

Response to School Energy Coalition Interrogatories

Grimsby Power Inc.

2012 Distribution Rate Application

Board File No. EB-2011-0273

November 9, 2011

Table of Contents

1 GENERAL.....	3
Interrogatory # 1 – Ex. 1, P. 2.....	3
Interrogatory # 2 – Ex. 1 – p. 26.....	4
Interrogatory # 3 – Ex. 1, p. 27.....	5
Interrogatory # 4 – Ex. 6, p. 2.....	6
2. RATE BASE.....	8
Interrogatory # 5 – Ex. 1, p. 66.....	8
Interrogatory # 6 – Ex. 2, p. 2.....	9
Interrogatory # 7 – Ex. 2, p. 44.....	11
Interrogatory # 8 – Ex. 2, Appendix 2.1, p. 54.....	12
Interrogatory # 9 – Ex. 2, p. 20 and Ex. 4, p. 53.....	13
3. LOADS, CUSTOMERS - THROUGHPUT REVENUE	14
4. OPERATING COSTS	14
Interrogatory # 10 – Ex. 1, p. 34.....	14
Interrogatory # 11 – Ex. 4, p. 19.....	15
5. COST OF CAPITAL AND RATE OF RETURN	16
Interrogatory # 12 – Ex. 1, 2010 Financials, p. 10.....	16
6. SMART METERS.....	17
7. COST ALLOCATION.....	17
8. RATE DESIGN	17
Interrogatory # 13 – Ex. 8, p. 4.....	17
9. DEFERRAL AND VARIANCE ACCOUNTS	18
10. LRAM/SSM.....	18
11. MODIFIED INTERNATIONAL FINANCIAL REPORTING STANDARDS	18
Interrogatory # 14 – Ex. 1, p. 36.....	18
Interrogatory # 15 – Ex. 1, p. 38.....	19
Interrogatory # 16 – Ex. 1, p. 46.....	20
Interrogatory # 17 – Ex. 4, p. 30.....	21
Interrogatory # 18 – Ex. 4, p. 43.....	22
Interrogatory # 19 – General.....	23
12. GREEN ENERGY ACT PLAN.....	24

1 GENERAL

Interrogatory # 1 – Ex. 1, P. 2

1. [Ex. 1, p. 2] Please provide details of the legal rule under which the Board can raise rates as of January 1, 2012 on an interim basis without consideration of the evidence in this proceeding.

Grimsby Power Inc.'s Response:

Grimsby Power Inc. has received guidance from its legal council on this matter and Grimsby Power Inc. understands that there is no legal basis for this request. Therefore, Grimsby Power Inc. wishes to withdraw its request for an Interim Order.

Interrogatory # 2 – Ex. 1 – p. 26

2. [Ex. 1, p. 26] Please provide a copy of any shareholders' agreement, shareholder's direction, or other such document relating directly or indirectly to the Applicant, including but not limited to any agreement or direction relating to the parent company that indirectly affects the Applicant.

Grimsby Power Inc.'s Response:

Grimsby Power Inc. shareholders agreement deals with the relationship between the parties to the agreement, has no relevance to cost, and does not affect ratepayers. It therefore, has no impact on Grimsby Power Inc.'s rate application and as such Grimsby Power Inc. is declining to file its shareholders agreement as part of this Interrogatory.

Interrogatory # 3 – Ex. 1, p. 27

3. [Ex. 1, p. 27] Please confirm that the actual return on equity of the Applicant for 2010 was 4.40% based on the 2010 Distributors' Annual Data published by the Board. Please reconcile this to the figure of 3.07% reported in the Application.

Grimsby Power Inc.'s Response:

Grimsby Power Inc. confirms that the actual return on equity of 4.40% as outlined in the 2010 Distributors' Annual Data published by the Board is accurate. The return on equity of 3.07% reported in the Application in Exhibit 1 - Page 27 of 77 is the expected return on equity in 2012 assuming existing rates.

Interrogatory # 4 – Ex. 6, p. 2

4. [Ex. 6, p. 2] Please provide Table 6.1 with an additional column on the right, restating all figures in CGAAP.

Grimsby Power Inc.'s Response:

Please refer to Board staff IR # 58(e)(i) for additional information.

Table 6.1 has been reproduced below with the requested information.

Grimsby Power Inc.
Revenue Deficiency Determination

Description	2011 Bridge Actual	2012 Test Existing Rates	2012 IFRS Test - Required Revenue	2012 Test CGAAP - Required Revenue
Revenue				
Revenue Deficiency			812,776	1,135,511
Distribution Revenue	3,409,489	3,430,927	3,430,927	3,430,927
Other Operating Revenue (Net)	331,700	339,741	339,741	339,741
Total Revenue	3,741,189	3,770,668	4,583,444	4,906,180
Costs and Expenses				
Administrative & General, Billing & Collecting	1,359,294	1,653,300	1,653,300	1,655,485
Operation & Maintenance	690,251	938,840	938,840	772,835
Depreciation & Amortization	1,025,789	709,099	709,099	1,135,984
Property Taxes	27,000	27,540	27,540	27,540
Other - LEAP program	3,974	4,117	4,117	4,117
Capital Taxes	0	0	0	0
Deemed Interest	525,337	562,216	562,216	554,211
Total Costs and Expenses	3,631,644	3,895,113	3,895,113	4,150,172
Less OCT Included Above	0	0	0	0
Total Costs and Expenses Net of OCT	3,631,644	3,895,113	3,895,113	4,150,172
Utility Income Before Income Taxes	109,545	-124,444	688,331	756,008
Income Taxes:				
Corporate Income Taxes	43,786	-63,681	62,299	138,889
Total Income Taxes	43,786	-63,681	62,299	138,889
Utility Net Income	65,759	-60,763	626,032	617,118
Capital Tax Expense Calculation:				
Total Rate Base	15,005,665	16,336,952	16,336,952	16,104,341
Exemption	0	0	0	0
Deemed Taxable Capital	15,005,665	16,336,952	16,336,952	16,104,341
Ontario Capital Tax	0	0	0	0
Income Tax Expense Calculation:				
Accounting Income	109,545	-124,444	688,331	756,008
Tax Adjustments to Accounting Income	45,451	-286,400	-286,400	140,052
Taxable Income	154,996	-410,844	401,932	896,060
Income Tax Expense	43,786	-63,681	62,299	138,889
Tax Rate Reflecting Tax Credits	28.25%	15.50%	15.50%	15.50%
Actual Return on Rate Base:				
Rate Base	15,005,665	16,336,952	16,336,952	16,104,341
Interest Expense	525,337	562,216	562,216	554,211
Net Income	65,759	-60,763	626,032	617,118
Total Actual Return on Rate Base	591,095	501,453	1,188,248	1,171,330
Actual Return on Rate Base	3.94%	3.07%	7.27%	7.27%
Required Return on Rate Base:				
Rate Base	15,005,665	16,336,952	16,336,952	16,104,341
Return Rates:				
Return on Debt (Weighted)	5.83%	5.74%	5.74%	5.74%
Return on Equity	9.00%	9.58%	9.58%	9.58%
Deemed Interest Expense	525,337	562,216	562,216	554,211
Return On Equity	540,204	626,032	626,032	617,118
Total Return	1,065,541	1,188,248	1,188,248	1,171,330
Expected Return on Rate Base	7.10%	7.27%	7.27%	7.27%
Revenue Deficiency After Tax	474,445	686,795	0	0
Revenue Deficiency Before Tax	661,248	812,776	0	0
Tax Exhibit			2012	2012
Deemed Utility Income			626,032	617,118
Tax Adjustments to Accounting Income			(286,400)	140,052
Taxable Income prior to adjusting revenue to PILs			339,632	757,171
Tax Rate			15.50%	15.50%
Total PILs before gross up			52,643	117,361
Grossed up PILs			62,299	138,889

2. RATE BASE

Interrogatory # 5 – Ex. 1, p. 66

5. [Ex. 1, p. 66] Please confirm that the reductions in accounts 1840, 1845, 1850, and 1855 from 2011 year end balance sheet are the result of allocation of contributions and grants as a MIFRS adjustment.

Grimsby Power Inc.'s Response:

Grimsby Power Inc. confirms that the reductions in 2012 MIFRS balances for the accounts 1840, 1845, 1850 and 1855 are the result of the MIFRS adjustment on the 2011 year end balances by the allocations of the Contributions and Grants.

Interrogatory # 6 – Ex. 2, p. 2

6. [Ex. 2, p. 2] Please reconcile the average of \$1.42 million of capex on distribution plant per year for the five years 2006-2010 with the average of \$1.14 million of capex per year for all plant, and \$1.01 million of capex per year for plant other than general plant, as set out in Table 2.7 on page 20.

Grimsby Power Inc.'s Response:

Utilizing Table 2.7, Grimsby Power Inc. calculated the averages requested in the question. The averages are as follows:

- | | |
|--|-------------|
| • Capex Distribution Plant | \$1,424,413 |
| • Capex General Plant | \$149,913 |
| • Capex Contributions & Work in Progress | (\$430,221) |
| • Total Capex | \$1,144,105 |
| • Capex Other than General Plant | \$994,193 |

For distribution plant the average is as noted in the rate application at \$1.42 million. The total overall average for all plant is \$1.14 million. For plant other than general plant the average is \$0.99 million. This average does not equal \$1.01 million as noted in the question. The expanded Table 2.7 is shown below:

Table 2.7 Capital Additions 2006 actual to 2012 Test Year

USoA	Description	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual
1830	Poles, Towers and Fixtures	87,439	307,783	252,040	267,602	345,562
1835	Overhead Conductors and Devices	12,401	234,282	173,651	270,594	319,085
1840	Underground Conduit	30,476	257,246		22,598	292,541
1845	Underground Conductors and Devices	176,600	246,900	112,392	144,476	275,188
1850	Line Transformers	356,872	437,436	289,202	278,085	543,894
1855	Services	86,946	320,307	110,419	138,613	298,045
1860	Meters	45,710	46,935	54,644	209,248	76,855
	Total Distribution Plant	796,443	1,850,889	992,348	1,331,215	2,151,170
	Average	1,424,413				
1908	Buildings and Fixtures			3,799	1,149	71,174
1915	Office Furniture and Equipment	22,134		7,870		7,053
1920	Computer Equipment - Hardware	15,738	(3,138)	8,656	31,946	14,365
1925	Computer Software	129,534	21,649	75,681	142,796	33,120
1930	Transportation Equipment	26,409	22,173	10,009	21,795	926
1940	Tools, Shop and Garage Equipment		11,025	5,570	5,130	38,148
1945	Measurement and Testing Equipment		16,186		3,014	5,648
1955	Communication Equipment					
	Total General Plant	193,816	67,896	111,585	205,831	170,434
	Average	149,913				
1995	Contributions and Grants	(106,169)	(931,914)	(162,610)	(87,808)	(867,342)
	Work in Process		66,483	23,653	(90,136)	4,740
	Total Contributions & Work in Progress	(106,169)	(865,432)	(138,957)	(177,944)	(862,602)
	Average	(430,221)				
	Total Capital Expenditures	884,091	1,053,354	964,976	1,359,103	1,459,002
	Average	1,144,105				
	Average Other than Genral Plant	994,193				

Interrogatory # 7 – Ex. 2, p. 44

7. [Ex. 2, p. 44] Please provide the status of the new integrated financial package, and the current expected in-service date.

Grimsby Power Inc.'s Response:

Grimsby Power Inc. planned to source and implement an ERP Software Solution in 2011. However, due to unanticipated requirements to file the Cost of Service rate application and other unanticipated priorities work on this project has been delayed. The in service date is now expected to be in the 3rd and 4th quarter of 2012.

Interrogatory # 8 – Ex. 2, Appendix 2.1, p. 54

8. [Ex. 2, Appendix 2.1, p. 54] Please provide the five year forecast referred in in section 8.5.

Grimsby Power Inc.'s Response:

As stated in Section 8.5 of Grimsby Power Inc.'s Distribution Asset Management Plan it is "GPI's intention to create a five year forecast". A five year forecast has not been developed at this time. Also as stated in Section 8.5 of Grimsby Power Inc.'s Distribution Asset Management Plan the expenditure on distribution assets for 2013 and 2014 should be in the range of \$832,000 to \$1,300,000.

Interrogatory # 9 – Ex. 2, p. 20 and Ex. 4, p. 53

9. [Ex. 2, p. 20 and Ex. 4, p. 53] Please confirm that, on average over the period 2006 through 2010, the Applicant's total capital spending per year was 126% of depreciation and amortization expense for the year.

Grimsby Power Inc.'s Response:

Grimsby Power Inc. confirms that on average over the period 2006 through 2010, total capital spending was 128% of depreciation expense.

Description	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	Total
Capital Expenditures	884,091	1,119,836	992,428	1,270,116	1,534,917	5,801,388
Depreciation Expense	852,392	855,993	875,311	967,542	975,166	4,526,404

Capital Expenditures/Depreciation Expense 128%

3. LOADS, CUSTOMERS - THROUGHPUT REVENUE

4. OPERATING COSTS

Interrogatory # 10 – Ex. 1, p. 34

10. [Ex. 1, p. 34] Please provide an explanation of the primary reasons that the Applicant was able to keep its OM&A per customer levels well below its peers prior to 2011.

Grimsby Power Inc.'s Response:

Referring to Exhibit 4 –Page 19 of 66 – Table 4.8 – Cost Driver Table the Total OM&A expenditures remained relatively stable over the years 2006 to 2010. In the transition to 2011 the two largest changes are:

- Staffing Payroll and Benefits \$58,624
- Change in Allocation Method \$139,820

Staffing through the years 2006 to 2010 was somewhat volatile as staff attrition caused much instability resulting in some understated salary and wage totals. This resulted in an unstable expense year over year (see line 1 of Table 4.8). The business practice of allocating supervisory and engineering labour to capital also kept OM&A costs down as a portion of these costs were allocated to capital.

Grimsby Power Inc. has included a detailed analysis of variances in OM&A in its Rate Application. Please refer to the following sections with appropriate comments:

- A summary of the increase in spending is noted in Exhibit 1 on Pages 34 and 35 of 77. Specifically, there are five bullet points which summarize the increase in spending. Costs for the period prior to 2011 were kept low by severely limiting the type of expenses noted in this list.
- Exhibit 4 discusses, in detail, the cost pressures on OM&A expenses. In particular the sections on Cost Drivers, the Variance Analysis, and the Employee Compensation Breakdown.

Interrogatory # 11 – Ex. 4, p. 19

11. [Ex. 4, p. 19] Please provide a breakdown of the \$154,135 increase between 2011 and 2012, and showing each increase and decrease of each USofA account affected. If any of the impacts are driven by the move to MIFRS, please identify those amounts.

Grimsby Power Inc.'s Response:

Please refer to Board Staff IR # 58(d).

5. COST OF CAPITAL AND RATE OF RETURN

Interrogatory # 12 – Ex. 1, 2010 Financials, p. 10

12. [Ex. 1, 2010 Financials, p. 10] Please provide the loan agreement, commitment letter, or other such documents setting out the provisions of the term loans described in the fourth bullet of para. 4, including the current interest rate and other standard terms.

Grimsby Power Inc.'s Response:

Please refer to Energy Probe Interrogatory # 30(e).

6. SMART METERS

7. COST ALLOCATION

8. RATE DESIGN

Interrogatory # 13 – Ex. 8, p. 4

13. [Ex. 8, p. 4] Please confirm that, if the fixed monthly charge for GS>50 is kept at the current level of \$165.08, the variable charge would have to be \$1.7834 to remain revenue neutral.

Grimsby Power Inc.'s Response:

The above rate of \$1.7834 would apply if there were no transformer allowance of \$33,000. With this added cost however, the variable charge would have to be \$1.9562 to be revenue neutral. Refer to the table below for the calculation:

Calculation of Variable Rate		
Distribution Service Revenue Required, plus	\$	534,672
Transformer Allowance	\$	33,000
Total Required Revenue	\$	567,672
Applied Fixed Rate, multiplied by	\$	165.08
# Customers, multiplied by		100
# Months / Year		12
Total Fixed Revenue	\$	198,491
Required Revenue for Variable Rates	\$	369,181
kW usage (projected)		188,723
Variable Rate Required per kW	\$	1.9562

9. DEFERRAL AND VARIANCE ACCOUNTS

10. LRAM/SSM

11. MODIFIED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Interrogatory # 14 – Ex. 1, p. 36

14. [Ex. 1, p. 36] Please explain the basis under which the Applicant includes “burdened wage rates” in capital costs under MIFRS, and advise the impact of that practice on Test Year revenue requirement.

Grimsby Power Inc.’s Response:

Please refer to Board Staff IR # 60(b) which explains how overhead allocations have been changed.

Please refer to Board Staff IR # 58(e)(i) which details the impact on test year revenue requirement.

Interrogatory # 15 – Ex. 1, p. 38

15. [Ex. 1, p. 38] Please explain why Table 1.4 includes a favourable difference of \$316,690 between CGAAP and MIFRS for Depreciation and Amortization, but includes no difference between CGAAP and MIFRS with respect to OM&A expenses (including impacts relating to allowed capitalization). If further impacts should be disclosed, please restate this Table.

Grimsby Power Inc.'s Response:

Table 1.4 is comparing the 2011 Bridge Year with the 2012 Test Year. The impacts of the conversion from CGAAP to MIFRS will not compare one to one between different years because there is a different cost base in each year. Grimsby Power Inc. has provided comparisons of all costs (capital and OM&A) between CGAAP and MIFRS for 2012 where there are differences throughout its rate application.

Differences between CGAAP and MIFRS for OM&A expenses are discussed in Exhibit 4 as follows:

- Page 9 of 66 Engineering Department & Stores/Warehouse
- Page 10 of 66 Fleet
- Page 30 of 66 2012 Test Year (MIFRS) versus 2012 Test Year
(CGAAP) 5085 Miscellaneous Distribution Expense (IFRS)
- Page 51 of 66 Depreciation, Amortization and Depletion

Interrogatory # 16 – Ex. 1, p. 46

16. [Ex. 1, p. 46] Please confirm that Appendix 1.4 is expressed in CGAAP. If so, please provide a copy of Appendix 1.4 restated in MIFRS. If Appendix 1.4 is already in MIFRS, please provide a copy restated in CGAAP.

Grimsby Power Inc.'s Response:

Grimsby Power Inc. confirms that Appendix 1.4 is stated in CGAAP.

Grimsby Power Inc. has prepared a response detailing all CGAAP to MIFRS changes in response to Board Staff IR # 58. Please refer to this interrogatory.

Interrogatory # 17 – Ex. 4, p. 30

17. [Ex. 4, p. 30] Please provide details of the \$169,494 increase in Miscellaneous Distribution Expense resulting from the shift to MIFRS.

Grimsby Power Inc.'s Response:

Please refer to Energy Probe IR # 23 and 26(a).

Interrogatory # 18 – Ex. 4, p. 43

18. [Ex. 4, p. 43] Please add a column on the right side of Table 4.24 restating the 2012 figures under MIFRS.

Grimsby Power Inc.'s Response:

Table 4.24 does not represent costs in terms of the financial account structure. It does represent real costs incurred by Grimsby Power Inc. as it relates to Employee Compensation and Benefits. This table is therefore, not in either CGAAP or MIFRS format.

The column titled "2012 CGAAP Test Year" was done in error. It should read "2012 Test Year". The revised table is shown in Board Staff Interrogatory # 19.

Interrogatory # 19 – General

19. [General] Please provide a detailed breakdown (explanatory and numeric) of all impacts of IFRS (as compared to CGAAP) on the Bridge Year costs, revenues, and rate base, and the Test Year revenue requirement, including but not limited to differences in depreciation rates or methods, inclusion of asset retirement obligations, differences in pension and OPEB accounting, and changes in amounts capitalized. Please provide details of all changes in capitalization policy resulting from the change to IFRS on January 1, 2011. To the extent that some of these explanations are already in the evidence, please provide an evidence reference.

Grimsby Power Inc.'s Response:

Grimsby Power Inc. has prepared a response detailing all CGAAP to MIFRS changes in response to Board Staff IR # 58. Please refer to this interrogatory.

12. GREEN ENERGY ACT PLAN