 for Salaries, Wages and Benefits of \$1,436k. Appendix 2-K shows an increase in total compensation allocated to OM&A for the same period of \$609k. Please explain the difference.

4-SEC-30

[Ex. 4, Table 4-29 and Appendix 2-N]

- a. Appendix 2-N for 2025 shows total costs of services provided to Essex from affiliates is \$2,164,501 and Table 4-29 shows \$2,175,812. Please reconcile.
- b. Please confirm that the Totals shown in Table 4-29 have added both services provided by Essex and provided to Essex, and do not show the net.
- c. Please explain how Essex has determined the cost of each of the services supplied to EEC; i.e. the nature of the work and the number of hours forecast.
- d. Please provide the details of the HR Services, Finance Services, Executive Services, and Board Costs provided by EPC.
- e. Please provide all shared services agreements Essex has with its affiliates related to services provided to and from its affiliates.
- f. Please complete Appendix 2-N showing both the price and cost of services, and using the Corporate Cost allocation section for those EPC costs which are allocated to Essex.

4-SEC-31

[Ex. 4, p. 18, Table 4-6 and Appendix 2-JC] Table 4-16 shows a total increase of \$979k from 2018 approved to 2025 for Materials. Page 18 provides an explanation stating that a change in the inventory handling procedure results in a one-time increase in material costs.

- a. Please confirm that Essex is attributing $\$979k - \$300k - \$100k - \$50k = \$529k$ to this one-time change,
- b. Please provide which OM&A Programs, as outlined in Appendix 2-JC, include the material costs.
- c. When was the change in the procedure made?
- d. Please explain what Essex means by a one-time increase.
- e. Please show where the corresponding decrease in capital is included.

4-SEC-32

[Ex. 4, p. 18, Table 4-6 and Appendix 2-JC]

Table 4-6 shows a total increase from 2018 approved to 2025 for Customer Billing and Collecting of \$432k. Page 18 provides an explanation related to one-time costs that are not recurring.

- a. Please explain where this one-time cost is shown in Appendix 2-JC under Billing and Collecting.
- b. Appendix 2-JC does show Billing and Collecting increasing by \$458k, primarily because Customer Collections increased by \$408k. In the same period, Bad Debts have decreased by 50%. Please provide the business case for the increase in Collections.

4-SEC-33

[Ex. 4, p. 40 and 41 and Appendix 2-JC]

- a. Please explain General Building Expenses OM&A increasing from 2023 to 2025 at the same time Essex has increased its capital spending on Buildings.
- b. Please explain why Regulatory Costs in 2025 did not decrease by the one-time cost of \$79,927, as described in 2024 on page 40.

4-SEC-34

[Ex. 4, p. 4, Table 4-16, Appendices 2-JC and 2-K] Page 41 states that Administration & HR Expenses “relates to the compensation of administrative staff not specifically allocated to a specific job or activity as well as the HR related expenses associated with all EPLC staff.” Appendix 2-JC shows Administration & HR Expenses increasing by \$1,689k from 2018 OEB-Approved. Page 41 shows a \$1,449k increase, and states this is “the result of increases in wages due to inflation, progressions and a job evaluation process that was carried out.” Additional job positions are also contributing to an increase in this work program.

- a. Please confirm that the increase for this program from 2018 OEB-Approved to 2025 is \$1,689k.
- b. Please provide details of which employees are included in this program with reference to Table 4-16.
- c. Please explain how this program, which does not include all employees, can increase by more than the compensation allocated to OM&A for the same period.

4-SEC-35

[Ex. 4, p. 10] Please provide the total OM&A for the DSO PowerShare project in each of the following years from 2022 to 2025.

5-SEC-36

[Ex. 5, Appendix 2-OB] Please redo Appendix 2-OB making the following changes:

- a. For Column I expand to show four decimal places.
- b. For Column J use Column H x Column I instead of prepopulating or explain why Essex has not done it this way.

6-SEC-37

[Ex. 6, Appendices 2-H and 2-N] With respect to accounts 4375 and 4380, please explain the following, for 2025:

- a. Appendix 2-H Account 4375 shows revenues of \$127,594 and Appendix 2-N shows \$142,539 for streetlight services.
- b. In Appendix 2-H Work for others revenue is less than Work for others expenses.

6-SEC-38

[Ex. 6, p.13, Appendix 2-H] Essex has included in Other Revenue Accounts 4375 and 4380 the following for the Zero Emission Vehicle Infrastructure Program:

USoA	USoA Description	Essex’s description	2022	2023
4375	Revenues from Non Rate-Regulated Utility Operations	Zero Emission Vehicle Infrastructure Program expenses	-\$71,780	-\$1,305,329
4380	Expenses of Non Rate-Regulated Utility Operations	Zero Emission Vehicle Infrastructure Program revenues	\$86,562	\$1,316,299

- a. Please confirm that the numbers provided in 4375 are revenues and the numbers provided in 4380 are expenses.
- b. Please provide details on what work is included in the expenses for this program, including:
 - i. Is it only OM&A?
 - ii. Who performed the work, i.e., Essex employees, affiliate employees, contractors?
 - iii. If the answer to ii. is Essex employees, please provide the number of employees and what their positions were/are when they are working on this initiative.

7-SEC-39

[Ex. 7, Tables 7-2 and 7-4 and Cost Allocation Model] Please provide the backup data and analysis that was used to calculate:

- a. Weighting Factors for Billing and Collection in Table 7-2 and Tab I5.2 of the Cost Allocation Model.
- b. Meter Reading Weighting Factor of 25 for Interval Meters in Table 7-4 and Tab I7.2 of the Cost Allocation Model.

8-SEC-40

[Ex. 8, p. 15] Essex has applied for a Z-factor for a February 22, 2023 event.

- a. Please provide copies of the correspondence Essex sent to the OEB on August 8, 2023 and any reply received from the OEB.
- b. The Report of the Board on 3rd Generation Incentive Regulation for Ontario’s Electricity Distributors, July 14, 2008 states that the applicant should “apply to the Board for any amounts claimed under Z-factor treatment with the next rate application.” Why did Essex

not include the request for the Z-factor in its 2024 IRM Application, filed on October 24, 2023?

- c. Please explain why the work being claimed to restore power is not part of Essex's normal Emergency Response costs.

8-SEC-41

[Ex. 8, Table 8.23] Some of the numbers in Table 8.23 do not agree with the Bill Impact Model. For example, for GS > 50 kW Distribution Table 8.23 says 5.54% and the Bill Impact says 2.34%. Please update as required.

9-SEC-42

[Ex. 9, Table 9-17]

- a. With respect to Account 1508 Pole Attachment Revenue Variance Account, please update Table 9-17 to include a forecast of 2024 incremental revenue.
- b. Please explain why Essex is requesting to continue the Pole Attachment Revenue account when the Filing Requirements state "Further transactions would not be expected to be recorded in the account".

9-SEC-43

[Ex. 9, Table 9-19] With respect to Account 1535 Smart Grid OM&A Deferral Account, please explain why Essex has requested disposition when the balance is below the materiality threshold of \$90k.

Respectfully, submitted on behalf of the School Energy Coalition on July 10, 2024.

Jane Scott
Consultant for the School Energy Coalition