

**Response to Vulnerable Energy Consumers
Coalition (VECC) Technical Conference Questions**

Grimsby Power Inc.

2012 Distribution Rate Application

Board File No. EB-2011-0273

November 22, 2011

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1 Reference: VECC #26 a) - Energy Probe #32 and #33 a) & b)

- a) Please confirm that the following table correctly sets out Grimsby's proposed 2012 revenue to cost ratios as well as its current status quo revenue to cost ratios based on VECC #26 a) and the Cost Allocation provided in response to Energy Probe #32. If not, please provide a correct table based on these references.

	<u>Proposed Revenue</u>	<u>Allocated Costs</u>	<u>Proposed R/C Ratio</u>	<u>Status Quo R/C</u>
Residential	\$3,380,555	\$3,169,606	106.66%	107.45%
GS<50	\$518,531	\$505,818	102.51%	102.51%
GS>50	\$582,817	\$734,858	79.31%	79.31%
Street L.	\$79,390	\$149,778	53.01%	36.01%
USL	\$22,151	\$23,385	94.72%	94.72%
Total	\$4,583,444	\$4,583,445		

Grimsby Power Inc.'s Response:

The above table reflects Grimsby Power Inc.'s proposed revenue requirement as it was originally submitted on August 16, 2011. The model submitted with the interrogatory responses on November 14, 2011 would reflect a different proposed revenue.

Therefore, the table shown in the question above does not correctly set out Grimsby Power Inc.'s proposed 2012 revenue to cost ratios and does not correctly set out the current status quo revenue to cost ratios. The corrected table based on the most recent model of November 14, 2011 is as follows:

Customer Class	Proposed Revenue	Allocated Costs	Proposed R/C Ratio	Status Quo R/C
Residential	3,377,805	3,168,556	106.60%	107.40%
GS < 50 kW	517,957	504,994	102.57%	102.57%
GS >50	582,316	733,132	79.43%	79.43%
Street Lighting	79,298	149,436	53.06%	36.13%
USL	22,158	23,415	94.63%	94.63%
TOTAL	4,579,534	4,579,534		

- b) Please file an electronic copy of the updated Cost Allocation model referenced in Energy Probe 32.

Grimsby Power Inc.'s Response:

Grimsby Power Inc. filed the OEB Cost Allocation Model on November 14, 2011.

- c) On November 14th Grimsby filed an updated Cost Allocation based on a total revenue requirement of \$4,579,534.

- i) Please explain the basis for the changed Revenue Requirement.

Grimsby Power Inc.'s Response:

The changes in the revenue requirement are due to several updates to the original application. The list of changes can be found in the Board Staff IR # #48(b) submitted on November 14, 2011.

- ii) Were there any changes made to the model (i.e., the November 14th version vs. that underlying Energy Probe #32) other than revisions to the costs, i.e., were any of the customer data or were any of the allocation factors changed? If so, please indicate what changes were made and why.

Grimsby Power Inc.'s Response:

There were no changes made to the customer data or allocation factors.

- d) Please provide an update version of Appendix 2-O (Tables a), b) c) and d)) from the Filing Guidelines based on the November 14th Cost Allocation.

The updated version of Appendix 2-O (Tables a), b), c) and d)) are displayed below:

a) Allocated Costs

Classes	Costs Allocated from Previous Study	%	Costs Allocated in Test Year Study (Column 7A)	%
Residential	\$ 2,261,917	63.8%	\$ 3,168,556	69.2%
GS < 50 kW	\$ 462,371	13.0%	\$ 504,994	11.0%
GS > 50 kW	\$ 447,961	12.6%	\$ 733,132	16.0%
Street Lighting	\$ 296,303	8.4%	\$ 149,436	3.3%
Unmetered Scattered Load (USL)	\$ 31,819	0.9%	\$ 23,415	0.5%
Standby Power	\$ 47,188	1.3%		0.0%
Total	\$ 3,547,560	100.0%	\$ 4,579,534	100.0%

Scaling Factors

Classes	Previous Cost Allocation Study	2012 Cost Allocation Study	Scaling Factor
Residential	86,181,393	92,606,843	1.07456
GS < 50 kW	18,082,932	18,314,894	1.01283
GS > 50 kW	57,699,153	68,877,755	1.19374
Street Lighting	1,618,360	1,578,145	0.97515
Unmetered Scattered Load (USL)	390,158	355,293	0.91064
Standby Power	1,683,163		-
Total	165,655,159	181,732,931	

b) Calculated Class Revenues

Classes (same as previous table)	Column 7B	Column 7C	Column 7D	Column 7E
	Load Forecast (LF) X current approved rates	LF X current approved rates X (1 + d)	LF X proposed rates	Miscellaneous Revenue
Residential	\$ 2,555,823	\$ 3,153,087	\$ 3,127,779	\$ 250,026
GS < 50 kW	\$ 392,621	\$ 484,372	\$ 484,372	\$ 33,585
GS > 50 kW	\$ 432,269	\$ 533,285	\$ 533,285	\$ 49,031
Street Lighting	\$ 34,428	\$ 42,473	\$ 67,781	\$ 11,517
Unmetered Scattered Load (USL)	\$ 15,786	\$ 19,475	\$ 19,475	\$ 2,682
Total	\$ 3,430,927	\$ 4,232,693	\$ 4,232,693	\$ 346,841

c) Rebalancing Revenue-to-Cost (R/C) Ratios

Class	Previously Report Ratios	Status Quo Ratios	Proposed Ratios	Policy Range
	Most Recent Year: 2006	(7C + 7E) / (7A)	(7D + 7E) / (7A)	
	%	%	%	%
Residential	111.9%	107.4%	106.6%	85 - 115
GS < 50 kW	95.5%	102.6%	102.6%	80 - 120
GS > 50 kW	99.8%	79.4%	79.4%	80 - 120
Street Lighting	17.1%	36.1%	53.1%	70 - 120
Unmetered Scattered Load (USL)	74.0%	94.6%	94.6%	80 - 120

d) Proposed Revenue-to-Cost Ratios

Class	Proposed Revenue-to-Cost Ratios			Policy Range
	2012	2013	2014	
	%	%	%	%
Residential	106.6%	106.2%	105.8%	85 - 115
GS < 50 kW	102.6%	102.6%	102.6%	80 - 120
GS > 50 kW	79.4%	79.4%	79.4%	80 - 120
Street Lighting	53.1%	61.5%	70.0%	70 - 120
Unmetered Scattered Load (USL)	94.6%	94.6%	94.6%	80 - 120

2 Reference: Board Staff #10 d) iii)

- a) Please reconcile the statement here that Ontario Real GDP is not correlated with energy purchases with the regression results presented in VECC #8 a).

Grimsby Power Inc.'s Response:

The statement in the Board Staff IR # 10(d)(iii) response is that, "It was determined that real GDP index values...had less significance as a predictor of usage than the other variables.". This is upheld in the regression results shown in VECC #8a). When the Real GDP index values were used in place of the Number of Customers independent variable, "the standard error of the... model increased by 11% and the adjusted R-squared value decreased in comparison to the original model.". Also, when the real GDP index was used in addition to the Number of Customers variable, there was little change in standard error or adjusted R-squared values. While there was correlation between real GDP index and energy purchases, it did not add to the accuracy of the regression with the inclusion of the other variables.

3 Reference: Board Staff #35

a) What is the basis for the forecast 2012 \$130,000 of LV cost used to derive the LV rates?

Grimsby Power Inc.'s Response:

Based on historical data the average LV charge from 2007 to 2010 was \$133,761. This value was rounded to the nearest \$10,000 and was used as the forecast for 2011 and 2012.

OEB No	OEB Account Name	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Bridge	2012 Test IFRS
4750	LV Charges	126,358	125,408	116,876	166,400	130,000	130,000

4 Reference: Board Staff #47 a)

- a) In its response Grimsby states that it has calculated its Smart Meter Disposition Rider consistent with the Board's EB-2010-0209 Decision. However, in that Decision the Board approved the use of class specific disposition riders calculated by allocating the amount to be recovered to individual customer classes in proportion to the capital investment by class. In contrast Grimsby's proposal does undertake any such allocation and simply derives an average disposition rider which is applied to all classes (See Exhibit 9, page 32). Please reconcile the first statement in the response with the proposal as set out in Exhibit 9.

Grimsby Power Inc.'s Response:

Grimsby Power Inc. believes the above IR reference should be Board Staff IR # 46(a).

In Board Staff IR # 46 the Board states:

"The Board finds that a class specific calculation of the residual amounts for disposition of smart meter costs for each rate class is unwarranted, as there is insufficient benefit given additional complexity."

Grimsby Power Inc. smart meter disposition rider was calculated based on the above statement.

- b) If not done so, please calculate separate disposition riders by class based on the methodology approved by the Board in EB-2010-0209.

Grimsby Power Inc.'s Response:

Please refer to Board Staff Technical Conference Question # 7.

5 Reference: Energy Probe #10 a) & b)

- a) Please confirm whether the 2012 forecast values provided in these responses are before or after the CDM adjustment.

Grimsby Power Inc.'s Response:

The 2012 forecast values provided in the Energy Probe IR # 10 response were net of CDM adjustments. The following tables provide clarification showing the values before and after the CDM adjustment:

Interrogatory 10-a)

2012 Forecast under the three different weather normal approaches

Model Approach			
	Base	10-Year Average	20-year Trend
2012 Forecast	195,506,500	195,992,863	196,485,395
Add back CDM:	197,058,500	197,544,863	198,037,395

Interrogatory 10-b)

2012 Forecast under the three different weather normal approaches

Model Approach			
	Base	10-Year Average	20-year Trend
2012 Forecast	197,368,671	197,856,351	198,350,713
Add back CDM:	198,920,671	199,408,351	199,902,713

6 Reference: Energy Probe #13

- a) With respect to Account 4375, please provide the reasons for the significant increase in the 2011 YTD value relative to YTD 2010.

Grimsby Power Inc.'s Response:

The increase to account 4375 is the result of the OPA's new PAB funding mechanism. In the past Grimsby Power Inc. received incentive and performance funds based on the type of OPA CDM program. Monies were received intermittently. With the new 2011 to 2014 CDM programs, Grimsby Power Inc. now receives a percentage of revenue for each of the CDM programs on a regular basis throughout the year. The funds received from OPA for the CDM programs are used to cover CDM project costs. The accounts 4375 and 4380 are used to account for the flow of funds from the OPA to the various CDM cost centres.

- b) Based on the explanation provide in part a) do the 2011 and 2012 forecasts (Exhibit 3, page 35) need to be revised? Please explain.

Grimsby Power Inc.'s Response:

Grimsby Power Inc. recognizes that 2011 and 2012 forecasts should be higher based on the CDM budget. In Appendix 2-C the amount for 2011 and 2012 should be increased from \$98,600 to \$208,000.

- c) With respect to Account 4380, please explain why the 2011 YTD expenses for Non-Utility Operations are increasing relative to 2010 when the revenues (Account 4375) are increasing.

Grimsby Power Inc.'s Response:

The total expenses in the account 4380 represent the costs for the CDM programs and for the reasons explained in the VECC Technical Conference Question # 6(a) the increase is equal with the increase in the revenue.

- d) Do the 2011 and 2012 forecast values for Account 4380 need to be updated? Please explain why.

Grimsby Power Inc.'s Response:

Grimsby Power recognizes that 2011 and 2012 forecasts should be higher based on the CDM budget. In the Appendix 2-C the amount for 2011 and 2012 should be increased from \$95,000 to \$208,000. The increase in the account 4380 is equal to the increase in the account 4375 - funds received from OPA. This transfer of funds between accounts will not have any impact on Grimsby Power Inc.'s revenue requirement.

- e) VECC #25 states that the 2011 forecast value for Account 4405 should be updated to \$10,000. Given that the YTD value for 2011 is \$11,000 why shouldn't the forecast value for the full year be higher?

Grimsby Power Inc.'s Response:

In preparing its response to Energy Probe IR # 13 Grimsby Power Inc. included the interest and dividend income as \$11,234 YTD Sept 2011. This value included regulatory interest expense of \$3,740. The regulatory interest expense is not part of the revenue requirement calculation and should be excluded from the total of \$11,234. The value should be \$11,234 minus \$3,740 or \$7,494. Grimsby Power Inc. believes that its estimate given in VECC IR # 25 is still valid.

- f) Does the 2012 forecast for Account 4405 need to be updated from the \$3,000 in the original Application?

Grimsby Power Inc.'s Response:

Grimsby Power Inc. has updated the Revenue Requirement Work Form to reflect a change from \$3,000 to \$ 10,100 in account 4405. This work form was submitted to the OEB on November 14, 2011.