October 5, 2011

BY EMAIL & COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2011-0273
Grimsby Power Inc. – 2012 Cost of Service Application
Energy Probe --- Interrogatories

Pursuant to Procedural Order No. 1 issued by the Board on September 21, 2011, please find attached the Interrogatories of Energy Probe Research Foundation (Energy Probe) in respect of Grimsby Power in the EB-2011-0273 proceeding.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc: Doug Curtiss, Grimsby Power (By email)
Mioara Domokos, Grimsby Power (By email)
Randy Aiken, Aiken & Associates (By email)
Interested Parties (By email)

Energy Probe Research Foundation 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6
Phone: (416) 964-9223 Fax: (416) 964-8239 E-mail: EnergyProbe@nextcity.com Internet: www.EnergyProbe.org

EB-2011-0273

Ontario Energy Board

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

AND IN THE MATTER OF an application by Grimsby Power Inc. for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2012.

INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")

October 5, 2011

GRIMSBY HYDRO ELECTRIC SYSTEMS INC.
2012 RATES REBASING CASE
EB-2011-0273

ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

Interrogatory # 1

Ref: Exhibit 1, page 15

Please confirm that GPI has been recording the input tax credits it receives on distribution revenue requirement items that were previously subject to the PST and become subject to the HST as of July 1, 2010 and not as of July 1, 2011 as stated in the evidence. If this cannot be confirmed, please indicate why the July 1, 2011 date is appropriate.

Interrogatory # 2

Ref: Exhibit 1, page 26

a) **Are any of the costs associated with the Board of Directors of the affiliates shown in Chart 1.2 included in the revenue requirement for GPI in the 2012 test year? If yes, please identify the amount associated with each of the affiliates that is included in the GPI revenue requirement.**

b) **Are any of the costs of the Board of Directors of the Town of Grimsby FortisOntario Inc. included in the GPI 2012 revenue requirement? If yes, please provide the amount.**

c) **What percentage of GPI does each of Niagara Power Inc. and Town of Grimsby FortisOntario Inc. own?**

Interrogatory # 3

Ref: Exhibit 1, Table 1.3

a) **Please update Table 1.3 to reflect data from the 2010 OEB Yearbook of Electricity Distributors published in August 2011.**

b) **Please confirm that the 2012 OM&A forecast for GPI is based on MIFRS.**

c) **Please provide the updated version of Table 1.3 requested in (a) above, but using the CGAAP OM&A forecast for 2012 for GPI.**

Interrogatory # 4

Ref: Exhibit 2, Table 2.1

a) **Please explain the significant increase in accumulated depreciation shown in 2011 and 2012 (CGAAP) relative to the increases in previous years.**

b) **Is the increase in accumulated depreciation in 2011 partially related to the significant increase of approximately $2.9 million in gross fixed assets in that year?**

c) **Are the figures shown for the 2001 Bridge Year based on CGAAP or MIFRS?**

d) **The average net book value for the 2012 CGAAP year appears to be the average of 2011 and 2012 CGAAP closing balances. The average net book value for the 2012 IFRS year appears to be the average of 2011 and 2012 IFRS closing balances. Given that the ending balance in 2011 is either CGAAP or MIFRS, please explain why it is appropriate to include the same figures for 2011 in the calculation of the average net book value for both versions of 2012.**

e) **Please provide the closing gross fixed asset value, the closing accumulated depreciation and the closing net book value figures for 2011 assuming 2011 was also based on MIFRS.**

f) **Please confirm that the decrease in net book value in 2010 is the result of the removal of meters from the rate base.**

Interrogatory # 5

Ref: Exhibit 2, pages 14-15

The evidence indicates that GPI has adjusted its 2012 budget to account for the calculated savings from the implementation of the HST. Has GPI adjusted its 2011 capital expenditure budget to account for the calculated savings from the implementation of the HST? If not, why not?

Interrogatory # 6

Ref: Exhibit 2, Table 2.17

Please explain the significant increase in Contributions and Grants shown in Table 2.17 for 2010 as compared to the amounts recorded in previous years.

Interrogatory # 7

Ref: Exhibit 2, Tables 2.32 & 2.33

a) **Please confirm that the cost of power that reflects the average of the Q3 through Q2 figures shown in Table 1 of the Regulated Price Plan Price Report dated April 19, 2011 is $39.485 per MWH.**

b) **Please adjust the RPP and non-RPP prices for the reduction in the Ontario Electricity Market Price Forecast from $40.15 to $39.485 of $0.6650 per MWH and recalculate the cost of power for 2012 shown in Tables 2.32 and 2.33.**

Interrogatory # 8

Ref: Exhibit 2, Table 2.7

Please explain why there is no figure for Account 1995 Contributions and Grants in the 2012 IFRS Test Year column. Please explain how the contributions and grants of $150,000 shown in the 2012 CGAAP Test Year column have been reflected in the 2012 revenue requirement under MIFRS.

Interrogatory # 9

Ref: Exhibit 2, Tables 2.19 & 2.20

a) **Please provide an updated Table 2.19 that reflects the most recent year-to-date capital expenditures for the bridge year, along with projections for the remainder of the year.**

b) **For each column shown in Table 2.20, please provide the actual amount spent year-to-date.**

c) **Please indicate if each of the projects listed in Table 2.20 is still expected to be completed and placed into service by the end of 2011.**

d) **Please explain the decrease in Contributions and Grants in 2011 as compared to that recorded in 2010.**

e) **Please explain how the additions to gross assets of $1,499,556 and the accumulated depreciation figure of $148,870 for smart meters shown in Table 2.19 have been calculated. If these figures are explained elsewhere in the evidence, please provide the reference.**

Interrogatory # 10

Ref: Exhibit 3, page 11 & Tables 3.5 & 3.6

For each of the equations requested below, please provide the regression statistics in the same format as shown on page 11, the statistical results as shown in Table 3.5 and the 2012 forecasts using the three different weather normal approaches.

a) **Include a trend variable that starts with a value of 1 in January 1999 and increases in increments 1 per month to a value of 144 in December 2010.**

b) **Include the trend variable noted in (a) above, but exclude the number of customers as an explanatory variable.**

Interrogatory # 11

Ref: Exhibit 3, page 10

Please provide the data used and the forecasts for HDD and CDD using the 20 year trend methodology in an Excel spreadsheet. Please provide an explanation of how the 20 year trend was estimated.

Interrogatory # 12

Ref: Exhibit 3, Table 3.3

For each rate class shown in Table 3.3, please provide the actual number of customers/connections for the most recent month available in 2011, along with the corresponding number of customers/connections for the corresponding month in 2010.

Interrogatory # 13

Ref: Exhibit 3, Table 3.33

Please provide the most recent year-to-date figure available for 2011 for each line shown in Table 3.33. Please also provide the figures by account for the corresponding period in 2010.

Interrogatory # 14

Ref: Exhibit 3, Table 3.33 &
Exhibit 2, page 51

a) **Why is there no revenue shown for Gain on Disposition of Utility & Other Property in Table 3.33 when the evidence at page 51 of Exhibit 2 indicates that 2 large vehicles are being replaced in 2012?**

b) **What is the net book value in 2012 of all the vehicles forecast to be replaced in 2012?**

c) **What is the scrap or trade-in value of all the vehicles forecast to be replaced in 2012? How is this revenue treated for accounting and regulatory purposes?**

Interrogatory # 15

Ref: Exhibit 4, page 3

a) **Please update the second table on page 3 to reflect the most recent year to date actuals available for 2011, along with the forecast for the remainder of 2011.**

b) **Please provide a version of the last table on page 3 that uses the 2012 CGAPP numbers in place of the 2012 IFRS figures.**

c) **What is the annual compound growth rate for total OM&A expenses between 2006 and 2010?**

d) **What is the annual compound growth rate for the inflation rate over the 2006 through 2010 period?**

e) **What inflation rate is GPI forecast for 2011 and 2012?**

f) **Please provide a table that shows that actual year-to-date expenses for the most recent period available in 2011, along with the expenses incurred in the corresponding period in 2010, in the same level of detail as shown in the second table on page 3.**

Interrogatory # 16

Ref: Exhibit 4, page 5

a) **When was the 2011 OM&A budget, as contained in the application, approved by the Board of Directors?**

b) **When was the 2012 OM&A budget, as contained in the application, approved by the Board of Directors?**

Interrogatory # 17

Ref: Exhibit 4, page 12

a) **Please provide an update to the manual meter reading, MDMR and smart meter data transmission in 2011.**

b) **The evidence indicates that the 2012 budget contains expenses for a check read of all meters once in the calendar year. Is this annual check expected to continue for 2013 through 2015 as well? What is the cost associated with the check read of all meters once in the calendar year included in the 2012 forecast?**

Interrogatory # 18

Ref: Exhibit 4, page 15

Please provide GPI's policy related to travel, meal and hospitality expenses.

Interrogatory # 19

Ref: Exhibit 4, Tables 4.3 through 4.7

Please update the 2011 bridge year column in Tables 4.3 through 4.7 to reflect the most recent year-to-date figures available for 2011, along with the forecast for the remainder of the bridge year.

Interrogatory # 20

Ref: Exhibit 4, Table 4.9

a) **Are any of the line items included in 2012 in Table 4.9 one-time costs?**

b) **Do any of the line items included in 2012 in Table 4.9 include some one-time costs? If yes, please quantify the one-time costs included for 2012.**

Interrogatory # 21

Ref: Exhibit 4, Table 4.10

a) **Are any of the costs shown in Table 4.10 one-time costs? If yes, please identify.**

b) **How has GPI forecast each of the line items shown Table 4.10?**

Interrogatory # 22

Ref: Exhibit 4, page 23

GPI indicates that the HST reduction of $18,723 to expenses in 2012 is based on the savings incurred over the period July 1, 2010 through December 31, 2011. Please explain how this estimate has been calculated and how the 18 month period of July 2010 through December 2011 was used to estimate the reduction in calendar 2012.

Interrogatory # 23

Ref: Exhibit 4, page 30

Please confirm that GPI has reduced the capital expenditure forecast for 2012 by $169,494, the same amount of the increase in the OM&A expenses related to the movement from CGAAP to IFRS. If this cannot be confirmed, please reconcile the change in OM&A to the change in capital expenditures.

Interrogatory # 24

Ref: Exhibit 4, Table 4.14

a) **Please explain the 25% increase in 2012 shown for line 3 in Table 4.14.**

b) **What is the $5,000 shown in 2012 at line 6 (account 5655) related to?**

c) **Please provide a breakdown of the $100,000 related to the cost of service application into its components (legal, consulting, intervenors, etc.).**

Interrogatory # 25

Ref: Exhibit 4, page 41

a) **What is the status of the formal incentive or bonus plan that GPI planned to create in 2011?**

b) **What is the cost of the formal incentive or bonus plan included in the 2012 revenue requirement?**

Interrogatory # 26

Ref: Exhibit 4, Tables 4.24 & 4.25

a) **Please indicate the amount of total compensation charged to OM&A and the amount capitalized as shown in Table 4.24 in 2012 under IFRS.**

b) **Please explain the relative high average yearly overtime for union employees relative to the average base wages.**

c) **How is the incentive pay determined? What are the factors that are used to determine the amount of incentive pay for the management group?**

d) **How has GPI forecast the 2011 and 2012 incentive pay amounts? In particular, what percentage of the maximum incentive pay has been included in the 2011 and 2012 years?**

e) **What is the impact on the 2012 revenue requirement if the percentage wage/salary increase shown in Table 4.25 is reduced from 3% to 2% for the management/non-union group (effective January 2012)?**

f) What is the impact on the 2012 revenue requirement if the percentage wage/salary increase shown in Table 4.25 is reduced from 3% to 2% for the union group (effective June, 2012)?

Interrogatory # 27

Ref: Exhibit 4, pages 51 & 52

Please confirm that GPI has used the full year depreciation methodology for 2006 through 2011 and the half year methodology for 2012 only.

Interrogatory # 28

Ref: Exhibit 4, Tables 4.35 & 4.36 & page 4

a) Please explain why the capital additions shown in Table 4.36 (IFRS) are only about $9,000 lower than the additions shown in Table 4.35 (CGAAP) and explain how this amount reflects the increase of $163,820 in OM&A expenses shown in the tables on page 4 of Exhibit 4.

b) Please explain why the column labelled "Less Fully Depreciated" is $7,057 less in Table 4.36 (IFRS) than in Table 4.35 (CGAAP), an amount equivalent to the fully depreciated amount shown in Table 4.35 for Contributions & Grants.

Interrogatory # 29

Ref: Exhibit 4, Table 4.38

a) Please explain why there are no deductions for "Reserves @Beginning of the Year" shown for 2011 and 2012.

b) Please explain why there are no additions for "Other Reserves from Schedule 13" shown for 2011 and 2012.

c) What is the impact on "Income for Tax Purposes" in 2012 if the items noted above in parts (a) and (b) are included in the calculation?

d) Will GPI qualify for any apprenticeship tax credits in 2012?

e) Does GPI have any positions that qualify for the Ontario Co-Operative Education Tax Credit? If yes, why has no credit bee claimed?

f) Please explain how the tax rate of 15.50% for 2012 has been determined.

Interrogatory # 30

Ref: Exhibit 5, pages 5-7 & Table 5.9

a) Is the blended interest rate of 3% referred to on page 5 a forecast of the prime interest rate for 2012?

b) With respect to each of the loans from TD Commercial Banking noted on page 6, please provide the average outstanding balance in 2012 along with the interest rate payable and show how the principal amount of $2,493,333 shown in Table 5.9 for 2012 has been derived. Please also show how the blended rate of 3.0% has been estimated.

c) The interest rate on the 15 term loans from TD Commercial Banking are described as a rate of Prime Rate plus 0.50% per annum. Do the rates fluctuate over the term of these loans as the prime rate fluctuates or were fixed interest rates set for the term of these loans based on the prime rate (plus 50 basis points) at the time the term loans were entered into?

d) At page 7 of the evidence it is stated "that as of the date of filing this application the 2011 operating loan for $1.5 million has not been organized." Please explain what this means and how it relates to the statement on page 6 that "on May 1, 2011, Grimsby Power Inc. entered into a 15 year, term loan at a rate of Prime Rate plus 0.50% per annum in the amount of $1,600,000."

e) Please provide copies of the term loan agreements with TD Commercial Bank.

f) Please explain why the principal associated with the TD Commercial Bank declines between 2011 and 2012, as shown in Table 5.9.

g) Please confirm that the Promissory Note from the Town of Grimsby can be called in calendar 2012. If this cannot be confirmed, please explain why.

h) What is the current rate available from Infrastructure Ontario for a 15 year term loan?

i) Has GPI had any discussions with Infrastructure Ontario related to obtaining financing in the past? If not, why not?

Interrogatory # 31

Ref: Exhibit 6, Table 6.1

a) **Please provide a version of Table 6.1 that calculates the revenue deficiency in 2012 based on CGAAP.**

b) **Please provide a summary of the difference in the table requested in (a) above and Table 6.1 shown in Exhibit 6 that highlights the differences in the components of the revenue deficiency between CGAAP and IFRS.**

Interrogatory # 32

Ref: Exhibit 7

Has GPI used the cost allocation model released by the OEB in August 2011? If not, please update the cost allocation evidence to reflect use of the most recent model available from the OEB.

Interrogatory # 33

Ref: Exhibit 7, page 3 and Table 7.3

a) **Please confirm that in addition to the street lighting class, the USL class is also outside of the Board's approved ranges.**

b) **Please confirm that GPI proposes to move the USL class to the floor of the Board approved range for this class in 2012.**

Interrogatory # 34

Ref: Exhibit 8, Table 8.4

Please confirm that the second last column in Table 8.4 should be labelled "2012 Test Year Customers" and not "2011 Test Year Customers".

Interrogatory # 35

Ref: Exhibit 8, pages 3-4

a) **Please confirm that for a number of rate classes, the existing MSC is higher than the ceiling shown in Table 8.5.**

b) **Please explain why GPI believes it is appropriate to increase the MSC for classes where it is already in excess of the ceiling.**

c) **For the 2011 cost of service rate applications noted on page 3 (Hydro One Brampton, Kenora Hydro and Horizon Utilities) please indicate whether the continuation of the current fixed/variable proportions included moving MSCs that were already in excess of the ceiling, as defined by the OEB.**

Interrogatory # 36

Ref: Exhibit 8, Table 8.10

The Standard Supply Service charges are shown in Table 8.10 as $0.025. Should these charges be $0.25?

Interrogatory # 37

Ref: Exhibit 9, Tables 9.3, 9.7 & 9.8

a) **Please confirm that GPI is still unable to use a separate rate rider to dispose of the Global Adjustment amount to non-RPP customers.**

b) **What is the current expectation of when GPI will have the ability to use a separate rate rider to dispose of the Global Adjustment amount to non-RPP customers?**

c) **Please provide versions of Tables 9.3, 9.7 & 9.8 that reflect the removal of the Global Adjustment amount under the assumption that this amount would be recovered from the appropriate customers at some point in the future when GPI has the capability to use a separate rate rider.**

Interrogatory # 38

Ref: Exhibit 9, pages 22-23 &
Exhibit 8, page 22

a) **Given the significant cost impact of the stranded meter rate rider of $3.18 per metered customers, why has GPI proposed a recovery over only 1 year?**

b) **Please show the total bill impact on a residential customer consuming 800 kWh per month (see page 22 of Exhibit 8) if the stranded meter costs are recovered over a 2 year period.**