

Response to Board Staff Technical Conference Questions

Grimsby Power Inc.

2012 Distribution Rate Application

Board File No. EB-2011-0273

November 22, 2011

TABLE OF CONTENTS

CAPITAL EXPENDITURES.....	3
1. REF: RESPONSE TO BOARD STAFF INTERROGATORY # 8; EXHIBIT 2/ PAGE 15 – SERVICE QUALITY INDICATORS.....	3
OPERATING, MAINTENANCE AND ADMINISTRATIVE (“OM&A”) EXPENSES.....	4
2. REF: EXHIBIT 4/ PAGE 21; BOARD STAFF IR # 14 – METER READING	4
COST OF CAPITAL AND RATE OF RETURN.....	5
3. REF: BOARD STAFF IR # 29	5
COST ALLOCATION.....	6
4. RESPONSE TO BOARD STAFF IR # 31 – USL	6
RATE DESIGN	7
5. RESPONSE TO BOARD STAFF IR # 35; EXHIBIT 8/ PAGE14 – LOW VOLTAGE	7
SMART METERS.....	8
6. REF: EXHIBIT 9/ PAGE 19 – 34; BOARD STAFF IR# 42 & 43.....	8
7. REF: EXHIBIT 9/ PAGE 33; BOARD STAFF IR# 46.....	9
DEFERRAL AND VARIANCE ACCOUNTS.....	11
8. REF: BOARD STAFF IR # 51 – SPECIAL PURPOSE CHARGES	11
9. REF: BOARD STAFF IR # 54 (A TO C) – ACCOUNT 1590	13
10. REF: BOARD STAFF IR # 55 (B) – HST/OVAT ITCs	15
MODIFIED INTERNATIONAL FINANCIAL REPORTING STANDARDS.....	20
11. REF: BOARD STAFF IR # 57 (D & E) – FIXED ASSET	20
12. REF: BOARD STAFF IR # 60 (B, D & F); EXHIBIT 4, PAGE 30 – ASSETS CAPITALIZATION.....	23
13. REF: BOARD STAFF IR # 61 – ADDENDUM TO REPORT OF THE BOARD: IMPLEMENTING IFRS STANDARDS IN AN INCENTIVE RATE MECHANISM ENVIRONMENT, JUNE 13, 2011 (EB 2008-0498); TRANSITION TO IFRSIMPLEMENTATION IN AN IRM ENVIRONMENT, APPENDIX A.....	26
14. REF: BOARD STAFF IR # 62 – INTANGIBLE ASSETS	28
15. REF: BOARD STAFF IR # 63 – TREATMENT OF OTHER POST-EMPLOYMENT	29
BENEFITS.....	29
ACCOUNT 1562	31
16. REF: BOARD STAFF IR # 56 – TAX RATES.....	31
17. REF: BOARD STAFF IR # 56 – COLLECTIONS OR AMOUNTS BILLED TO CUSTOMERS	33
18. REF: BOARD STAFF IR # 56 – INTEREST EXPENSE	35
LIST OF APPENDICES	38
LIST OF EXCEL FILES	39

Capital Expenditures

1. Ref: Response to Board staff interrogatory # 8; Exhibit 2/ Page 15 – Service Quality Indicators

In its response, Grimsby provided the updated Reliability indices; however this interrogatory requested Grimsby to provide its Service Quality Indicators. Please provide the historical Service Quality Indicators data in the following table.

Grimsby Power Inc.'s Response:

The service quality indicators are as noted in the table below:

Service Quality Indicator	Minimum Standard	2008	2009	2010
Low Voltage Connections	90%	100%	100%	100%
High Voltage Connections	90%	N/A	N/A	N/A
Telephone Accessibility	65%	80.9%	71%	72.4%
Appointments Met	90%	100%	99.4%	100%
Written Responses to Enquiries	80%	100%	100%	100%
Emergency Urban Response	80%	100%	100%	100%
Emergency Rural Response	80%	100%	100%	100%
Telephone Call Abandon Rate	10%	N/A	2.5% ESTIMATED	N/A
Appointments Scheduling	90%	N/A	100%	99.1%
Rescheduling a Missed Appointment	100%	N/A	N/A	100%

Based on the above information there were no indicators under the minimum standard.

Operating, Maintenance and Administrative (“OM&A”) Expenses

2. Ref: Exhibit 4/ Page 21; Board staff IR # 14 – Meter Reading

In response to Board staff IR# 14 (b), Grimsby provided a table to show the details of the meter reading expenses. The table lists an amount of \$61,200 for an item called “Contract Out Settlement Services – End to End Solution”. Please confirm whether this cost is related to MicroFIT customers as stated in response to Board staff IR# 14 (c). If not, please provide details of the \$61,200.

Grimsby Power Inc.’s Response:

Board Staff IR # 14(c) does not refer to microFIT customers. However, Grimsby Power Inc. believes this question relates to Board Staff IR # 18(c).

The cost of \$61,200 for “Settlement Services” is not directly related to microFIT customers but as noted in Board Staff IR # 18(c)(i) could potentially be in the future.

Detail about settlement services is included in the rate application in Exhibit 4 – Page 21 of 66 – “Process Meter Data” and on Page 26 of 66 – “5310 – Meter Reading Expense - \$57,177”.

Cost of Capital and Rate of Return

3. Ref: Board staff IR # 29

In its response to Board staff IR # 29 (a), Grimsby provided an executed copy of the Promissory Note dated December 18, 2007. Please also provide an executed copy of all the Promissory Notes prior to December 18, 2007.

Grimsby Power Inc.'s Response:

Grimsby Power Inc. has included all copies of executed promissory notes as attached in Appendix 1 to this Board Staff Technical Conference Question set.

Cost Allocation

4. Response to Board staff IR # 31 – USL

In its response, Grimsby provided the weighting factor for Billing and Collecting for USL class as 3. In the revised cost allocation model, Sheet I6.2 Customer Data, Grimsby has the number of Bills for USL class as 960. Please confirm when the weighting factor of 3 is determined whether the number of bills of 960 has taken into account.

Grimsby Power Inc.'s Response:

The weighting factors for Billing and Collecting were determined using the professional judgment of management. Grimsby Power Inc. confirms that the number of bills for USL (960) was taken into account during the review to determine the weighting factors.

Rate Design

5. Response to Board staff IR # 35; Exhibit 8/ Page14 – Low Voltage

In its response, Grimsby stated that the Low Voltage rate for the USL class is \$0.0007/kWh, which shows no change as compared to the existing rate. However, Exhibit 8 (pages 14, and 37) shows that the Low Voltage rate for the USL class is \$0.0006/kWh. Please explain the difference.

Grimsby Power Inc.'s Response:

Grimsby Power Inc. made an error in populating the table in Board Staff IR # 35. The USL Low Voltage rate should be \$0.0006/kWh and the corrected table is as follows:

Customer Class	Existing Rates		Proposed Rates	
	Low Voltage per kWh	Low Voltage per kW	Low Voltage per kWh	Low Voltage per kW
Residential	0.0007		0.0007	
GS < 50 kW	0.0006		0.0006	
GS >50		0.2877		0.2603
Street Lighting		0.2194		0.2012
USL	0.0007		0.0006	

Smart Meters

6. Ref: Exhibit 9/ Page 19 – 34; Board staff IR# 42 & 43

Please rerun and submit the attached draft Board staff Smart Meter Model which adjusts for the following two matters:

- a) Corrects for compounded interest on funding adder revenues and
- b) Adds simple interest expense on the opening monthly balance for OM&A and amortization expenses.

Grimsby Power Inc.'s Response:

Grimsby Power Inc. followed the instructions sent by OEB on November 16, 2011.

The draft Board staff Smart Meter Model will be submitted to OEB with the Technical Conference Question Sets.

7. Ref: Exhibit 9/ Page 33; Board staff IR# 46

Please re-calculate class-specific smart meter disposition riders using the following allocation methodology that is based on the approach approved by the Board in PowerStream's 2010 smart meter application (EB-2010-0209):

(i) Allocate the total revenue requirement for the historical years, as revised per the previous technical conference question, using the following cost allocation methodology:

- Allocate the return (deemed interest plus return on equity) and amortization based on the allocation of Account 1860 in the cost allocation model (CWMC in the cost allocation model)
- Allocate the OM&A based on the number of meters installed for each class
- Allocate PILs based on the revenue requirement allocated to each class before PILs

(ii) Sum the allocated amounts and calculate the percentages of costs allocated to customer rate classes.

(iii) Subtract the revenues generated from the smart meter funding adder from the overall revenue requirement.

(iv) Allocate the amount calculated in part (iii) by using the allocation factors derived in part (ii)

(v) To calculate the smart meter disposition rider, divide the allocated amount by rate class derived in part (iv) by the number of customers in each class, and then divide by 12.

(vi) If the proposed disposition period is greater than 1 year, divide the result of part (v) by the proposed number of years.

Grimsby Power Inc.'s Response:

The table below depicts the calculation of the class-specific smart meter disposition riders using the allocation methodology described and in reference to the approach approved by the Board in PowerStream's 2010 smart meter application.

Smart Meter Actual Cost Recovery Rate Rider Calculated by Rate Class			
	Total	Residential	GS < 50
Allocators			
CWMC (Account 1860)	100.00%	89.97%	10.03%
Number of meters installed	100.00%	93.42%	6.58%
Revenue Requirement Allocation before PILs	100.00%	86.28%	13.72%
Total Return (deemed interest plus return on equity)	\$ 7,013	\$ 6,309	\$ 704
Amortization	\$ 6,040	\$ 5,434	\$ 606
OM&A	\$ -	\$ -	\$ -
PILs	\$ 1,480	\$ 1,277	\$ 203
Total Revenue Requirement 2009	\$ 14,533	\$ 13,020	\$ 1,513
Total Return (deemed interest plus return on equity)	\$ 57,450	\$ 51,686	\$ 5,764
Amortization	\$ 50,509	\$ 45,441	\$ 5,068
OM&A	\$ 46,430	\$ 43,376.87	\$ 3,052.98
PILs	\$ 7,849	\$ 6,772	\$ 1,076
Total Revenue Requirement 2010	\$ 162,238	\$ 147,276	\$ 14,962
Total Return (deemed interest plus return on equity)	\$ 106,614	\$ 95,917	\$ 10,698
Amortization	\$ 95,522	\$ 85,937	\$ 9,585
OM&A	\$ 225,880	\$ 211,027	\$ 14,853
PILs	\$ 13,109	\$ 11,311	\$ 1,798
Total Revenue Requirement 2011	\$ 441,125	\$ 404,192	\$ 36,933
Revenue Requirement Total	\$ 617,896	\$ 564,488	\$ 53,407
	100.00%	91.36%	8.64%
Smart Meter Rate Adder Revenues	(\$393,492)		
Carrying Charge	(\$7,776)		
Smart Meter True-up	\$ 216,627	\$ 197,903	\$ 18,724
Metered Customers	10,386.25	9,703.31	682.94
Rate Rider to Recover Smart Meter Costs	\$ 1.74	\$ 1.70	\$ 2.28
Recovery period January 1, 2012 to December 31, 2012			

Deferral and Variance Accounts

8. Ref: Board staff IR # 51 – Special Purpose Charges

In response to Question 51(d), Grimsby stated that the recovery of Grimsby's SPC assessment has come to an end on April 20, 2011.

In response to Question 51(b), Grimsby stated that "As of end of August 31, 2011 the principal balance is a negative balance of \$(1,164.55)".

a) Please confirm that the principal balance as of April 20, 2011 when Grimsby's SPC program came to an end after one year period is a negative balance of \$(1,164.55)".

Grimsby Power Inc.'s Response:

The account activity came to an end at June 30, 2011 when the last invoices regarding April 2011 activity was paid by customers. Grimsby Power Inc. confirms that the principal balance of SPC is a negative balance of \$(1,164.55).

b) Please confirm if Grimsby is seeking disposition of the "Sub-account 2010 SPC Assessment Carrying Charges" on a final basis.

Grimsby Power Inc.'s Response:

Grimsby Power Inc. is seeking disposition of the "Sub-account 2010 SPC Assessment Carrying Charges" on a final basis.

c) Please provide the forecasted carrying charges on the sub-account principal balance as of April 30, 2012, which is the start date of the rate year for Grimsby.

Grimsby Power Inc.'s Response:

Grimsby Power Inc. is requesting the start of the rate year to be changed from May 1, 2012 to January 1, 2012. Therefore, carrying charges are not required to be calculated in 2012.

d) Please provide an explanation why Grimsby's proposed disposition for carrying charges on the sub-account principal balance should not be as of April 30, 2012, which is the start date of the rate year for Grimsby, similar to the methodology of calculation for any other deferral and variance accounts.

Grimsby Power Inc.'s Response:

See response to Board Staff Technical Conference Question # 8(c) above.

e) Please provide an update to the DVA Work Form and all related tables for account balance as of April 20, 2011 and forecast for carrying charges as of April 30, 2012.

Grimsby Power Inc.'s Response:

Not applicable.

See response to Board Staff Technical Conference Question # 8(c) above.

9. Ref: Board staff IR # 54 (a to c) – Account 1590

In response to Board staff IR # 54 (b) & (c), Grimsby stated that the tax treatment was made based on its discussions with its auditors about the treatment of future tax liabilities, and further explained that the tax treatment was made to conform with the amendment to CICA Handbook Section 3465. However, in response to Board staff IR # 54 (a), Grimsby stated that it was not provided with authorization from the Board for the establishment of Account 1590, Sub account –Future Tax Liabilities.

Grimsby also stated that it is Grimsby's intention to reclassify the account balance to the correct accounts identified by the OEB in the October 2009 APH FAQ.

a) Please provide the journal entry to reclassify the account balance to the correct accounts identified by the OEB in the October 2009 APH FAQ.

Grimsby Power Inc.'s Response:

On this issue Grimsby Power Inc. has received advice from our auditors. The auditor's advice is that Grimsby Power Inc. should not reclassify Account 1590, Sub account – Future Tax Liabilities. The argument is as follows:

The CICA Handbook implies that if the future taxes are expected to be recovered in future rates, the amounts would not flow through the income statement. This is consistent with our recording of the future tax liability and the corresponding regulatory asset. This appears to be a common interpretation from reviewing various other LDCs financial statements.

The Accounting Procedure Handbook (APH) section 440 interprets CICA 3465 as:

The CICA Handbook specifically states that a rate-regulated enterprise need not recognize future income taxes to the extent that future income taxes are expected to be included in the approved rate charged to customers in the future and are expected to be recovered from future customers.

This interpretation is why the APH has not provided a regulatory account for Future taxes.

Since Grimsby Power has an asset of \$1,013,324 and a liability of \$1,013,324, it is expected that all future taxes would be recovered by rates. In this case the current balances are correct and do not need to be reclassified:

- Debit - Future Income Tax Non-Current 1,013,324
- Credit - Recovery future tax 1,013,324.

b) Please update the DVA Work Form and Exhibit 9, page 6.

Grimsby Power Inc.'s Response:

Notwithstanding the argument presented in Board Staff Technical Conference Question # 9(a) above the reclassification of the Account 1590, Sub account –Future Tax Liabilities would not have any impact on the DVA Work Form and Exhibit 9, page 16 (Table 9.2 Deferral and Variance Accounts – Audited Balances – December 31, 2010).

10. Ref: Board staff IR # 55 (b) – HST/OVAT ITCs

a) Please confirm that the amounts recorded in the Account 1592 PILS & Tax Variance for 2006 & subsequent Years, sub account HST/OVAT ITCs are incremental ITCs for both capital and OMA expenditures. If not, please explain.

Grimsby Power Inc.'s Response:

Grimsby Power Inc. confirms that the amounts recorded in the Account 1592 PILS & Tax Variance for 2006 & subsequent Years, sub account HST/OVAT ITCs are incremental ITCs for both capital and OMA expenditures.

b) Please clarify what is the amount that Grimsby is now requesting for disposition for Account 1592 PILS & Tax Variance for 2006 & subsequent Years, sub account HST/OVAT ITCs.

Grimsby Power Inc.'s Response:

The amount that Grimsby Power Inc. is now requesting for disposition for the Account 1592 PILS & Tax Variance for 2006 & subsequent Years, sub account HST/OVAT ITCs is \$ 15,945.70 this amount covers the saving period Jul 01, 2010 to December 31, 2011 where the previous amount of \$9,362 only covered the saving period Jul 01, 2010 to Jun 30, 2011.

c) If the amount is a new one and not the current credit balance of \$9,362, please update Table 2.4, DVA Work Form, and Tables 9.3, 9.5, 9.7 and 9.8.

Grimsby Power Inc.'s Response:

The updated Table 2.4, DVA Work Form, was provided in the Board Staff IR # 55(b).

Based on the changes in the Account 1592 PILS & Tax Variance for 2006 & subsequent Years, sub account HST/OVAT, as well as on the Board Staff IR # 52 and # 56, Grimsby Power Inc. made the following changes to Tables 9.3, 9.5, 9.7, and 9.8:

- The HST/OVAT amount claimed has been changed from \$9,361.64 to \$15,945.70. This amount has been derived through Board Staff Technical Conference Question # 10.
- 1588 Retail Settlement Variance Account – Power, Sub-Account Global Adjustment – Based on the information throughout the interrogatory

process and Grimsby Power Inc.'s assumption that the Board would prefer the postponement of the disposition of this account until changes to Grimsby Power Inc.'s CIS system to accommodate a separate rate rider to dispose of the GA amount to non-RPP customers the above calculation has been completed without the disposition of the GA amount. An analysis about the Global Adjustment was made in Board Staff IR # 52.

- 1562 Deferred Payments in Lieu of Taxes – Grimsby Power Inc. is proposing to dispose of this account in the amount of \$271,173. This amount has been derived in reference to Board staff IR # 56.

Below are the revised tables 9.2, 9.3, 9.5, 9.6, 9.7 and 9.8.

Table 9.2 Deferral and Variance Accounts – Audited Balances – December 31, 2010 – Revised

Account Description	Audited Financial Statements			Projected Interest	
	Principal Amounts as of Dec 31, 2010	Interest Amounts as of Dec 31, 2010	Dec 31, 2010 Total	from Jan 1, 2011 to Dec 31, 2011 on Dec 31 -10 balance	Total Claim
Group 1 Accounts					
LV Variance Account	1550	(130,199)	(1,140)	(131,339)	(133,130)
RSVA - Wholesale Market Service Charge	1580	(235,730)	(2,463)	(238,192)	(242,435)
RSVA - Retail Transmission Network Charge	1584	(21,839)	(78)	(21,917)	(21,989)
RSVA - Retail Transmission Connection Charge	1586	(157,828)	(1,095)	(158,923)	(161,076)
RSVA - Power (excluding Global Adjustment)	1588	(783,827)	(3,151)	(786,977)	(795,458)
RSVA - Power - Sub-Account - Global Adjustment	1588	1,099,194	10,037	1,109,231	16,158
Recovery of Regulatory Asset Balances	1590		(361)	(361)	(361)
Future Tax liabilities	1590	1,013,324		1,013,324	
Disposition and Recovery of Regulatory Balances	1595	(352,628)	(187,666)	(540,294)	
Group 1 Sub-Total (including Account 1588 - Global Adjustment)	1588	430,468	(185,916)	244,551	(581)
Group 1 Sub-Total (excluding Account 1588 - Global Adjustment)		(668,726)	(195,592)	(864,319)	(1,354,088)
RSVA - Power - Sub-Account - Global Adjustment		1,099,194	10,037	1,109,231	16,158
Group 2 Accounts					
Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs	1508	2,197	12	2,208	
Other Regulatory Assets - Sub-Account - Late Payment Litigation Costs	1508	23,236		23,236	
Retail Cost Variance Account - Retail	1518	(29,423)	(449)	(29,873)	(433)
Misc. Deferred Debits	1525	1,245		1,245	
Renewable Generation Connection OM&A Deferral Account	1532	15,481	51	15,532	
Retail Cost Variance Account - STR	1548	26,312	396	26,708	387
Group 2 Sub-Total		39,046	10	39,056	(46)
Deferred Payments in Lieu of Taxes	1562	(208,938)	(2,108)	(211,045)	271,173
PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT	1592	(9,362)		(9,362)	(15,946)
Total of Group 1 and Group 2 Accounts (including 1562 and 1592)		251,214	(188,014)	63,200	(627)
Special Purpose Charge Assessment Variance Account	1521				(802)
Total including Account 1521 ¹		251,214	(188,014)	63,200	(1,429)
The following is not included in the total claim but are included on a memo basis:					
Deferred PILs Contra Account ⁸	1563	208,938	2,108	211,045	(271,173)
PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Contra Account	1592	9,362		9,362	15,946

Table 9.3 2012 Deferral and Variance Account Disposition Amounts - Revised

Account Description	Allocator	Account	Total amount
Group 1 Accounts			
LV Variance Account	kWh	1550	(133,130)
RSVA - Wholesale Market Service Charge	kWh	1580	(242,435)
RSVA - Retail Transmission Network Charge	kWh	1584	(21,989)
RSVA - Retail Transmission Connection Charge	kWh	1586	(161,076)
RSVA - Power (excluding Global Adjustment)	kWh	1588	(795,458)
Recovery of Regulatory Asset Balances	Recovery share	1590	(361)
Group 1 Sub-Total (including Account 1588 - Global Adjustment)		1588	(1,354,448)
Group 1 Sub-Total (excluding Account 1588 - Global Adjustment)			
RSVA - Retail Transmission Connection Charge			
Special Purpose Charge Assessment Variance Account	kWh	1521	(802)
Retail Cost Variance Account - STR	# of Customers	1548	27,095
Retail Cost Variance Account - Retail	# of Customers	1518	(30,305)
PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs)	# of Customers	1592	(15,946)
Group 2 Accounts			
Deferred Payments in Lieu of Taxes	Dx Revenue	1562	271,173
Group 2 Sub-Total			251,215
Total Disposition Amount Requested			(1,103,234)

Table 9.5 Group 1 Balances - Revised

	LV Variance Account	RSVA - Wholesale Market Service Charge	RSVA - Retail Transmission Network Charge	RSVA - Retail Transmission Connection Charge	RSVA - Power (excluding Global Adjustment)	Recovery of Regulatory Asset Balances	Total
Group 1 Accounts	1550	1580	1584	1586	1588	1590	
Account Disposition Amount	(133,130)	(242,435)	(21,989)	(161,076)	(795,458)	(361)	(1,354,448)
Allocator	kWh	kWh	kWh	kWh	kWh	Recovery share	
Residential	(67,840)	(123,536)	(11,205)	(82,078)	(405,336)	(184)	(690,178)
GS < 50 KW	(13,417)	(24,432)	(2,216)	(16,233)	(80,163)	(36)	(136,497)
GS > 50 KW	(50,457)	(91,888)	(8,334)	(61,051)	(301,494)	(137)	(513,361)
Small Scattered Load	(260)	(474)	(43)	(315)	(1,555)	(1)	(2,648)
Street Lighting	(1,156)	(2,106)	(191)	(1,399)	(6,909)	(3)	(11,764)
Total	(133,130)	(242,435)	(21,989)	(161,076)	(795,458)	(361)	(1,354,448)

Table 9.6 Group 2 Balances - Revised

	Retail Cost Variance Account - Retail	Special Purpose Charge Assessment Variance Account	Retail Cost Variance Account - STR	Deferred Payments in Lieu of Taxes	Sub-Account HST/OVAT	Total
Account Description	1518	1521	1548	1562	1592	
Account Disposition Amount	(30,305)	(802)	27,095	271,173	(15,946)	251,215
Allocator	# of Customers	kWh	# of Customers	Dx Revenue	# of Customers	
Residential	(22,423)	(409)	20,047	199,596	(11,798)	185,014
GS < 50 KW	(1,578)	(81)	1,411	31,032	(830)	29,953
GS > 50 KW	(231)	(304)	207	34,166	(122)	33,716
Small Scattered Load	(185)	(2)	165	1,324	(97)	1,206
Street Lighting	(5,888)	(7)	5,264	5,055	(3,098)	1,326
Total	(30,305)	(802)	27,095	271,173	(15,946)	251,215

Table 9.7 2012 Deferral and Variance Account Rate Rider by Rate Class - Revised

Rate Class	Group 1	Group 2	Total	2012 Forecast quantities	Billing Factor	Rate
Residential	(690,178)	185,014	(505,164)	92,606,843	kWhs	(0.0055)
GS < 50 KW	(136,497)	29,953	(106,543)	18,314,894	kWhs	(0.0058)
GS > 50 KW	(513,361)	33,716	(479,645)	188,723	kW	(2.5414)
Small Scattered Load	(2,648)	1,206	(1,443)	355,293	kWhs	(0.0041)
Street Lighting	(11,764)	1,326	(10,438)	4,403	kW	(2.3701)
Total	(1,354,448)	251,215	(1,103,234)			

Table 9.8 Proposed Rates and Bill Impacts - Revised

Rate Class	Sample quantities	Proposed 2012 DVA	Bill Impact on Total Bill
Residential	800 kWh	(4.36)	(3.52%)
GS < 50 KW	2,000 kWh	(11.63)	(3.93%)
GS > 50 KW	200,000 kWh 500 kW	(1,270.72)	(5.82%)
Small Scattered Load	250 kWh	(1.01)	(2.13%)
Street Lighting	2500 conn, 100,000 kWh, 350kW	(829.52)	(5.08%)

Modified International Financial Reporting Standards

11. Ref: Board staff IR # 57 (d & e) – Fixed Asset

a) In Appendix 2-M for MIFRS 2011 and Appendix 2-M MIFRS 2012 based on MIFRS 2011, please clarify what the term “Fully Depreciated” means. Are these the assets under CGAAP that are fully depreciated and are still in use, but taken off the books? Please explain.

Grimsby Power Inc.’s Response:

Grimsby Power Inc. defines the term “Fully Depreciated” as it relates to Appendix 2-M as the fully depreciated asset cost under CGAAP. Further:

- For Distribution Plant assets, the value in column (b) is the sum of all depreciation only for those assets (still in use or not in service) which have been fully depreciated based on their assigned useful life. These assets are pooled and cannot be individually identified.
- For General Plant assets the value in column (b) is the sum of all depreciation for specific assets that are still in use and have been fully depreciated based on their assigned useful life. These assets are single identifiable assets.

b) Please confirm that the fully depreciated asset shown under Appendix 2-M under 2012 MIFRS is an amount of \$3,314,196.

Grimsby Power Inc.’s Response:

Grimsby Power Inc. confirms that the amount of \$3,314,196 under Appendix 2-M under 2012 MIFRS represents the estimated fully depreciated amount as of January 01, 2012 based on 2011 CGAAP calculation.

c) By referring to Appendix 2-B for the Fixed Asset Continuity Schedule - 2012 Test Year under MIFRS, please explain if the capital asset shown in Appendix 2-B has been adjusted for fully the depreciated asset of \$3,314,196. If not, why not. Please reconcile Appendix 2-B and Appendix 2-M for all columns.

Grimsby Power Inc.'s Response:

Grimsby Power Inc. confirms that the capital assets shown in Appendix 2-B, 2012 Test Year under MIFRS has been adjusted for fully the depreciated asset of \$3,314,196.

Appendix 2-B
Fixed Asset Continuity Schedule

2012 MIFRS															
CCA Class	OEB	Description	Depreciation Rate	Cost					Accumulated Depreciation					Net Book Value	
				2011 Closing Balance	Capital Contrib Allocated	2012 Opening	Additions	Disposal	Closing Balance	2011 Closing Balance	Capital Contrib Allocated	2012 Opening Balance	Additions		Disposals
N/A	1805	Land		\$ -		\$ -			\$ -		\$ -			\$ -	\$ -
47	1808	Buildings		\$ -		\$ -			\$ -		\$ -			\$ -	\$ -
13	1810	Leasehold Improvements		\$ -		\$ -			\$ -		\$ -			\$ -	\$ -
47	1815	Transformer Station Equipment >50 kV		\$ -		\$ -			\$ -		\$ -			\$ -	\$ -
47	1820	Distribution Station Equipment <50 kV		\$ 143,555		\$ 143,555			\$ 143,555		\$ 143,555			\$ 143,555	\$ -
47	1825	Storage Battery Equipment		\$ -		\$ -			\$ -		\$ -			\$ -	\$ -
47	1830	Poles, Towers & Fixtures	1.70%	\$ 7,977,543	\$ 138,912	\$ 7,838,631	\$ 180,052		\$ 8,018,683	\$ 4,616,629	\$ 38,216	\$ 4,578,413	\$ 116,741	\$ 4,695,154	\$ 3,323,529
47	1835	Overhead Conductors & Devices	1.70%	\$ 2,331,300	\$ 94,162	\$ 2,237,138	\$ 242,816		\$ 2,479,954	\$ 537,711	\$ 25,905	\$ 511,806	\$ 38,103	\$ 549,909	\$ 1,930,045
47	1840	Underground Conduit	1.40%	\$ 5,125,882	\$ 820,427	\$ 4,305,456			\$ 4,305,456	\$ 3,012,160	\$ 225,707	\$ 2,786,453	\$ 55,059	\$ 2,841,512	\$ 1,463,944
47	1845	Underground Conductors & Devices	2.90%	\$ 1,924,858	\$ 778,518	\$ 1,146,340	\$ 148,446		\$ 1,294,786	\$ 456,542	\$ 214,178	\$ 242,364	\$ 33,771	\$ 276,136	\$ 1,018,651
47	1850	OH Line Transformers	2.86%	\$ 5,531,203	\$ 1,614,105	\$ 3,917,098	\$ 184,446		\$ 4,101,544	\$ 3,883,010	\$ 444,056	\$ 3,438,954	\$ 103,458	\$ 3,542,412	\$ 559,132
47	1850	UG Line Transformers	3.33%	\$ 2,221,496		\$ 2,221,496			\$ 2,221,496	\$ -	\$ -	\$ -	\$ 74,050	\$ 74,050	\$ 2,147,446
47	1855	Services Overhead	1.67%	\$ 178,739		\$ 178,739	\$ 14,770		\$ 193,509	\$ 475,517	\$ 417,015	\$ 58,502	\$ 2,882	\$ 61,393	\$ 132,116
47	1855	Services Underground	2.50%	\$ 1,780,782	\$ 1,515,815	\$ 264,967	\$ 28,901		\$ 293,868	\$ -	\$ -	\$ 6,985		\$ 6,985	\$ 286,883
47	1860	Meters (Stranded)	4.00%	\$ 19,340	\$ 165,254	\$ 185,814	\$ 13,910		\$ 132,004	\$ 67,928	\$ 45,463	\$ 22,465	\$ 1,052	\$ 23,517	\$ 155,521
47	1860	Meters (Industrial/Commercial)	6.67%	\$ 255,478		\$ 255,478			\$ 255,478	\$ 148,870	\$ -	\$ 148,870	\$ 5,786	\$ 154,656	\$ 91,414
47	1860	Meters (Other CT's & PT's)	2.86%	\$ 94,103		\$ 94,103			\$ 94,103	\$ -	\$ -	\$ 2,689		\$ 2,689	\$ 91,414
47	1860	Meters (Smart Meters)	6.67%	\$ 1,499,556		\$ 1,499,556	\$ 19,529		\$ 1,519,085	\$ -	\$ -	\$ 100,621		\$ 100,621	\$ 1,418,464
N/A	1905	Land		\$ 111,556		\$ 111,556			\$ 111,556	\$ -	\$ -	\$ -		\$ 111,556	\$ -
CEC	1906	Land Rights		\$ -		\$ -			\$ -	\$ -	\$ -			\$ -	\$ -
47	1908	Buildings	2.00%	\$ 622,852		\$ 622,852	\$ 82,570		\$ 705,422	\$ 323,883	\$ -	\$ 323,883	\$ 12,457	\$ 336,340	\$ 369,082
47	1908	Paving/Fencing	2.50%	\$ 56,223		\$ 56,223			\$ 56,223	\$ 28,257	\$ -	\$ 28,257	\$ 1,406	\$ 29,663	\$ 26,560
47	1908	Other Fixtures	4.00%	\$ 153,846		\$ 153,846			\$ 153,846	\$ 11,480	\$ -	\$ 11,480	\$ 7,805	\$ 19,286	\$ 134,560
13	1910	Leasehold Improvements		\$ -		\$ -			\$ -	\$ -	\$ -			\$ -	\$ -
8	1915	Office Furniture & Equipment (10 years)	10.00%	\$ 137,239		\$ 137,239			\$ 137,239	\$ 117,160	\$ -	\$ 117,160	\$ 3,925	\$ 121,085	\$ 16,154
8	1915	Office Furniture & Equipment (5 years)		\$ -		\$ -			\$ -	\$ -	\$ -			\$ -	\$ -
45	1920	Computer Equipment - Hardware	20.00%	\$ 140,678		\$ 140,678	\$ 17,850		\$ 158,528	\$ 119,752	\$ -	\$ 119,752	\$ 10,278	\$ 130,031	\$ 28,498
12	1925	Computer Software	20.00%	\$ 689,721		\$ 689,721	\$ 24,950		\$ 714,671	\$ 371,213	\$ -	\$ 371,213	\$ 100,237	\$ 471,450	\$ 243,222
10	1930	Transportation Equipment	6.70%	\$ 764,820		\$ 764,820	\$ 299,000		\$ 1,063,820	\$ 728,339	\$ -	\$ 728,339	\$ 14,149	\$ 742,488	\$ 321,333
8	1935	Stores Equipment		\$ 47,086		\$ 47,086			\$ 47,086	\$ 47,086	\$ -	\$ 47,086		\$ 47,086	\$ -
8	1940	Tools, Shop & Garage Equipment	10.00%	\$ 156,678		\$ 156,678	\$ 1,600		\$ 158,278	\$ 107,697	\$ -	\$ 107,697	\$ 6,959	\$ 114,656	\$ 43,622
8	1945	Measurement & Testing Equipment	20.00%	\$ 75,448		\$ 75,448			\$ 75,448	\$ 63,021	\$ -	\$ 63,021	\$ 5,970	\$ 68,990	\$ 6,458
8	1950	Power Operated Equipment		\$ -		\$ -			\$ -	\$ -	\$ -			\$ -	\$ -
8	1955	Communications Equipment	20.00%	\$ -		\$ -	\$ 23,700		\$ 23,700	\$ -	\$ -	\$ -	\$ 2,370	\$ 2,370	\$ 21,330
8	1955	Communication Equipment (Smart Meters)	20.00%	\$ 10,669		\$ 10,669			\$ 10,669	\$ 3,201	\$ -	\$ 3,201	\$ 2,134	\$ 5,335	\$ 5,335
8	1960	Miscellaneous Equipment		\$ -		\$ -			\$ -	\$ -	\$ -			\$ -	\$ -
47	1975	Load Management Controls Utility Premises		\$ -		\$ -			\$ -	\$ -	\$ -			\$ -	\$ -
47	1980	System Supervisor Equipment		\$ -		\$ -			\$ -	\$ -	\$ -			\$ -	\$ -
47	1985	Miscellaneous Fixed Assets		\$ -		\$ -			\$ -	\$ -	\$ -			\$ -	\$ -
47	1995	Contributions & Grants		\$ 5,127,193	\$ 5,127,193	\$ -			\$ -	\$ 1,410,541	\$ 1,410,541	\$ -		\$ -	\$ -
	2005	Property under Capital Lease		\$ -		\$ -			\$ -	\$ -	\$ -			\$ -	\$ -
		Total		\$ 26,923,461	\$ -	\$ 26,923,461	\$ 1,282,540	\$ -	\$ 28,206,001	\$ 13,852,471	\$ 0	\$ 13,852,471	\$ 708,897	\$ -	\$ 13,644,633

10	Transportation
8	Stores Equipment

Less: Fully Allocated Depreciation
Transportation
Stores Equipment
Net Depreciation

-\$708,897

Appendix 2-M
Depreciation and Amortization Expense

Year: 2012

Account	Description	2011 Closing Balance	Capital Contribution Allocations	2012 Opening Balance (a)	Less Fully Depreciated ¹ (b)	Net for Depreciation (c) = (a) - (b)	Additions (d)	Total for Depreciation x (d) ²	Years (f)	Depreciation Rate (g) = 1 / (f)	Depreciation Expense (h) = (e) / (f)
1805	Land	\$ -		\$ -		\$ -	\$ -	\$ -			
1808	Buildings	\$ -		\$ -		\$ -	\$ -	\$ -			
1810	Leasehold Improvements	\$ -		\$ -		\$ -	\$ -	\$ -			
1815	Transformer Station Equipment >50 kV	\$ -		\$ -		\$ -	\$ -	\$ -			
1820	Distribution Station Equipment <50 kV	\$ 143,555		\$ 143,555	\$ 143,555	\$ -	\$ -	\$ -			
1825	Storage Battery Equipment	\$ -		\$ -		\$ -	\$ -	\$ -			
1830	Poles, Towers & Fixtures	\$ 7,977,543	\$ 138,912	\$ 7,838,631	\$ 924,182	\$ 6,914,449	\$ 180,052	\$ 7,004,475	60.00	1.67%	\$ 116,741
1835	Overhead Conductors & Devices	\$ 2,331,300	\$ 94,162	\$ 2,237,138	\$ 72,373	\$ 2,164,764	\$ 242,816	\$ 2,286,172	60.00	1.67%	\$ 38,103
1840	Underground Conduit	\$ 5,125,882	\$ 820,427	\$ 4,305,456	\$ 451,301	\$ 3,854,154	\$ -	\$ 3,854,154	70.00	1.43%	\$ 55,059
1845	Underground Conductors & Devices	\$ 1,924,858	\$ 778,518	\$ 1,146,340	\$ 38,570	\$ 1,107,771	\$ 148,446	\$ 1,181,994	35.00	2.86%	\$ 33,771
1850	OH Line Transformers	\$ 5,531,203	\$ 1,614,105	\$ 3,917,098	\$ 388,283	\$ 3,528,815	\$ 184,446	\$ 3,621,038	35.00	2.86%	\$ 103,458
1850	UG Line Transformers	\$ 2,221,496		\$ 2,221,496		\$ 2,221,496		\$ 2,221,496	30.00	3.33%	\$ 74,050
1855	Services Overhead	\$ 178,739		\$ 178,739	\$ 12,615	\$ 166,124	\$ 14,770	\$ 173,509	60.00	1.67%	\$ 2,892
1855	Services Underground	\$ 1,780,782	\$ 1,515,815	\$ 264,967		\$ 264,967	\$ 28,901	\$ 279,417	40.00	2.50%	\$ 6,985
1860	Meters (Residential)	\$ 19,340		\$ 19,340		\$ 19,340	\$ 13,910	\$ 26,295	25.00	4.00%	\$ 1,052
1860	Meters (Industrial/Commercial)	\$ 255,478	\$ 165,254	\$ 90,224	\$ 3,439	\$ 86,784	\$ -	\$ 86,784	15.00	6.67%	\$ 5,786
1860	Meters (Other CT's & PT's)	\$ 94,103		\$ 94,103		\$ 94,103	\$ -	\$ 94,103	35.00	2.86%	\$ 2,689
1860	Meters (Smart Meters)	\$ 1,499,556		\$ 1,499,556		\$ 1,499,556	\$ 19,529	\$ 1,509,321	15.00	6.67%	\$ 100,621
1905	Land	\$ 111,556		\$ 111,556		\$ 111,556	\$ -	\$ 111,556			
1906	Land Rights	\$ -		\$ -		\$ -	\$ -	\$ -			
1908	Buildings & Fixtures	\$ 622,852		\$ 622,852		\$ 622,852	\$ -	\$ 622,852	50.00	2.00%	\$ 12,457
1908	Buildings & Fixtures	\$ 56,223		\$ 56,223		\$ 56,223	\$ -	\$ 56,223	40.00	2.50%	\$ 1,406
1909	Buildings & Fixtures	\$ 153,846		\$ 153,846		\$ 153,846	\$ 82,570	\$ 195,131	25.00	4.00%	\$ 7,805
1910	Leasehold Improvements	\$ -		\$ -		\$ -	\$ -	\$ -			
1915	Office Furniture & Equipment (10 Years)	\$ 137,239		\$ 137,239	\$ 97,986	\$ 39,253	\$ -	\$ 39,253	10.00	10.00%	\$ 3,925
1915	Office Furniture & Equipment (5 Years)	\$ -		\$ -		\$ -	\$ -	\$ -			
1920	Computer Equipment - Hardware	\$ 140,678		\$ 140,678	\$ 98,212	\$ 42,467	\$ 17,850	\$ 51,392	5.00	20.00%	\$ 10,278
1925	Computer Software	\$ 689,721		\$ 689,721	\$ 201,014	\$ 488,708	\$ 24,950	\$ 501,183	5.00	20.00%	\$ 100,237
1930	Transportation Equipment	\$ 764,820		\$ 764,820	\$ 702,090	\$ 62,731	\$ 299,000	\$ 212,231	15.00	6.67%	\$ 14,149
1935	Stores Equipment	\$ 47,086		\$ 47,086	\$ 47,086	\$ -	\$ -	\$ -			
1940	Tools, Shop & Garage Equipment	\$ 156,678		\$ 156,678	\$ 87,890	\$ 68,789	\$ 1,600	\$ 69,589	10.00	10.00%	\$ 6,959
1945	Measurement & Testing Equipment	\$ 75,448		\$ 75,448	\$ 45,600	\$ 29,849	\$ -	\$ 29,849	5.00	20.00%	\$ 5,970
1950	Power Operated Equipment	\$ -		\$ -		\$ -	\$ -	\$ -			
1955	Communications Equipment	\$ -		\$ -		\$ -	\$ 23,700	\$ 11,850	5.00	20.00%	\$ 2,370
1955	Communication Equipment (Smart Meters)	\$ 10,669		\$ 10,669		\$ 10,669		\$ 10,669	5.00	20.00%	\$ 2,134
1960	Miscellaneous Equipment	\$ -		\$ -		\$ -	\$ -	\$ -			
1975	Load Management Controls Utility Premises	\$ -		\$ -		\$ -	\$ -	\$ -			
1980	System Supervisor Equipment	\$ -		\$ -		\$ -	\$ -	\$ -			
1985	Miscellaneous Fixed Assets	\$ -		\$ -		\$ -	\$ -	\$ -			
1995	Contributions & Grants	\$ 5,127,193	\$ 5,127,193	\$ -		\$ -	\$ -	\$ -			
2055	Construction Work in Progress	\$ -		\$ -		\$ -	\$ -	\$ -			
		\$ -		\$ -		\$ -	\$ -	\$ -			
	Total	\$26,923,461	\$ -	\$26,923,461	\$ 3,314,196	\$23,609,265	\$ 1,282,540	\$24,250,535			\$ 708,897

12. Ref: Board staff IR # 60 (b, d & f); Exhibit 4, page 30 – Assets Capitalization

a) In Appendix 7, under the IAS 16 - Property, Plant & Equipment, Grimsby stated that it will revisit its policy on whether to capitalize or not stores after impact of depreciation is calculated as these costs have been removed from the overhead burden for stores under IFRS.

Has Grimsby revisited the above policy? If yes, please provide Grimsby's stores accounting policy on capitalization of burdens.

Grimsby Power Inc.'s Response:

For purposes of the rate application Stores burden costs have been removed from the allocation process. This means that Stores costs are directly accounted for in the Operations accounts and are no longer allocated to capital.

b) In Grimsby's response to this IR, Grimsby stated that before and after transition, (January 1, 2011), Grimsby's burden rates for the capitalization of costs of self constructed assets are: for labour (total 75%), material (total 50%) and trucks (50%). Please quantify the dollar value of these burdens and please enter the information required in IR 60 (e) based on best estimates.

Grimsby Power Inc.'s Response:

Please refer to SEC Technical Conference Question # 9 for our best attempt to clarify this issue.

c) Referring to Grimsby's response to Energy Probe IR #23, Grimsby stated that it confirms that the fixed asset additions on the 2012 MIFRS version have been reduced by \$160,808 and that the OM&A has increased by the same amount. The table provided in this response did not show the increase in OM&A by the amount of \$160,808. Please provide a table showing the before and after dollars for OM&A when the \$160,808 was removed from the capital to the OM&A expenses and please tie this to each of the Miscellaneous Distribution Expenses under MIFRS of \$202,682.

Grimsby Power Inc.'s Response:

Below is a table showing the before and after dollars for OM&A when the \$160,808 was removed from capital and moved to the OM&A expenses:

Description	2012 CGAAP Test Year	2012 MIFRS Test Year	2012 CGAAP - MIFRS differences
Operations	301,733	496,178	194,445.00
Maintenance	489,114	460,674	(28,440.00)
Billing & Collecting	590,270	588,252	(2,018.00)
Community Relations	12,500	12,500	-
Administrative & General Expenses	1,052,715	1,052,548	(167.00)
Other - LEAP program	4,117	4,117	-
Taxes Other than Income Taxes	27,540	27,540	-
OM&A	2,477,989	2,641,809	163,820
Chargeable Work: (A/R, Streetlights)	41,346	38,334	(3,012.00)
Distribution Plant additions	899,853	1,060,661	160,808.00

The total amount of \$202,682 represents the cost burden calculated for the total truck maintenance and repair, the stores and engineering costs. This amount represents the difference between CGAAP and MIFRS and will be booked under MIFRS as follow:

- the amount of \$160,808, which under CGAAP is part of the capital additions, is redirected to the OM&A account 5085 "Miscellaneous Distribution Expense".
- the amount of \$41,873 shown in the table below will stay in OM&A and after moving to MIFRS.

	CGAAP Material	MIFRS Material	Material Difference	CGAAP Equipment	MIFRS Equipment	Equipment Difference	Total CGAAP	Total MIFRS	Total Difference
Capital	\$ 520,771	\$ 378,751	\$ 142,020	\$ 53,940	\$ 35,152	\$ 18,788	\$ 574,711	\$ 413,903	\$ 160,808
OM&A	\$ 37,913	\$ 27,574	\$ 10,339	\$ 90,572	\$ 59,038	\$ 31,534	\$ 128,485	\$ 86,612	\$ 41,873
Totals	\$ 558,685	\$ 406,325	\$ 152,359	\$ 144,512	\$ 94,190	\$ 50,322	\$ 703,197	\$ 500,515	\$ 202,682

d) Please clarify what Grimsby means when it says in Appendix 7, that supervisory labour and engineering costs were removed from this allocation. Can you please clarify what the phrase “removed from this allocation” means? Were these costs capitalized or expensed?

Grimsby Power Inc.’s Response:

When costs are allocated it means that these costs are distributed over both OM&A and Capital accounts through the burden placed on material depending on the material value in each account. When costs are removed from the allocation process it means that these costs are now directly accounted for in a specific GL account. In terms of supervisory labour and engineering costs this means that these costs are no longer allocated across OM&A and Capital accounts. In terms of Grimsby Power Inc.’s budget these costs are accounted for in Account 5085 as noted in Energy Probe IR # 23. These specific costs are therefore, not capitalized.

13. Ref: Board staff IR # 61 – Addendum to Report of the Board: Implementing IFRS Standards in an Incentive Rate Mechanism Environment, June 13, 2011 (EB 2008-0498); Transition to IFRS Implementation in an IRM Environment, Appendix A

a) In response to Board Staff IR # 61(b), Grimsby stated the following: *Grimsby Power Inc. calculated the differences in respect to changes in the useful life of assets. The changes in asset useful life have impacts on amortization expense as it is presented in the following tables (tables that were provided by Grimsby on November 14, 2011)*

Please confirm that Grimsby has treated the contributions and grants as an offset to PP&E and not as revenue offset for regulatory purposes.

Grimsby Power Inc.'s Response:

Grimsby Power Inc. confirms that the contributions and grants have been treated as an offset to PP&E.

b) In response to Board Staff IR # 61(d), Grimsby is showing a figure of (\$25,863) for the Return on rate base associated with deferred balance at WACC (7.2%) in the table Deferral Account PP&E Components of Rate Base: Rebasing in 2012 based on MIFRS. Please provide the detailed calculation of the \$25,863.

Grimsby Power Inc.'s Response:

Original Application

2011 Difference in Closing net PP&E, CGAAP vs MIFRS	(406,572)
2012 Amount of amortization, included in depreciation expense	<u>101,643</u>
2012 Closing balance in deferral account	(304,929)
2011 - 2012 Average Deferral PP&E Account Balance	(355,751)
Actual Return on Rate Base	<u>7.27%</u>
Amount included in Revenue Requirement on rebasing	(25,863)

Nov 14, 2011 revised model

2011 Difference in Closing net PP&E, CGAAP vs MIFRS	(406,572)
2012 Amount of amortization, included in depreciation expense	<u>101,643</u>
2012 Closing balance in deferral account	(304,929)
2011 - 2012 Average Deferral PP&E Account Balance	(355,751)
Actual Return on Rate Base as per	<u>7.33%</u>
Amount included in Revenue Requirement on rebasing	(26,077)

14. Ref: Board staff IR # 62 – Intangible Assets

Grimsby stated that it is keeping the computer software under tangible assets and not as intangible assets as there is no impact on the depreciation or the revenue requirement.

a) What is the dollar amount of intangibles?

Grimsby Power Inc.'s Response:

At the end of 2010 the net book value of the intangible assets is \$198,162.

The useful life for the computer software was not changed in the transition from CGAAP to MIFRS. Therefore, the depreciation expense remains the same, and there is no impact on the revenue requirement.

b) Please confirm that the computer software assets are included in the rate base as intangible assets.

Grimsby Power Inc.'s Response:

Grimsby Power Inc. cannot confirm that computer software assets are included in the rate base as intangible assets. They are recorded as tangible assets at a value of \$198,162.

15. Ref: Board staff IR # 63 – Treatment of Other Post-Employment

Benefits

In response to the Board staff interrogatory 63(a), Grimsby stated that, *Grimsby Power Inc. does not have unamortized actuarial gains or losses and past service costs at the date of transition.*

In response to the Board staff interrogatory 63(d), it further stated that, *The impacts of IASB's June 2011 revisions to IAS 19, Employee Benefits is not material and therefore, Grimsby Power Inc. has not incorporated it into the revenue requirement.*

a) Please clarify if Grimsby has any Other Post-Employment Benefits (OPEB) plan. If so, please clarify why Grimsby does not have any unamortized actuarial gains or losses and past service costs at the date of transition.

Grimsby Power Inc.'s Response:

Grimsby Power Inc.'s response to Board Staff Interrogatory # 63(d) should have been phrased differently. Grimsby Power Inc. confirms that there is no impact to Grimsby Power Inc.'s financials due to IASB's June 2011 revisions to IAS 19. Grimsby Power is a participant in the OMERS pension plan. This is a multi-employer plan, treated as a defined contribution plan for accounting purposes, to which the major changes associated with IFRS accounting are not applicable.

As a further explanation, the only Post-Employment Benefit that Grimsby Power Inc. is paying is the life insurance premium paid for three former employees. This benefit is not expected to exhibit major change on the adoption of IFRS.

b) Please provide the amount for the unamortized actuarial gains or losses and past service costs at the date of transition if Grimsby has an OPEB plan.

Grimsby Power Inc.'s Response:

Not Applicable

c) Please explain the impacts of IASB's June 2011 revisions to IAS 19 on Grimsby's Employee Benefits.

Grimsby Power Inc.'s Response:

Please refer to Board Staff Technical Conference Question # 15(a) above.

Account 1562

16. Ref: Board staff IR # 56 – Tax Rates

The decision in the combined proceeding applied to three applicants that were subject to the maximum tax rates during the period 2001 to 2005. Grimsby was not subject to the maximum tax rates during this period. The table below provides the tax rates approved by the Board in applications and used by Grimsby in the SIMPIL true-up calculations.

Grimsby was eligible for both of the federal and Ontario small business deductions from 2001 to 2005. The tax rates that Grimsby should use in the true-up calculations should be based on its own tax status. Grimsby had a loss in 2001 and carried that loss forward to 2002 and fully utilized the loss by 2003.

However, in the SIMPIL models sheet TAXREC Grimsby calculated the following actual tax rates from its own tax returns: for 2003, 34.32%; for 2004, 33.07% and for 2005, 27.62%.

By using the maximum tax rates in SIMPIL, Grimsby calculated a true-up benefit because of a tax rate higher than that approved by the Board in its applications.

In fact, as the tax rates declined there should be a refund to the customers

Possible choices for the tax rates to use are as follows.

- i. The tax rates of 34.12% approved by the Board in the applications for 2001, 2002 rates could be used. The surtax of 1.12% would have to be deducted from these tax rates for the gross-up calculations.
- ii. In 2003 use 34.32% to calculate the tax impact and deduct 1.12% for the gross-up.
- iii. In 2004 use 33.07% to compute the tax impact and deduct 1.12% from this for the gross-up calculations.
- iv. In 2005 use 27.62% to compute the tax impact and deduct 1.12% from this for the gross-up calculations.

Will Grimsby undertake to update the SIMPIL models with these tax rates to show what the differences are?

Grimsby Power Inc.'s Response:

It is true that Grimsby Power was eligible for both the federal and Ontario small business deductions from 2001 to 2005. However, the majority of the small business deduction was clawed back due to the Large Corporations

Tax. The following chart shows the possible small business deduction available to Grimsby Power Inc. and the actual small business deduction for which Grimsby Power Inc. was eligible.

Year	Possible SBD	Actual SBD
2003	102,569	10,003
2004	116,969	7,022
2005	61,367	9,254

As can be seen, the eligible small business deduction claimed by Grimsby Power Inc. was significantly less than the full small business deduction. However, we dispute the possible choices provided by Board staff. The Board's decision and order EB-2008-0381 ("the decision") clearly states on page 19 that "applicants are to use the applicable tax rate percentages from the applicable table above ..." The table on page 17 of the decision has minimum and maximum rates. As noted in the Board Staff Technical Conference Question # 16, Grimsby Power's actual tax rates are much closer to the maximum income tax rate in the table provided in the decision. The boards decision indicates that the use of the rates from the table provided, "is conceptually more correct than the use of marginal tax rates and is consistent with the specific instruction given to the utilities by the Board on how to implement the methodology". For this reason Grimsby Power Inc. is of the opinion that the rates used in the SIMPIL models are appropriate and in accordance with the direction provided in the decision and as a result the SIMPIL models have not been updated.

17. Ref: Board staff IR # 56 – Collections or Amounts Billed to Customers

a) The amount of \$1,384.41 for January 2006 looks to be too low when compared to December 2005 and February 2006. Please explain.

Grimsby Power Inc.'s Response:

A response will be provided at a later date.

b) Please explain how Grimsby reflected the PILs related to unbilled revenue as at April 2006?

Grimsby Power Inc.'s Response:

The unbilled revenue as at April 2006 was not included in the calculation of the billings.

c) Was Grimsby able to pro-rate as at April 30, 2006 for billing purposes?

Grimsby Power Inc.'s Response:

Grimsby Power Inc. was not able to pro-rate as at April 30, 2006 for billing purposes.

d) Grimsby was unable to provide the calculations that show the PILs rate slivers from sheet 6 and sheet 8 of the 2002 RAM multiplied by billing determinants for 2002 and 2003. Grimsby submitted an Excel workbook for 2004. Grimsby did not submit a workbook for 2005.

i. Does Grimsby have the billing determinants for 2002, 2003 and 2005?

Grimsby Power Inc.'s Response:

No, Grimsby Power Inc. does not have the billing determinants for 2002, 2003 and 2005.

ii. Can Grimsby use the Excel workbook for 2004 and create workbooks for the missing years?

Grimsby Power Inc.'s Response:

A response will be provided at a later date.

iii. If not, why not?

Grimsby Power Inc.'s Response:

A response will be provided at a later date.

18. Ref: Board staff IR # 56 – Interest Expense

For the tax years 2001 to 2005:

a) Did Grimsby have interest expense related to other than debt that is disclosed as interest expense in its financial statements?

Grimsby Power Inc.'s Response:

Grimsby Power did not have any other debt that is disclosed as interest expense in its financial statements.

b) Did Grimsby net interest income against interest expense in deriving the amount it shows as interest expense? If yes, please provide details to what the interest income relates.

Grimsby Power Inc.'s Response:

Yes, Grimsby Power Inc. netted the interest revenue against interest expense. Grimsby Power cannot provide details to what the interest income relates because the data systems used at the time are not longer functional.

c) Did Grimsby include interest expense on customer security deposits in interest expense?

Grimsby Power Inc.'s Response:

The interest expense on customer security deposits was included in interest expense.

d) Did Grimsby include interest income on customer security deposits in interest expense?

Grimsby Power Inc.'s Response:

There was no interest income on customer security deposits.

e) Did Grimsby include interest expense on IESO prudentials in interest expense?

Grimsby Power Inc.'s Response:

The interest expense on IESO prudentials was included in the interest expense.

f) Did Grimsby include interest carrying charges on regulatory assets or liabilities in interest expense?

Grimsby Power Inc.'s Response:

The interest carrying charges on regulatory assets or liabilities was included in the interest expense.

g) Did Grimsby include the amortization of debt issue costs, debt discounts or debt premiums in interest expense?

Grimsby Power Inc.'s Response:

Grimsby Power Inc. did not incur any of these costs.

h) Did Grimsby deduct capitalized interest in deriving the interest expense disclosed in its financial statements?

Grimsby Power Inc.'s Response:

Grimsby Power did not capitalize the interest.

i) Please provide Grimsby's views on which types of interest income and interest expense should be included in the excess interest true-up calculations.

Grimsby Power Inc.'s Response:

Grimsby Power Inc. is of the opinion that if interest expense is to include carrying charges on the regulatory assets, then it should also include the carrying charge income on regulatory liabilities.

The interest costs that should be included should be interest on the long-term debt, lines of credit, and customer deposits.

It should exclude the charge on the prudential for the IESO since this is not interest, but a service charge for access to a letter of credit.

j) Please provide a table for the years 2001 to 2005 that shows all of the components of Grimsby's interest expense and the amount associated with each type of interest.

Grimsby Power Inc.'s Response:

Grimsby Power Inc. cannot provide the components of Grimsby Power Inc.'s interest expense and the amount associated with each type of interest because the data systems used at the time are not longer functional.

List of Appendices

APPENDIX 1 – Promissory Notes

List of Excel Files

- GPI 2012 Smart Meter Model Final 20111103 V2 17

APPENDIX 1

PROMISSORY NOTE

Due: February 1, 2020.

FOR VALUE RECEIVED, Grimsby Power Incorporated ("the Corporation") hereby promises to pay to or to the order of The Corporation of the Town of Grimsby (the "Town") the principal sum of \$5,300,000 with interest at the rate specified herein on February 1, 2020 (the "Maturity Date"). Interest on the principal sum shall accrue from the first day of the month which immediately follows the month in which the Ontario Energy Board approves the distribution rates for the Corporation and be payable at a rate per annum equal to the rate to be determined annually by the Town Manager in consultation with the Corporation based on the interest rate for third party financing which the Ontario Energy Board or its successor may permit regulated distribution corporations to recover for rate making purposes. Interest at the aforesaid rate shall be payable annually to the Town on the 30th day after the end of the Corporation's fiscal year.

At the option of the Town, on one year's prior written notice to the Corporation, the Maturity Date and any of the terms of this Promissory Note may be revised, changed or restated by the Town in consultation with the Corporation.

The terms of this Promissory Note are subject to the adjustment provisions of the Transfer By-law passed by the Town on October 24, 2000 as By-law Number 00-84.

This Promissory Note is not assignable by the Town without the consent of the Corporation.

DATED this 1st day of November, 2000.

GRIMSBY POWER INCORPORATED

Per:

Chair: 
Gordon F. Marasco

President: 
Brian A. Weber



Grimsby Power Incorporated

231 Roberts Road
Grimsby, ON
L3M 5N2
PH: 905.945.5437
FX: 905.945.9933

PROMISSORY NOTE

Due: February 1, 2020

FOR VALUE RECEIVED, Grimsby Power Incorporated ("the Corporation") unconditionally promises to pay to or to the order of The Corporation of the Town of Grimsby ("the Town") the sum of \$5,782,746.01 (Five Million, Seven Hundred and Eighty-two Thousand, Seven Hundred and Forty-six Dollars and one cent) and to pay interest from April 1, 2001 (being the first day of the month following approval of the distribution rates for the Corporation by the Ontario Energy Board) at the rate calculated as the greater of 4% per annum or the monthly average prime rate provided by the Corporation's bank each year in which this note is in effect. Interest at the aforesaid rate shall be payable annually to the Town on the 30th day after the Corporation's fiscal year.

Any shortfall in payment described shall accrue to the principal sum of this note and shall be assessed interest at the rate as described herein.

At the option of the Town, on one year's prior written notice to the Corporation, the Maturity Date and any of the terms of this Promissory Note may be revised, changed or restated by the Town in consultation with the Corporation.


This note is not assignable by the Town without the consent of the Corporation.

DATED this 31st day of January, 2002.

GRIMSBY POWER INCORPORATED

Per:

Chair:



W. Robert Hattin

Per:

President:



Brian A. Weber

PROMISSORY NOTE

Due: February 1, 2020

FOR VALUE RECEIVED, Grimsby Power Incorporated ("the Corporation") unconditionally promises to pay to or to the order of The Corporation of the Town of Grimsby ("the Town") the sum of \$5,782,746.01 (Five Million, Seven Hundred and Eighty-two Thousand, Seven Hundred and Forty-six Dollars and one cent) and to pay interest from April 1, 2001 (being the first day of the month following approval of the distribution rates for the Corporation by the Ontario Energy Board) at the rate calculated as the greater of 4% per annum or the monthly average prime rate provided by the Corporation's bank each year in which this note is in effect. Interest at the aforesaid rate shall be payable annually to the Town on the 30th day after the Corporation's fiscal year.

Any shortfall in payment described shall accrue to the principal sum of this note and shall be assessed interest at the rate as described herein.

At the option of the Town, on one year's prior written notice to the Corporation, the Maturity Date and any of the terms of this Promissory Note may be revised, changed or restated by the Town in consultation with the Corporation.

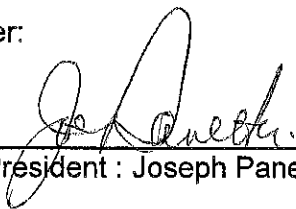
The principal and interest payments are in Canadian dollars, and are to be paid, without claim or deduction.

This note is not assignable by the Town without the consent of the Corporation.

Made at Grimsby, Ontario this 30th day of April 2003.

GRIMSBY POWER INCORPORATED

Per:



President : Joseph Panetta



Board of Director: Brian Weber

PROMISSORY NOTE

Due: February 1, 2020

FOR VALUE RECEIVED, Grimsby Power Incorporated ("the Corporation") unconditionally promises to pay to or to the order of The Corporation of the Town of Grimsby ("the Town") the sum of \$5,782,746.01 (Five Million, Seven Hundred and Eighty-two Thousand, Seven Hundred and Forty-six Dollars and one cent) and to pay interest from April 1, 2001 (being the first day of the month following approval of the distribution rates for the Corporation by the Ontario Energy Board) at the rate calculated as the greater of 4% per annum or the monthly average prime rate provided by the Corporation's bank each year in which this note is in effect or the Board may set a rate annually, which will be no lower than the interest rate noted herein above. Interest at the aforesaid rate shall be payable annually to the Town on the 30th day after the Corporation's fiscal year.

Any shortfall in payment described shall accrue to the principal sum of this note and shall be assessed interest at the rate as described herein.

At the option of the Town, on one year's prior written notice to the Corporation, the Maturity Date and any of the terms of this Promissory Note may be revised, changed or restated by the Town in consultation with the Corporation.

The principal and interest payments are in Canadian dollars and are to be paid, without claim or deduction.

This note is not assignable by the Town without the consent of the Corporation.

Made at Grimsby, Ontario this 29th day of November 2004.

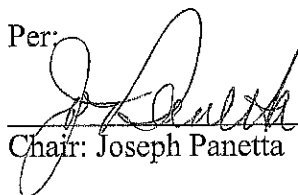
GRIMSBY POWER INCORPORATED

Per:



President: Brian A. Weber

Per:



Chair: Joseph Panetta

PROMISSORY NOTE

Due: February 1, 2020

FOR VALUE RECEIVED, Grimsby Power Incorporated ("the Corporation") unconditionally promises to pay to or to the order of The Corporation of the Town of Grimsby ("the Town") the sum of \$5,782,746.01 (Five Million, Seven Hundred and Eighty-two Thousand, Seven Hundred and Forty-six Dollars and one cent) and to pay interest from April 1, 2001 (being the first day of the month following approval of the distribution rates for the Corporation by the Ontario Energy Board) at the rate of 7.25% per annum. Interest at the aforesaid rate shall be payable annually to the Town on the 30th day after the Corporation's fiscal year." And

THAT the amendment as noted take effect January 1, 2004; and

THAT the Authorized Officers of Grimsby Power Incorporated sign the note as amended."

Any shortfall in payment described shall accrue to the principal sum of this note and shall be assessed interest at the rate as described herein.

At the option of the Town, on one year's prior written notice to the Corporation, the Maturity Date and any of the terms of this Promissory Note may be revised, changed or restated by the Town in consultation with the Corporation.

The principal and interest of this Promissory Note shall be in Canadian dollars without set-off or counterclaim.

This note is not assignable by the Town without the consent of the Corporation.

Made at Grimsby, Ontario this 18th day of December 2007.

GRIMSBY POWER INCORPORATED

Per:



Chair: Brian A. Weber