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November 15, 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 --- Technical Conference Questions**

Pursuant to Procedural Order No. 2 issued by the Board on October 27, 2011, please find attached the Technical Conference Questions of Energy Probe Research Foundation (Energy Probe) in the EB-2011-0273 proceeding. Also attached is a Tracking Sheet from the EB-2010-0144 Waterloo North proceeding being offered as an example format to assist in responding to Energy Probe Question 1 a).

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)  
Intervenors of Record (By email)

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**Energy Probe Research Foundation** 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6

Phone: (416) 964-9223 Fax: (416) 964-8239 E-mail: [EnergyProbe@nextcity.com](mailto:EnergyProbe@nextcity.com) Internet: [www.EnergyProbe.org](http://www.EnergyProbe.org)

**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.

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**TECHNICAL CONFERENCE QUESTIONS OF  
ENERGY PROBE RESEARCH FOUNDATION  
("ENERGY PROBE")**

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**November 15, 2011**

**GRIMSBY POWER INC.  
2012 RATES REBASING CASE  
EB-2011-0273**

**ENERGY PROBE RESEARCH FOUNDATION  
TECHNICAL CONFERENCE QUESTIONS**

**Question #1**

**Ref: All Interrogatory and TCQ Questions**

- a) Please provide a list of all changes in the format of a tracking sheet (see attached example from Waterloo North) that Grimsby Power proposes to make to the calculation of the revenue requirement and/or revenue deficiency as a result of the responses provided to interrogatories, technical conference questions or updated/revised evidence. Please include a brief description of the change and the impact on the revenue deficiency. Please also include the impacts resulting from the Board's November 10th, 2011 letter related to the Cost of Capital Parameter Updates for 2012 Cost of Service Applications for Rates Effective January 1, 2012.**
- b) Please provide an updated RRWF reflecting any changes listed in the response to part (a).**
- c) Please provide a list of a changes that Grimsby Power proposes to make to any non-revenue requirement areas such as deferral & variance accounts, cost allocation, rate design, smart meters, etc. as a result of responses to interrogatories, technical conference questions or updated/revised evidence.**

**Question #2**

**Ref: Energy Probe Interrogatory #2 &  
Exhibit 1, Chart 1.2**

**The response to part (c) of the Energy Probe interrogatory indicates that the Town of Grimsby owns 90% of Niagara Power Inc. and that FortisOntario owns the remaining 10% of Niagara Power Inc. This is not consistent with Chart 1.2 in Exhibit 1 or with the statement on page 25 of Exhibit 1 that Grimsby Power Inc. has two shareholders, the Town of Grimsby and FortisOntario. Please reconcile.**

### Question #3

**Ref: Energy Probe Interrogatory #3 (b)**

The response implies that the 2012 GPI forecast of OM&A shown in Table 1.3 is based on CGAAP. However, the 2012 forecast of \$2,623,797 is elsewhere shown in the evidence as an MIFRS figure (Exhibit 4, page 3). Please confirm that the 2012 forecast shown in Table 1.3 is based on MIFRS.

### Question #4

**Ref: Energy Probe Interrogatory #4 (e) &  
Board Staff Interrogatory #57**

Please update Table 2.1 by including a 2011 bridge year based on MIFRS and the corrected 2012 IFRS Test Year column reflecting the 2011 MIFRS net book value.

### Question #5

**Ref: Energy Probe Interrogatory #5**

Table 2.4 in Exhibit 2 has been revised. Has this revision been carried forward into the 2011 capital expenditures?

### Question #6

**Ref: Energy Probe Interrogatory #7**

Please update the cost of power calculations using the October 17, 2011 RPP Price Report figures, adjusted as shown below to match the months to the calendar year, with a forecast wholesale electricity price of \$31.38 and a load-weighted price for RPP customers of \$34.13 ( $31.38 \times (34.62 / 31.83)$ ).

	Months	Price
Jan-12	1	38.15
Feb 12 - Apr 12	3	32.63
May 12 - July 12	3	27.22
Aug 12 - Oct 12	3	29.34
Nov 12 - Dec 12	2	<u>35.39</u>
Weighted Average		31.38

**Question #7**

**Ref: Energy Probe Interrogatory #8**

**Is the Grimsby Power treatment of the contributions and grants consistent with directions from the Board on how to deal with the MIFRS impact on contributions? Please explain.**

**Question #8**

**Ref: Energy Probe Interrogatory #9**

- a) Please confirm that GPI expects to have all of the capital expenditures shown in the original 2011 budget in service by the end of year, except for the \$220,000 budgeted for the ERP software implementation and \$214,989 related to the Ridge Road East project.**
- b) Will the \$220,000 for the ERP software implementation be spent and placed into service in the 2012 test year?**
- c) Will the \$214,989 for the Ridge Road East project be spent and placed into service in the 2012 test year?**

**Question #9**

**Ref: Energy Probe Interrogatory #9 (d)**

- a) The reference to Board Staff Interrogatory #6 does not appear to answer the question posed. Please provide the correct reference.**
- b) If the 2010 actual contributions of \$867,342 reflects three years of contributions from developers, for an average of about \$290,000, please explain the drop in contributions forecast for 2011 and 2012 to \$150,000.**

**Question #10**

**Ref: Energy Probe Interrogatory #9 (e) &  
Board Staff Interrogatory #3**

- a) Does the error noted in the response to the Board Staff interrogatory have any impact on the opening balance for 2012 in the fixed asset continuity schedule used to calculate the 2012 rate base? If yes, please quantify the impact.**

- b) Does the error noted in the response to the Board Staff interrogatory have any impact on the smart meter balances to be recovered? If yes, please quantify the impact.

**Question #11**

**Ref: Energy Probe Interrogatory #14 &  
Exhibit 2, page 51**

**The evidence indicates that two trucks will be replaced by one in 2012 because of the low usage on these two vehicles. Please indicate why one of these vehicles would not be sold in 2012. Please also provide the best estimate of the value of each of these two vehicles if they were to be sold in 2012.**

**Question #12**

**Ref: Board Staff Interrogatory #15 (a)**

**Does the cost correction from \$30,618 to \$12,730, shown in the interrogatory response that results in a revised Table 4.10, get carried forward into Table 4.1 for 2012 or does Table 4.1 already reflect the correct costs shown in the revised Table 4.10?**

**Question #13**

**Ref: Board Staff Interrogatory #15 &  
Exhibit 4, Table 4.2**

**Please provide a revised Table 4.2 that reflects the removal of the MDMR costs for 2012, the correction for the KTS/Sensus meter fees and any other corrections identified through the interrogatory process.**

**Question #14**

**Ref: Energy Probe Interrogatory #29 &  
Exhibit 4, Table 4.38**

- a) What is the value of the of the apprenticeship tax credit for 2012? Where has this been reflected in the calculation of the income tax shown in Table 4.38 in Exhibit 4?

- b) The response to part (a) indicates that at the time of the application submission the values of the reserves at the beginning of the year were unknown. Does GPI now have an estimate of these figures?
- c) Please explain how the "Other Reserves from Schedule 13" and "Reserves @ End of the Year" in the Additions are related to the "Other Reserves from Schedule 13" and "Reserves @ Beginning of the Year" in the Deductions. For example, why is the addition of \$656,500 in 2012 for Reserves @ End of the Year equal to the 2011 deduction for Other Reserves from Schedule 13?

#### **Question #15**

**Ref: Board Staff Interrogatory #30 (e)**

- a) Please calculate the 2012 cost of debt using the 3.50% for the TD Commercial Bank loans, but replacing the 7.25% Town of Grimsby promissory note with the 5.01% rate from the Board's Nov. 10, 2011 Cost of Capital Parameter Updates for 2012 Cost of Service Applications for Rates Effective January 1, 2012 letter.
- b) What is the impact on the revenue requirement of applying the long-term debt rate determined in part (a) above to the deemed 56% of rate base?

#### **Question #16**

**Ref: Energy Probe Interrogatory #32 & Exhibit 7, Table 7.3**

- a) Please update Table 7.3 in Exhibit 7 to reflect the status quo ratios resulting from the revised cost allocation model filed in Appendix 4 to the Energy Probe interrogatory, as well as any resulting changes in the proposed ratios shown in Table 7.3.
- b) Given the higher starting point in terms of the revenue to cost ratio for the street lighting class at 36% (as compared to 28.7%), does GPI still believe that a three year phase in to 70% for this rate class is required, or would a two year phase in be appropriate?

#### **Question #17**

**Ref: Energy Probe Interrogatory #10 (b)**

- a) Do the forecasts shown for 2012 include the reduction for CDM in 2012?

- b) Please provide the regression statistics and 2012 forecast from an equation that includes heating and cooling degree days, number of days in the month, spring/fall lag, the trend variable from the Energy Probe Interrogatory and Ontario real GDP.**
- c) Please provide a table that compares the adjusted R-squared, standard error and mean absolute percent error (MAPE) for the equation used by GPI, the equation from part (b) of Energy Probe interrogatory #10 and the equation requested in part (b) above.**

**Question #18**

**Ref: VECC Interrogatory #10**

**Please expand the table provided in the response to include data for 1999 through 2008.**

**Question #19**

**Ref: Board Staff Interrogatory #42**

- a) Please explain the derivation of the long-term cost of debt and return on equity shown in the smart meter model for 2009, 2010 and 2011.**
- b) Please explain why there is no short-term debt component shown.**

**Question #20**

**Ref: Board Staff Interrogatory #11**

**Given that the 2011 interest and dividend income should be approximately \$10,000 instead of the \$3,000 shown in the original evidence, should the 2012 forecast also be increased from \$3,000 to \$10,000? If not, why not?**

**Question #21**

**Ref: Energy Probe Interrogatory #29 (e) & Exhibit 4, page 50**

**Please explain why the co-op student to be hired for a 4 month period as noted on page 50 of Exhibit 4 does not qualify for the Ontario Co-operative Education Tax Credit.**

**Supplementary Questions for Technical Conference - Energy Probe**

- b) Please provide a tracking sheet that shows the impact of each change proposed by WNH.***

Please see the table below.

Supplementary Questions for Technical Conference - Energy Probe

Table TCQ # 27 (b) – Summary of Proposed Changes

Summary of Proposed Changes

Reference	Item	Regulated Return on Capital	Regulated Rate of Return	Rate Base	Working Capital	Working Capital Allowance	Amortization	PILs	OM&A	Service Revenue Requirement	Base Revenue Requirement	Gross Revenue Deficiency
Reference	Item	Regulated Return on Capital	Regulated Rate of Return	Rate Base	Working Capital	Working Capital Allowance	Amortization	PILs	OM&A	Service Revenue Requirement	Base Revenue Requirement	Gross Revenue Deficiency
	<b>Original Submission August 2010</b>	<b>\$10,824,124</b>	<b>7.08%</b>	<b>\$152,808,317</b>	<b>\$125,598,185</b>	<b>\$18,839,728</b>	<b>\$7,816,331</b>	<b>\$1,212,310</b>	<b>\$10,183,838</b>	<b>\$30,036,603</b>	<b>\$28,980,640</b>	<b>\$5,012,440</b>
OEB IR# 24 (a) & (b)	Adjust Infrastructure Ontario Debt to 1 Day Change	\$11,168,599 \$344,475	7.31% 0.23%	\$152,808,317 \$0	\$125,598,185 \$0	\$18,839,728 \$0	\$7,816,331 \$0	\$1,212,310 \$0	\$10,183,838 \$0	\$30,381,077 \$344,475	\$29,325,115 \$344,475	\$5,356,914 \$344,475
	PILs Correction - Input Error - Bldg amount in Class 1b Change	\$11,168,599 \$0	7.31% \$0	\$152,808,317 \$0	\$125,598,185 \$0	\$18,839,728 \$0	\$7,816,331 \$0	\$1,213,484 \$1,175	\$10,183,838 \$0	\$30,382,252 \$1,175	\$29,326,289 \$1,175	\$5,358,089 \$1,175
EP IR# 13 (e)	AFUDC Rate on Capitalized Interest Change	\$11,196,054 \$27,455	7.31% \$0	\$153,183,959 \$375,642	\$125,598,185 \$0	\$18,839,728 \$0	\$7,823,920 \$7,589	\$1,213,336 -\$148	\$10,183,838 \$0	\$30,417,147 \$34,896	\$29,361,185 \$34,896	\$5,392,984 \$34,896
EP TCQ # 9 & EP IR # 19 (a)	Adjust Purchase kWh for CDM Adjmts Change	\$11,196,054 \$0	7.31% \$0	\$153,183,959 \$0	\$125,598,185 \$0	\$18,839,728 \$0	\$7,823,920 \$0	\$1,213,336 \$0	\$10,183,838 \$0	\$30,417,147 \$0	\$29,361,185 \$0	\$5,279,238 -\$113,746
EP TCQ # 9 & VECC TCQ # 1 (b) & (c)	Adjust Purchase kWh for CDM Adjmts @ Application Power Rates Change	\$11,204,832 \$8,778	7.31% \$0	\$153,304,058 \$120,099	\$126,398,846 \$800,661	\$18,959,827 \$120,099	\$7,823,920 \$0	\$1,215,199 \$1,863	\$10,183,838 \$0	\$30,427,788 \$10,641	\$29,371,826 \$10,641	\$5,289,879 \$10,641
EP IR # 11 (b) & VECC TCQ # 1 (a)	Adjust Oct 15/10 Navigant Numbers, Power, GA & \$68.38 RPP Rates Change	\$11,202,097 -\$2,735	7.31% \$0	\$153,266,641 -\$37,417	\$126,149,397 -\$249,449	\$18,922,410 -\$37,417	\$7,823,920 \$0	\$1,214,619 -\$580	\$10,183,838 \$0	\$30,424,473 -\$3,315	\$29,368,510 -\$3,315	\$5,286,564 -\$3,315
VECC TCQ # 1 (b) & (c)	Adjust NW & CN kW for Purchase & CDM Adjmts Change	\$11,212,740 \$10,642	7.31% \$0	\$153,412,249 \$145,608	\$127,120,117 \$970,720	\$19,068,018 \$145,608	\$7,823,920 \$0	\$1,216,877 \$2,259	\$10,183,838 \$0	\$30,437,374 \$12,901	\$29,381,412 \$12,901	\$5,299,465 \$12,901
Decision EB-2010-0002	Adjust NW & CN kW for IESO & HONI January 1, 2011 Price Increases Change	\$11,221,588 \$8,848	7.31% \$0	\$153,533,306 \$121,057	\$127,927,161 \$807,044	\$19,189,074 \$121,057	\$7,823,920 \$0	\$1,218,755 \$1,878	\$10,183,838 \$0	\$30,448,100 \$10,726	\$29,392,137 \$10,726	\$5,310,191 \$10,726
OEB IR # 21	OMERS increase for 2012 & 2013 Change	\$11,222,972 \$1,384	7.31% \$0	\$153,552,243 \$18,938	\$128,053,411 \$126,250	\$19,208,012 \$18,938	\$7,823,920 \$0	\$1,219,049 \$294	\$10,310,088 \$126,250	\$30,576,028 \$127,928	\$29,520,065 \$127,928	\$5,438,118 \$127,928
EP IR 23 (c) / 29 (a) & (b) EP TCQ 14 (a)	Removal of Street Light Return & PILs Change	\$11,222,972 \$0	7.31% \$0	\$153,552,243 \$0	\$128,053,411 \$0	\$19,208,012 \$0	\$7,823,920 \$0	\$1,219,049 \$0	\$10,310,088 \$0	\$30,576,028 \$0	\$29,586,071 \$66,006	\$5,504,124 \$66,006
EP IR 40 & EP TCQ 21 (a)	PILs - Computer Hardware to Correct CCA Account Change	\$11,222,972 \$0	7.31% \$0	\$153,552,243 \$0	\$128,053,411 \$0	\$19,208,012 \$0	\$7,823,920 \$0	\$1,193,531 -\$25,518	\$10,310,088 \$0	\$30,550,510 -\$25,518	\$29,560,553 -\$25,518	\$5,478,606 -\$25,518
EP IR 41 / EP TCQ 21(b)	PILs - Land Rights CCA Change	\$11,222,972 \$0	7.31% \$0	\$153,552,243 \$0	\$128,053,411 \$0	\$19,208,012 \$0	\$7,823,920 \$0	\$1,192,976 -\$555	\$10,310,088 \$0	\$30,549,955 -\$555	\$29,559,998 -\$555	\$5,478,051 -\$555

Supplementary Questions for Technical Conference - Energy Probe

Summary of Proposed Changes

Reference	Item	Regulated Return on Capital	Regulated Rate of Return	Rate Base	Working Capital	Working Capital Allowance	Amortization	PILs	OM&A	Service Revenue Requirement	Base Revenue Requirement	Gross Revenue Deficiency
EP TCQ 17	PILs - Adjust Apprentice & Co-op Tax Credits	\$11,222,972	7.31%	\$153,552,243	\$128,053,411	\$19,208,012	\$7,823,920	\$1,117,432	\$10,310,088	\$30,474,411	\$29,484,454	\$5,402,507
EP TCQ 20 (b)	Change	\$0	\$0	\$0	\$0	\$0	\$0	-\$75,544	\$0	-\$75,544	-\$75,544	-\$75,544
EP IR 38 (b)	PILs - Reduction of Ontario Surtax Clawback	\$11,222,972	7.31%	\$153,552,243	\$128,053,411	\$19,208,012	\$7,823,920	\$1,066,909	\$10,310,088	\$30,423,888	\$29,433,931	\$5,351,984
	Change	\$0	\$0	\$0	\$0	\$0	\$0	-\$50,523	\$0	-\$50,523	-\$50,523	-\$50,523
EP TCQ # 9	Adjust Purchase kWh for WMS	\$11,223,819	7.31%	\$153,563,835	\$128,130,693	\$19,219,604	\$7,823,920	\$1,067,089	\$10,310,088	\$30,424,915	\$29,434,958	\$5,353,011
	Change	\$847	\$0	\$11,592	\$77,282	\$11,592	\$0	\$180	\$0	\$1,027	\$1,027	\$1,027
OEB IR 29 (e)	Cost Allocation - Adjustment of Street Light Connections	\$11,223,819	7.31%	\$153,563,835	\$128,130,693	\$19,219,604	\$7,823,920	\$1,067,089	\$10,310,088	\$30,424,915	\$29,434,958	\$5,353,011
	Change	\$847	\$0	\$11,592	\$77,282	\$11,592	\$0	\$180	\$0	\$1,027	\$1,027	\$1,027
BS IR 8 (b)	Adjustment of RTSR for Updated Quantity & Pricing Changes	\$11,223,819	7.31%	\$153,563,835	\$128,130,693	\$19,219,604	\$7,823,920	\$1,067,089	\$10,310,088	\$30,424,915	\$29,434,958	\$5,353,011
	Change	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
VECC IR 29	Adjustment of LRAM/SSM	\$11,223,819	7.31%	\$153,563,835	\$128,130,693	\$19,219,604	\$7,823,920	\$1,067,089	\$10,310,088	\$30,424,915	\$29,434,958	\$5,353,011
	Change	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
EB-2010-0295 Decision	Late Payment Penalty Rate Rider	\$11,223,819	7.31%	\$153,563,835	\$128,130,693	\$19,219,604	\$7,823,920	\$1,067,089	\$10,310,088	\$30,424,915	\$29,434,958	\$5,353,011
	Change	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Proposed at March 1, 2011		\$11,223,819	7.31%	\$153,563,835	\$128,130,693	\$19,219,604	\$7,823,920	\$1,067,089	\$10,310,088	\$30,424,915	\$29,434,958	\$5,353,011