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December 10, 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 --- Cross-Examination Compendium**

Pursuant to Procedural Order No. 3 issued by the Board on December 9, 2011, please find attached the Cross-Examination Compendium of Energy Probe Research Foundation (Energy Probe) which may be referred to in the EB-2011-0273 proceeding Oral Hearing commencing December 12, 2011.

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

Yours truly,

David S. MacIntosh  
Case Manager

cc: James Sidlofsky, Border Ladner Gervais LLP (By email)  
Doug Curtiss, Grimsby Power (By email)  
Mioara Domokos, Grimsby Power (By email)  
Randy Aiken, Aiken & Associates (By email)  
Interested Parties (By email)

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

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**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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ENERGY PROBE RESEARCH FOUNDATION  
("ENERGY PROBE")  
CROSS-EXAMINATION COMPENDIUM

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## 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	-
<b>OM&amp;A</b>	<b>2,477,989</b>	<b>2,641,809</b>	<b>163,820</b>
Chargeable Work: (A/R, Streetlights)	41,346	38,334	(3,012.00)
<b>Distribution Plant additions</b>	<b>899,853</b>	<b>1,060,661</b>	<b>160,808.00</b>

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
<b>Totals</b>	<b>\$ 558,685</b>	<b>\$ 406,325</b>	<b>\$ 152,359</b>	<b>\$ 144,512</b>	<b>\$ 94,190</b>	<b>\$ 50,322</b>	<b>\$ 703,197</b>	<b>\$ 500,515</b>	<b>\$ 202,682</b>

	2009	2010	Variance	Percentage Change
	Actuals	Actuals	\$	%
Operations	\$ 197,350	\$ 179,324	-\$ 18,026	-9.13%
Maintenance	\$ 380,246	\$ 397,852	\$ 17,606	4.63%
Billing and Collecting	\$ 463,965	\$ 506,789	\$ 42,825	9.23%
Community Relations	\$ 11,428	\$ 11,749	\$ 322	2.81%
Administrative and General	\$ 717,486	\$ 710,002	-\$ 7,483	-1.04%
<b>Total OM&amp;A Expenses</b>	<b>\$ 1,770,474</b>	<b>\$ 1,805,717</b>	<b>\$ 35,243</b>	<b>1.99%</b>
Inflation Rate				1.30%

	2010	2011	Variance	Percentage Change
	Actuals	Actuals	\$	%
Operations	\$ 179,324	\$ 271,866	\$ 92,542	51.61%
Maintenance	\$ 397,852	\$ 418,385	\$ 20,533	5.16%
Billing and Collecting	\$ 506,789	\$ 504,524	-\$ 2,265	-0.45%
Community Relations	\$ 11,749	\$ 16,500	\$ 4,751	40.43%
Administrative and General	\$ 710,002	\$ 869,244	\$ 159,242	22.43%
<b>Total OM&amp;A Expenses</b>	<b>\$ 1,805,717</b>	<b>\$ 2,080,519</b>	<b>\$ 274,802</b>	<b>15.22%</b>
Inflation Rate				

	2011	CGAAP 2012	Variance	Percentage Change
	Actuals	Forecast	\$	%
Operations	\$ 271,866	\$ 283,721	\$ 11,855	4.36%
Maintenance	\$ 418,385	\$ 489,114	\$ 70,729	16.91%
Billing and Collecting	\$ 504,524	\$ 590,270	\$ 85,746	17.00%
Community Relations	\$ 16,500	\$ 12,500	-\$ 4,000	-24.24%
Administrative and General	\$ 869,244	\$ 1,084,372	\$ 215,128	24.75%
<b>Total OM&amp;A Expenses</b>	<b>\$ 2,080,519</b>	<b>\$ 2,459,977</b>	<b>\$ 379,458</b>	<b>18.24%</b>

Table 2: Additional Total OM&A Expense Comparative Information Table

*Required Total OM&A Comparison*

	2010 Actuals	2012 IFRS Forecast	Variance \$	Percentage Change %
Test Year versus Most	\$ 1,805,717	\$ 2,623,797	\$ 818,080	45.31%
	2006 Board-approved	2012 Forecast	Variance \$	Percentage Change %
Test Year versus LRY Board-	\$ 1,550,966	\$ 2,623,797	\$ 1,072,831	69.17%
Simple average of % variance for all years				6.80%
Compound annual growth rate for all years				11.09%

**Table 4.8 Cost Driver Table (Board appendix 2-G)**

OM&A	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Bridge Year	2012 CGAAP Test Year
Opening Balance	\$ 1,550,966	\$ 1,509,565	\$ 1,718,034	\$ 1,793,136	\$ 1,770,474	\$ 1,805,717	\$ 2,080,519
(1) Staffing (Payroll and Benefits)	-\$ 87,247	\$ 133,453	\$ 128,757	-\$ 59,703	\$ 159,224	\$ 58,624	\$ 130,663
(2) Change in Allocation Method						\$ 139,820	\$ 14,314
(3) Third Party Service Providers	\$ 55,001	\$ 35,049	-\$ 22,795	\$ 11,122	-\$ 120,637	\$ 12,744	\$ 102,507
(4) Smart Meter System Costs							\$ 129,960
(5) Computer Network and Website							\$ 28,568
(6) Meter Maintenance						\$ 52,500	-\$ 31,922
(7) LEAP Program						\$ 3,974	\$ 143
(8) HST Saving							-\$ 18,723
(9) Remaining Balance	-\$ 9,155	\$ 39,967	-\$ 30,860	\$ 25,920	-\$ 3,344	\$ 7,141	\$ 23,948
Closing Balance	\$ 1,509,565	\$ 1,718,034	\$ 1,793,135	\$ 1,770,475	\$ 1,805,716	\$ 2,080,519	\$ 2,459,977

Additional commentary is available in the variance analysis later in this exhibit.

**Staffing (Payroll & Benefits)**

Year over year changes in compensation and benefits reflects changes in employee compliment, wage increases, and increases in benefit costs. Decreases are reflective of the gaps in payroll during periods when one employee leaves and another is hired. The majority of increases are due to additions in employee compliment. Specific details are shown under "Employee Compensation and Benefits" in Table 4.25. The commentary later in this exhibit explains in detail year to year variances in terms of employee compliment, base wages, overtime and benefits by employee category.

**Change in Allocation Method**

For the determination of Grimsby Power Inc.'s 2011 budget, a new process was created to account for individual tasks, activities, and projects – a bottom up approach to budgeting. Along with this process, the allocation of expenses was realigned with the USofA accounts. One of the goals of the new process was to directly allocate identifiable work into its appropriate account as opposed to allocating costs over a number of accounts using mathematical calculations. Prior to 2011 costs associated with Stores, Engineering, and Operations Supervision was allocated to various Capital and OM&A accounts. The net difference between 2010 and 2012 Test Year (CGAAP) is an additional \$154,135 booked to OM&A.

**Third Party Service Providers**

Grimsby Power Inc. utilizes a number of third party service providers as the need dictates. The Table 4.9 below highlights the details of year to year changes and summary explanations follow.

**Table 4.9 Cost Drivers – Third Party Service Providers**

	2006	2007	2008	2009	2010	2011 Bridge Year	2012 Test Year (CGAAP)
<b>(3) Third Party Service Providers</b>	<b>55,001</b>	<b>35,049</b>	<b>22,795</b>	<b>11,122</b>	<b>120,637</b>	<b>12,744</b>	<b>102,507</b>
FortisOntario (Financial Services)	15,213	15,213	-	-	-	-	-
Financial Audit Services	52,995	12,990	29,074	37,413	7,287	7,557	670
Canada Post	-	6,895	9,774	4,090	4,407	6,724	1,500
Line Contractor (Maintenance 5120 & 5125)	-	3,490	21,526	23,460	43,848	7,557	29,090
NPI Board Fees	-	34,537	83	33,453	54,525	11,000	-
NPI Management Fees	-	1,110	27,111	3,467	121,000	-	-
Canadian Niagara Power (CIS Related Costs)	-	-	-	27,990	11,910	5,100	900
Health & Safety	-	-	-	-	-	11,920	11,336
Line Contractor (Maintenance 5160)	-	-	-	-	-	-	12,240
Process Meter Data	-	-	-	-	-	-	46,000
HR Consultant	-	-	-	-	-	-	26,880
Training	-	-	-	-	-	-	32,071

FortisOntario (Financial Services) – In 2006 turnover in the Finance Department created a number of months where there was no Department Head. FortisOntario provided assistance to bridge the gap between vacancies. The turnover is discussed in detail later in this exhibit.

Financial Audit Services - Increases and decreases can be explained by the activity in any given year as follows:

- *During 2006 extra audit work was required related to Grimsby Power Inc.'s rebasing application.*
- *In 2009 accounting methods were changed. Starting in 2009 expenses were booked using the accrual method of accounting. 2009 is higher because it includes expenses booked for the 2008 Audit plus accrual expenses for 2009's Audit.*

Canada Post – Increases in direct postage costs from 2006 have been fairly consistent year over year.

Line Contractor (Maintenance 5120, 5125, 5160) - The Line Contractor amounts vary from year to year depending on the volume of projects and the type of work accomplished. Expenses allocated to these accounts would generally be line transfers or removal work on large projects or emergency overflow work created as a result of storm restoration activity.

NPI Board Fees and NPI Management Fees - Fees charged from the holding company NPI to Grimsby Power Inc. fluctuated over the years dependent on staffing and activity levels. This is discussed in detail in this exhibit under the Shared Services discussion. These fees ended with the hiring of the CEO in February 2010.

Canadian Niagara Power (CIS Related Costs) - The installation of the new SAP customer information system (CIS) took place in 2009, adding to costs in this year. These costs represent approximately one half year of monthly fees. The increase in 2010 is attributed to a full year of monthly fees.

Health and Safety Facilitator – In 2011 Grimsby Power Inc. began utilizing a health and safety facilitator to raise the profile of health and safety within the organization. The facilitator provides quality health and safety meeting content and various training & evaluation activities.

Process Meter Data – GPI currently has a number of disparate systems and service providers which enable GPI to process meter data. This process includes the downloading of data from interval & wholesale meters, converting this data for use in the billing system, and comparing Grimsby Power Inc. data with IESO data in the settlement process. The net increase in costs is approximately \$46,000 and includes a third party service to provide a consolidated end to end solution.



HR Consultant - In 2012 the collective agreement between Grimsby Power Inc. and the Power Workers Union will expire. Grimsby Power Inc. has budgeted professional services to assist with negotiations. In addition to this a review of compensation will be conducted.

Training - In 2012 Grimsby Power Inc. is planning in increasing its training program. Additional costs amount to \$32,071.

**Smart Meter System Costs**

By the end of 2011 GPI will move to time-of-use pricing and as a result additional expenses are incurred. The Table 4.10 below highlights the details.

**Table 4.10 Cost Drivers – Smart Meter System Costs**

	2006	2007	2008	2009	2010	2011 Bridge Year	2012 Test Year (CGAAP)
(4) Smart Meter System Costs							<b>129,960</b>
MDMR							60,588
AMI Software Support							6,930
KTI/Sensus Meter Fees							30,618
KTI/Sensus TGB Fees							31,824

**Computer Network and Website**

Grimsby Power Inc. has an internal network of computer servers and associated work stations utilized by most staff. A network security audit has never been conducted and a risk assessment indicates that this network is critical to the operation of the utility. An audit will be conducted to ascertain the condition of the system and to recommend enhancements (if necessary). Grimsby Power Inc.'s website has not been updated in a number of years and does not incorporate today's functionality. A web site upgrade will take place in 2011 and future costs will be incurred to keep the website current. See Table 4.11 below for detail.

**Table 4.11 Cost Drivers – Computer Network and Website**

	2006	2007	2008	2009	2010	2011 Bridge Year	2012 Test Year (CGAAP)
(5) Computer Network & Web Site							<b>28,568</b>
Network Security Audit							10,000
Web Site Maintenance							10,000
Increase Internet Capacity							8,568

**Meter Maintenance**

The Operational Data Store (ODS) is required to facilitate the maintenance of smart meters and to enhance the operation of the utility by providing enhanced features not envisioned prior to the smart meter installation program. Grimsby Power Inc. has just recently went live with the system and is in the process of evaluating how the ODS will be utilized in the future. In addition to this costs incurred to convert existing customer premise meter bases to accommodate smart meters is included for 2011. In 2012 a web presentment tool is also incorporated into the budget which is new functionality to the smart meter system. See Table 4.12 below for detail.

**Table 4.12 Cost Driver – Meter Maintenance & ODS Meter Fees**

	2006	2007	2008	2009	2010	2011 Bridge Year	2012 Test Year (CGAAP)
(6) Meter Maintenance & ODS Meter Fees						<b>52,500</b>	- <b>31,922</b>
Meter Base Conversions						52,500	- 52,500
Web Presentment							4,200
Operational Data Store							16,378

**LEAP Program**

As per the OEB's report on Low-Income Energy Assistance Programs dated July 22, 2011, GPI anticipates spending \$4,117 or 0.12% of its (anticipated) approved revenue requirement for the 2012 Test Year. This program was introduced in 2011.

**HST Saving**

As a result of the introduction of the HST on July 1, 2010, the OEB required utilities to calculate/estimate the savings incurred over the period from July 1, 2010 to December 31, 2011. Grimsby Power Inc. has estimated this amount to be \$18,723.

## **Remaining Balance**

This represents the difference between the sum of the identified cost drivers and difference between one year and the next.

## **VARIANCE ANALYSIS**

Consistent with the Ontario Energy Board Chapter 2 of the Filing Requirements for Transmission and Distribution Applications dated June 22, 2011, Grimsby Power Inc. has provided variance analyses for the 2012 Test Year vs. 2006 - Last Board-Approved Rebasing Application (Actual) and between the 2012 Test Year and 2010 Actual (Most Current Actual). Grimsby Power Inc. has reviewed the variance of each USoA account and provided explanations for variances exceeding a materiality threshold of \$50,000. The variances are indicated in Table 4.13 below and an explanation of each variance is presented in the following section.

**15. Ref: Exhibit 4/ Page 22 – Smart Meter System Costs**

In the above reference, Grimsby states that it will incur additional costs for implementation of Time-of-Use (“TOU”) pricing/billing in 2012, for an amount of \$129,960.

a) Please identify if there are any associated costs in years before 2012 for these activities. If so, where have they been recorded, in deferral/variance accounts 1555/1556 or regular operating accounts?

**Grimsby Power Inc.’s Response:**

In reviewing Table 4.10 an error occurred with inputting the line item KTI/Sensus Meter Fees. The cost noted of \$30,618 should be \$12,730. The revised table is shown below:

Table 4.10 – Revised:

	2006	2007	2008	2009	2010	2011 Bridge Year	2012 Test Year (CGAAP)
(4) Smart Meter System Costs							<b>112,072</b>
MDMR							60,588
AMI Software Support							6,930
KTI/Sensus Meter Fees							12,730
KTI/Sensus TGB Fees							31,824

In the Cost of Service Application Grimsby Power Inc. assumed that all smart meter costs after January 1, 2012 would become part of Grimsby Power Inc.’s regular operating accounts. Prior to January 1, 2012 all eligible smart meter costs were recorded in the deferral/variance accounts 1555/1556. For the activities listed in Table 4.10 costs incurred prior to January 1, 2012 are as noted in (b) below:

b) If there are analogous amounts in years before 2012, please provide the amounts by year and in the format shown in Table 4-10.

**Grimsby Power Inc.’s Response:**

For the line items referred to in Table 4.10 above the corresponding costs in prior years are detailed in the table below. Costs noted in years prior to 2012 were recorded in the deferral/variance accounts 1555/1556.

	2006	2007	2008	2009	2010	2011 Bridge Year	2012 Test Year (CGAAP)
Smart Meter System Costs				-	36,597	96,640	112,072
MDMR						3,190	60,588
AMI Software Support						6,930	6,930
KTI/Sensus Meter Fees						48,230	12,730
KTI/Sensus TGB Fees					36,597	38,290	31,824

c) For each category shown in Table 4-10, please identify whether the costs are expected to be one-time in 2012, or are expected to continue in subsequent years.

**Grimsby Power Inc.’s Response:**

All costs except the MDMR noted in Table 4.10 are expected to continue in subsequent years. Please refer to IR # 15(d) for further comments on the MDMR costs.

d) Please explain what the costs of \$60,588 for MDMR are for. Please also confirm whether that these costs are not for meter data functions that are the responsibility of the Smart Metering Entity. If the costs are for meter data functions that are the responsibility of the Smart Metering Entity, please provide Grimsby’s reasons for why these costs are recoverable pursuant to O. Reg. 426/06.

**Grimsby Power Inc.’s Response:**

Grimsby Power Inc. was anticipating that the fees for the use of the MDMR would come to fruition in 2012. However, it is our understanding that the IESO will be making a rate case for these fees. Since the MDMR fees have not been determined and the timeline has not been established for a rate

case Grimsby Power Inc. will remove the \$60,588 from its 2012 budget and rate application.

**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.

**Grimsby Power Inc.'s Response:**

With the removal of the MDMR costs for 2012 the total OM&A from Appendix 2-G is reduced by \$60,588. Other corrections have not been included within this table. The revised table is shown below:

**Table 4.2 OM&A Cost per Customer and per FTEE (Board Appendix 2-I) Revised**

Appendix 2-I  
OM&A Cost per Customer and per FTEE

	2006 - Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Bridge Year	2012 CGAAP Test Year	2012 IFRS Test Year
Number of Customers	11,915	9,468	9,584	9,768	9,909	10,062	10,272	10,486	10,486
Total OM&A from Appendix 2-G		\$ 1,509,565	\$ 1,718,034	\$ 1,793,136	\$ 1,770,474	\$ 1,805,716	\$ 2,080,519	\$ 2,399,390	\$ 2,563,209
OM&A cost per customer	\$ -	\$ 159.44	\$ 179.26	\$ 183.57	\$ 178.67	\$ 179.46	\$ 202.54	\$ 228.82	\$ 244.44
Number of FTEEs		14.5	14.5	15.5	15.5	16.5	17.5	18.5	18.5
Customers/FTEEs		652.97	660.97	630.19	639.29	609.82	586.97	566.81	566.81
OM&A Cost per FTEE		\$ 104,107.96	\$ 118,485.08	\$ 115,686.19	\$ 114,224.15	\$ 109,437.36	\$ 118,886.79	\$ 129,696.77	\$ 138,551.84

**Miscellaneous**

**48. Ref: Revenue Requirement Work Form (RRWF)**

a) Based on the responses to the interrogatories from all parties, please submit a Microsoft Excel file containing an updated RRWF that represents any changes the applicant wishes to make to the amounts in the previous version of the RRWF included in the middle column.

**Grimsby Power Inc.'s Response:**

Grimsby Power has submitted a Microsoft Excel file containing an updated RRWF that represents the changes that Grimsby Power proposes to make to the amounts in the previous version of the RRWF included in the middle column.

b) Please provide a list of all changes made to Grimsby's original application (by exhibit), including an updated derivation of its revenue requirement, PILs calculation, base rates, rate adders/riders, and bill impacts.

**Grimsby Power Inc.'s Response:**

The following table provides a list of all changes made to Grimsby's original application by exhibit.

IR #	Board Staff	Exhibit	Initial Value	Corrected Value	Change to GL/SubAcct	Impact to Rate Model	Commentary
3b	X	9	1,350,686.00	1,307,178.00	1555	Yes	Net book value of smart meters in Table 9.11
11b	X	3	3,000.00	10,100.00	4405	Yes	For 2011 and 2012 interest should be the higher value.
14a	X	4	172,730.00	132,730.00	5310	Yes	2010 Meter reading expense was higher due to a double accounting entry.
15d	X	4	56,671.00	-	53104001	Yes	No MDMR fees.
15d	X	4	3,917.00	-	53104002	Yes	No MDMR fees.
21	X	4	123,000.00	124,100.00		No	OMER's premium for 2012 has been recalculated based on new information. Impact is immaterial. Do not change model from this question.
30e	X	5	505,849.00	520,282.00		Yes	2011 Interest Cost
30e	X	5	494,049.00	513,049.00		Yes	2012 Interest Cost
38	X	8				Yes	LRAM will change rate rider
42	X	9	1.66	1.64	1555	Yes	Smart Meter Rate Rider Change in Value
53	X	1				No	Exhibit 1 - Page 56 of 77 - Should "2010" be "2011"
54	X	9	1,013,324.16		1590/2350	No	Future Income Tax Liability
55	X	9	42,682.48	66,982.00	1830	Yes	Equivalent PST Savings
55	X	9	18,011.90	29,252.11	5085	Yes	Equivalent PST Savings
55	X	9	9,361.64	15,945.70	1592	Yes	HST Saving Account
56	X	9	211,045.49	271,172.83	1562	Yes	Account 1562 disposition - changes



- ii. Please confirm that Grimsby has followed the December 2010 FAQs accounting guidance regarding Account 1592, sub-account HST/OVAT ITCs. If this is not the case, please explain.

## **Grimsby Power Inc.'s Response:**

Grimsby Power did not follow the December 2010 FAQs accounting guidance regarding Account 1592, sub-account HST/OVAT. The methods outlined in the December 2010 FAQ's were deemed by Grimsby Power Inc. to be inefficient as compared with the method chosen. Grimsby Power Inc. found that an allocation methodology would be appropriate in dealing with this issue.

- iii. Please confirm that entries have been made to record variances in the sub-account account of Account 1592 to cover the period from July 1, 2010 to December 31, 2011. If this is not the case, please explain.

## **Grimsby Power Inc.'s Response:**

The HST Saving amount calculated in the initial rate application (Table 2.4) booked in the variance Account 1592 sub-account HST/OVAT with the offset of:

- \$42,682.48 from the 2011 capital
- \$18,011.90 from 2011 OM&A expense.

These amounts cover the period July 1, 2010 to June 30, 2011.

The difference calculated for the period July 01 to December 31, 2011 will be booked in the variances Account 1592 sub-account HST/OVAT with the offset of:

- \$23,299.82 from the 2011 capital
- \$11,240.21 from 2011 OM&A expense

The total revised HST Saving amount calculated (see Table 2.4 Revised above) and booked in the variance Account 1592 sub-account HST/OVAT with the offset of:

- \$65,982.30 from the 2011 capital
  - \$29,252.11 from 2011 OM&A expense.
- iv. Please confirm that Grimsby does not intend to continue to use this sub-account for the Test Year and going forward. If this is not the case, please explain

### **Grimsby Power Inc.'s Response:**

Grimsby Power Inc. confirms that it has no intention to continue to use this sub-account for the Test Year and going forward.

**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?**

**Grimsby Power Inc.'s Response:**

The error and subsequent cost correction to Table 4.10 was confined to the creation of this table only. The error does not affect Table 4.1.

**Table 4.24 Employee Compensation and Benefits (Board Appendix 2-K)**

	2006 - Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Bridge Year	2012 CGAAP Test Year
<b>Number of Employees (FTEs including Part-Time)<sup>1</sup></b>								
Executive		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Management		\$ 7	\$ 7	\$ 7	\$ 7	\$ 8	\$ 8	\$ 8
Non-Union		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Union		\$ 8	\$ 8	\$ 9	\$ 9	\$ 9	\$ 10	\$ 11
Total	\$ -	\$ 15	\$ 15	\$ 16	\$ 16	\$ 17	\$ 18	\$ 19
<b>Number of Part-Time Employees</b>								
Executive		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Management		\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
Non-Union		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Union		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
<b>Total Salary and Wages</b>								
Executive								
Management		\$ 321,734	\$ 391,759	\$ 408,088	\$ 423,621	\$ 530,311	\$ 551,754	\$ 543,313
Non-Union								
Union		\$ 434,156	\$ 447,538	\$ 524,576	\$ 510,853	\$ 533,906	\$ 594,264	\$ 691,844
Total	\$ -	\$ 755,890	\$ 839,297	\$ 932,664	\$ 934,474	\$ 1,064,217	\$ 1,146,018	\$ 1,235,157
<b>Current Benefits</b>								
Executive								
Management		\$ 93,002	\$ 138,473	\$ 123,583	\$ 137,785	\$ 169,822	\$ 171,863	\$ 182,379
Non-Union								
Union		\$ 133,702	\$ 140,957	\$ 176,361	\$ 157,230	\$ 160,860	\$ 187,452	\$ 216,281
Total	\$ -	\$ 226,704	\$ 279,430	\$ 299,944	\$ 295,015	\$ 330,682	\$ 359,315	\$ 398,660
<b>Accrued Pension and Post-Retirement Benefits</b>								
Executive								
Management		\$ 2,987	\$ 3,316	\$ 3,429	\$ 3,578	\$ 4,051	\$ 4,161	\$ 7,215
Non-Union								
Union								
Total	\$ -	\$ 2,987	\$ 3,316	\$ 3,429	\$ 3,578	\$ 4,051	\$ 4,161	\$ 7,215
<b>Total Benefits (Current + Accrued)</b>								
Executive	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Management	\$ -	\$ 95,989	\$ 141,789	\$ 127,012	\$ 141,363	\$ 173,873	\$ 176,024	\$ 189,594
Non-Union	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Union	\$ -	\$ 133,702	\$ 140,957	\$ 176,361	\$ 157,230	\$ 160,860	\$ 187,452	\$ 216,281
Total	\$ -	\$ 229,691	\$ 282,746	\$ 303,373	\$ 298,592	\$ 334,733	\$ 363,476	\$ 405,875
<b>Total Compensation (Salary, Wages, &amp; Benefits)</b>								
Executive	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Management	\$ -	\$ 417,724	\$ 533,548	\$ 535,100	\$ 564,984	\$ 704,184	\$ 727,778	\$ 732,907
Non-Union	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Union	\$ -	\$ 567,857	\$ 588,495	\$ 700,937	\$ 668,082	\$ 694,766	\$ 781,716	\$ 908,124
Total	\$ -	\$ 985,581	\$ 1,122,043	\$ 1,236,037	\$ 1,233,066	\$ 1,398,950	\$ 1,509,494	\$ 1,641,032
<b>Compensation - Average Yearly Base Wages</b>								
Executive								
Management		\$ 49,959	\$ 60,271	\$ 67,398	\$ 66,942	\$ 70,708	\$ 73,567	\$ 72,442
Non-Union								
Union		\$ 54,269	\$ 55,942	\$ 58,286	\$ 56,761	\$ 59,323	\$ 59,426	\$ 62,895
Total		\$ 104,229	\$ 116,213	\$ 125,684	\$ 123,703	\$ 130,031	\$ 132,994	\$ 135,337
<b>Compensation - Average Yearly Overtime</b>								
Executive								
Management		\$ 3,775	\$ 5,030	\$ 11,823	\$ 5,963	\$ 3,988	\$ 4,108	\$ 4,231
Non-Union								
Union		\$ 23,239	\$ 18,437	\$ 29,382	\$ 25,930	\$ 23,278	\$ 23,976	\$ 24,696
Total		\$ 27,014	\$ 23,467	\$ 41,205	\$ 31,893	\$ 27,266	\$ 28,084	\$ 28,927
<b>Compensation - Average Yearly Incentive Pay</b>								
Executive								
Management		\$ 3,000		\$ 30,000	\$ 11,500		\$ 27,810	\$ 28,644
Non-Union								
Union								
Total		\$ 3,000	\$ -	\$ 30,000	\$ 11,500	\$ -	\$ 27,810	\$ 28,644
<b>Compensation - Average Yearly Benefits</b>								
Executive								
Management		\$ 14,308	\$ 21,304	\$ 19,013	\$ 21,198	\$ 22,643	\$ 22,915	\$ 24,317
Non-Union								
Union		\$ 16,713	\$ 17,620	\$ 19,596	\$ 17,470	\$ 17,873	\$ 18,745	\$ 19,662
Total		\$ 31,021	\$ 38,923	\$ 38,608	\$ 38,668	\$ 40,516	\$ 41,660	\$ 43,979
<b>Total Compensation</b>	\$ -	\$ 985,581	\$ 1,122,043	\$ 1,236,037	\$ 1,233,066	\$ 1,398,950	\$ 1,509,494	\$ 1,641,032
<b>Total Compensation Charged to OM&amp;A</b>		\$ 919,603	\$ 1,053,056	\$ 1,181,813	\$ 1,122,110	\$ 1,281,333	\$ 1,339,957	\$ 1,470,620
<b>Total Compensation Capitalized</b>	\$ -	\$ 65,978	\$ 68,987	\$ 54,224	\$ 110,956	\$ 117,617	\$ 169,537	\$ 170,412

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

**Grimsby Power Inc.'s Response:**

The annual compound growth rate for actual total OM&A expenses between 2006 and 2010 is 4.58%. The calculation is shown in the table below:

Calculation of Compound Annual Growth Rate	Values
2006 OM&A Expense (A)	\$ 1,509,565
2010 OM&A Expense (B)	\$ 1,805,717
B/A = C	1.196183669
# of years of compounding	4
1/# of years of compounding (D)	0.25
$C^{1/D} = E$	1.045801998
1-E	0.045801998
Percentage	4.580199797

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

**Grimsby Power Inc.'s Response:**

The annual compound growth rate for the Canada CPI over the four year period from 2006 to 2010 is 1.65%. The calculation is shown in the table below:

Calculation of Compound Annual Growth Rate for Canada CPI	Values
2006 Inflation Base (A)	109.1
2010 Inflation Base (B)	116.5
B/A = C	1.067827681
# of years of compounding	4
1/# of years of compounding (D)	0.25
$C^{1/D} = E$	1.016541922
1-E	0.016541922
Percentage	1.65419223

Table 2.6 Percentage Change in Gross Fixed Assets

Description	2006 Actual Variance from 2006 OEB Approved	2007 Actual Variance from 2006 Actual	2008 Actual Variance from 2007 Actual	2009 Actual Variance from 2008 Actual	2010 Actual Variance from 2009 Actual	2011 Bridge Year Variance from 2010 Actual	2012 CGAAP Test Year Variance from 2011 Bridge Year	2012 IFRS Test Year Variance from 2011 Bridge Year
Gross Fixed Assets	13.29%	4.27%	4.29%	4.67%	0.79%	12.17%	4.89%	4.63%
Accumulated Depreciation	23.85%	7.48%	7.96%	4.95%	2.35%	9.07%	8.20%	4.73%
Net Book Value	4.80%	1.22%	0.59%	4.36%	-0.90%	15.65%	1.39%	4.51%
Average Net Book Value	4.66%	0.75%	0.90%	2.48%	1.67%	7.34%	8.00%	8.99%
Working Capital	13.84%	6.23%	-1.98%	1.94%	12.83%	9.53%	4.39%	5.04%
Working Capital Allowance	13.84%	6.23%	-1.98%	1.94%	12.83%	9.53%	4.39%	5.04%
Rate Base	6.09%	1.66%	0.40%	2.39%	3.57%	7.74%	7.32%	8.27%

Table 2.7 Capital Additions 2006 actual to 2012 Test Year

USoA	Description	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Bridge Year	2012 CGAAP Test Year	2012 IFRS Test Year
1830	Poles, Towers and Fixtures	87,439	307,783	252,040	267,602	345,562	505,277	246,699	204,352
1835	Overhead Conductors and Devices	12,401	234,282	173,651	270,594	319,085	215,534	289,322	242,816
1840	Underground Conduit	30,476	257,246		22,598	292,541	15,000		
1845	Underground Conductors and Device	176,600	246,900	112,392	144,476	275,188	121,408	154,611	148,446
1850	Line Transformers	356,872	437,436	289,202	278,085	543,894	333,391	242,292	184,446
1855	Services	86,946	320,307	110,419	138,613	298,045	54,140	50,225	43,671
1860	Meters	45,710	46,935	54,644	209,248	76,855	3,803	34,830	33,439
1908	Buildings and Fixtures			3,799	1,149	71,174	77,240	82,570	82,570
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	11,500	17,850	17,850
1925	Computer Software	129,534	21,649	75,681	142,796	33,120	222,500	24,950	24,950
1930	Transportation Equipment	26,409	22,173	10,009	21,795	926	30,000	299,000	299,000
1940	Tools, Shop and Garage Equipment		11,025	5,570	5,130	38,148		1,600	1,600
1945	Measurement and Testing Equipment		16,186		3,014	5,648	5,000		
1955	Communication Equipment							23,700	23,700
1995	Contributions and Grants	(106,169)	(931,914)	(162,610)	(87,808)	(867,342)	(150,000)	(150,000)	
	<b>Total before Work in Process</b>	<b>884,091</b>	<b>986,871</b>	<b>941,323</b>	<b>1,449,238</b>	<b>1,454,262</b>	<b>1,444,793</b>	<b>1,317,649</b>	<b>1,306,840</b>
	Work in Process		66,483	23,653	(90,136)	4,740	(4,740)		
	<b>Total after Work in Process</b>	<b>884,091</b>	<b>1,053,354</b>	<b>964,976</b>	<b>1,359,103</b>	<b>1,459,002</b>	<b>1,440,053</b>	<b>1,317,649</b>	<b>1,306,840</b>

Grimsby Power Inc. has two key drivers of its capital investment. The first driver is Grimsby Power Inc.'s own capital investment required to meet its commitment to provide a safe and reliable supply of electricity to its customers. Details are provided in Grimsby Power Inc.'s Distribution Asset Management Plan attached as Appendix 2.1 to this Exhibit but in summary includes the rebuilding and conversion of deteriorating 8.32kV distribution plant, pole replacement, silicone injection, and other capital works required as a result of inspection and testing of existing