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April 29, 2020

VIA EMAIL and RESS

Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Long,

**RE: Grimsby Power Incorporated 2021 Cost of Service Application (EB-2020-0025)-
Deferral Request**

We are writing to the Board to request that Grimsby Power Incorporated (GPI) be permitted to defer its 2021 Cost of Service Application to 2022, and instead file for January 1, 2021 rates in accordance with the Board's 4th Generation Price Cap Incentive Ratemaking Mechanism.

TIMING OF DEFERRAL REQUEST

GPI notes that the Board originally set a January 31, 2020 deadline for the filing of requests for the deferral of 2021 Cost of Service based applications. Up to and beyond January 31, 2020 GPI fully intended to submit a Cost of Service based application for January 1, 2021 rates at the end of April 2020; accordingly GPI did not, prior to the deadline, file a request for deferral.

Since the passing of the deadline Ontario has issued a province wide state of emergency as a result of the COVID-19 pandemic, impacting both GPI and its customers.

GPI recognizes that the Province of Ontario is facing an unprecedented time due to the global COVID-19 pandemic. The COVID-19 pandemic and the drastic measures taken to curb its impact has affected almost every facet of life.

As a result of the pandemic GPI will face challenges that will likely flow into 2021. GPI's internal resources, which would normally have been focussed largely on the cost of service application process, have instead been diverted to dealing with the issues that come with maintaining its distribution system in the current pandemic focussed environment.

The unique operating environment caused by the pandemic will, GPI believes, materially impact its operational realities for the remainder of 2020 and into 2021. GPI believes that deferring rebasing to 2022 will provide a more stable test year as the basis for GPI's next 5-year cycle of rates. It will also, perhaps more importantly, allow GPI to continue to focus its efforts on the immediate task of providing reliable distribution service to its customers in this time of crisis.

Accordingly, in view of the changing circumstances following the Board’s original January 31, 2020 deadline, Grimsby Power respectfully requests that:

- GPI’s Cost of Service based application be deferred to the setting of GPI’s January 1, 2022 rates, and that GPI remain under the Board’s 4th Generation Price Cap Incentive Ratemaking Mechanism for the purpose of setting GPI’s January 1, 2021 rates; and that
- The requirement that GPI file a distribution system plan (“DSP”) as part of a 2021 Cost of Service based application be deferred to inclusion with GPI’s 2022 Cost of Service based application.

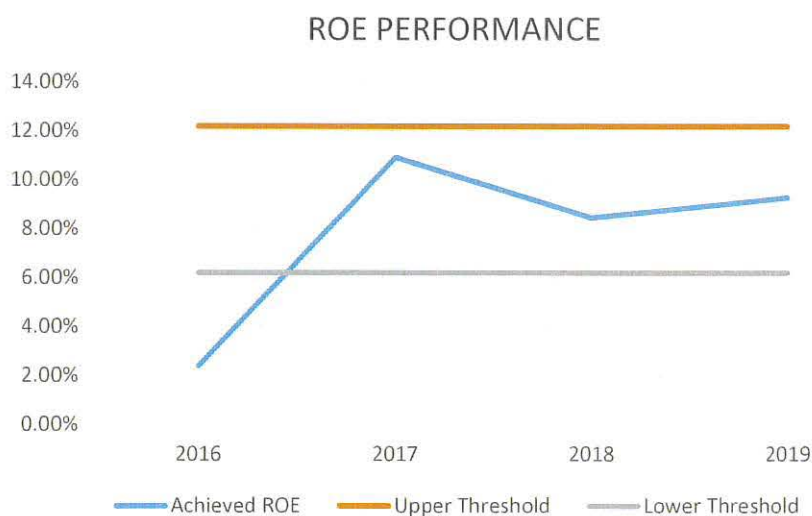
GPI notes that this is the only deferral it has requested since it last rebased in 2016; 2020 is the last year of GPI’s current 5-year rate cycle.

In further support of its request GPI provides the following summary information with respect to its Financial, Reliability and Benchmarking performance since it last rebased in 2016. GPI notes that where 2019 data is provided it is based on the preliminary results currently available.

FINANCIAL STABILITY

GPI’s financial performance since it last rebased in 2016 has been maintained within the Board’s 300 basis point deadband with only one exception. In 2016 GPI’s actual ROE was below its deemed ROE by more than 300 basis points, a result largely explained by the fact that GPI’s 2016 rebasing application implemented with an effective date of September 1, 2016, resulting in several months of unrecoverable foregone revenue in 2016. For the years 2017 to 2019 GPI’s financial performance has persisted well within the 300 basis point deadband, as illustrated by Table 1:

TABLE 1



Based on its performance over the last 4 years GPI believes that it can continue to perform within the Board’s 300 basis point deadband in 2020 and 2021; to the extent there is any material deviation GPI expects that it will be caused by COVID-19 based impacts, impacts that GPI will

track in Account 1509 - Impacts Arising from the COVID-19 Emergency pursuant to the Board's letter dated March 25, 2020.

SYSTEM RELIABILITY

Table 2 below sets out GPI's SAIDI and SAIFI performance from 2016 to 2019, normalized for loss of supply:

TABLE 2

Loss of Supply Adjusted SAIDI and SAIFI					
	2015	2016	2017	2018	2019
SAIDI	0.37	0.55	1.20	1.73	5.00
SAIFI	0.16	0.69	0.99	1.17	3.44

On its face the results would appear to show a concerning trend towards reduced reliability performance, particularly in 2019. In GPI's respectful submission, however, the results in Table 2 are unduly skewed as a result of periodic, unpredictable adverse weather events, particularly in 2018 and 2019, events which in fairness do not represent the overall reliability of GPI's distribution system. Table 3 below normalizes GPI's reliability results further for adverse weather impacts:

TABLE 3

Loss of Supply and Adverse Weather Adjusted SAIDI and SAIFI					
	2015	2016	2017	2018	2019
SAIDI	0.37	0.54	1.19	1.22	1.39
SAIFI	0.16	0.69	0.99	0.87	0.69

As can be seen in Table 3 GPI's SAIDI, normalized for Adverse Weather and Loss of Supply events, shows a relatively stable trend since 2017; GPI's SAIFI trend since 2016 has been one of improvement. Going forward GPI is focusing on maintenance and capital projects that target reliability to help reduce the duration and frequency of outages, with expectation that its current reliability trends will remain stable and/or improve in the coming years.

BENCHMARKING PERFORMANCE

Since the introduction of performance-based benchmarking and assigned stretch factors GPI has been assigned to Group II. Since 2014 Grimsby Power has seen consistent improvement in its benchmarking results, as illustrated below in Table 4:

TABLE 4

GPI PEG Benchmarking		
	Cost	
Year	Performance Results	3-Year Average
2011	-18.6%	
2012	-9.6%	
2013	-16.9%	-15.0%
2014	-17.3%	-14.6%
2015	-17.0%	-17.1%
2016	-13.0%	-15.8%
2017	-24.9%	-18.3%
2018	-27.6%	-21.8%
2019	-32.3%	-28.3%

The three-year average of GPI's results from 2012 to 2014 was -14.6%, and the three-year average from 2016 to 2018 was -21.38%. In 2017 and 2018 GPI achieved results of -24.9% and -27.6%. Through 2019 GPI has continued to manage its actual costs well below the PEG model's expected costs; the preliminary cost efficiency assessment for 2019 brings GPI's 2017-2019 three year average to -28.3%, with the result that GPI should be assigned to Group I for 2020 rates. GPI respectfully submits that, in conjunction with its financial performance within the Board's 300 basis point deadband, GPI's benchmarking performance indicates that deferring rebasing for GPI for one year is very unlikely to disadvantage GPI's customers, as GPI is, by the Board's measure, operating as one of the more efficient distributors in the province.

SUMMARY

In light of the COVID-19 impacts on the province, GPI, and GPI's customers, and given GPI's recent historical and likely future performance in 2020 and 2021 based on GPI's recent financial, reliability and efficiency results, GPI respectfully submits that it would be reasonable for the Board to allow GPI to defer its 2021 rebasing application to 2022, including the requirement to file a DSP with its rebasing application, and allow GPI to file for January 1, 2021 rates on the basis of the Board's 4th Generation Incentive Ratemaking Mechanism.

In the event the Board has any questions about GPI's request or the information provided by GPI in support of its request please feel free to contact us at your earliest convenience.

Kind regards,



Remy Fernandes
President and CEO
Grimsby Power Incorporated