



Grimsby Power Incorporated

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December 14, 2011

Delivered by Courier, E-mail, and RESS

Ms. Kirsten Walli, Board Secretary
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: Grimsby Power Incorporated
2011 Electricity Distribution Rate Application
Board File No. EB-2011-0273
Response to Undertakings

Please find attached Grimsby Power Inc.'s response to the undertakings resulting from the Oral Hearing on December 12, 2011.

Regards,

Doug Curtiss

Doug Curtiss, P.Eng.
Chief Executive Officer
Grimsby Power Inc.

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, being Schedule B to the *Energy Competition Act, 1998*, S.O. 1998, c.15;

AND IN THE MATTER OF an Application by Grimsby Power Inc. to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other serviced charges for the distribution of electricity as of January 1, 2012.

Response to Undertakings

Grimsby Power Inc.

2012 Distribution Rate Application

Board File No. EB-2011-0273

December 14, 2011

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Undertaking J1.1

To provide what percentage of the \$154,000 change in allocation methodology cost driver is labour related.

Grimsby Power Inc.'s Response:

The labour component of the \$154,000 is \$113,565 or 74%. This was established by breaking out the labour and outside services components that collectively made the change in the allocation total. The details are illustrated in the table below.

| | | Labour | Outside Service |
|-------------------------|---------|---------|-----------------|
| Director of Engineering | 45,471 | 45,471 | - |
| Engineering training | 16,896 | 11,932 | 4,964 |
| Network+GIS | 41,948 | 6,342 | 35,606 |
| Supervision | 49,820 | 49,820 | - |
| | | | |
| TOTAL | 154,135 | 113,565 | 40,570 |
| | | 74% | 26% |

Undertaking J1.2

To reconcile the labour component of the \$140,000 change between 2011 and 2010, because of the policy change, with the increase in the total compensation charged to OM&A between those same two years of \$59,000.

Grimsby Power Inc.'s Response:

In preparing its response to this undertaking Grimsby Power has reviewed its assumptions with respect to how the information in Table 4.24 in Exhibit 4 - Employee Compensation and Benefits was calculated.

The guidance in the filing requirements on how to complete this table are not very specific. The original table filed with Grimsby Power's application had the following assumptions:

- The line item Total Salary and Wages included Vacation and Statutory
- The line item Current Benefits included Vacation and Statutory
- The line item Current Benefits did not include source deductions such as CPP & EI.
- For the purposes of the table the percentage split between capital and OM&A for 2010 was estimated to be 90% and this was based on the historical years. For 2011 we have assumed a split of 85.4%/14.6% based on the analysis shown below. Grimsby Power does not have the ability to determine this split using the financial systems it is operating.

As a result of these assumptions:

- Costs for vacation and statutory holidays were double counted
- The exclusion of source deductions understates the total compensation if the total compensation value is to be used in reference to the cost driver table for salary and benefit comparisons.
- The percentage capital OM&A split may not represent an accurate comparison to 2011 because it is an estimate.

Grimsby Power has re-calculated Table 4.24 for 2010, 2011, and 2012 as shown below.

Table 4.24:

Employee Costs

| | 2010 | 2011 | 2012 |
|---|--------------|--------------|--------------|
| Number of Employees (FTEs including Part-Time)¹ | | | |
| Executive | | - | |
| Management | 8 | 8 | 8 |
| Non-Union | | - | |
| Union | 9 | 10 | 11 |
| Total | 17 | 18 | 19 |
| Number of Part-Time Employees | | | |
| Executive | | - | |
| Management | 1 | 1 | 1 |
| Non-Union | | - | |
| Union | | - | |
| Total | 1 | 1 | 1 |
| Total Salary and Wages | | | |
| Executive | | | |
| Management | \$ 461,284 | \$ 482,287 | \$ 478,363 |
| Non-Union | | | |
| Union | \$ 474,840 | \$ 526,582 | \$ 611,848 |
| Total | \$ 936,124 | \$ 1,008,869 | \$ 1,090,210 |
| Current Benefits | | | |
| Executive | | | |
| Management | \$ 201,699 | \$ 208,368 | \$ 221,579 |
| Non-Union | | | |
| Union | \$ 198,728 | \$ 238,614 | \$ 278,699 |
| Total | \$ 400,427 | \$ 446,982 | \$ 500,278 |
| Accrued Pension and Post-Retirement Benefits | | | |
| Executive | | | |
| Management | | \$ 4,161 | \$ 7,215 |
| Non-Union | | | |
| Union | | | |
| Total | \$ - | \$ 4,161 | \$ 7,215 |
| Total Benefits (Current + Accrued) | | | |
| Executive | \$ - | \$ - | \$ - |
| Management | \$ 201,699 | \$ 212,529 | \$ 228,794 |
| Non-Union | \$ - | \$ - | \$ - |
| Union | \$ 198,728 | \$ 238,614 | \$ 278,699 |
| Total | \$ 400,427 | \$ 451,143 | \$ 507,493 |
| Total Compensation (Salary, Wages, & Benefits) | | | |
| Executive | \$ - | \$ - | \$ - |
| Management | \$ 662,983 | \$ 694,816 | \$ 707,157 |
| Non-Union | \$ - | \$ - | \$ - |
| Union | \$ 673,568 | \$ 765,196 | \$ 890,547 |
| Total | \$ 1,336,551 | \$ 1,460,012 | \$ 1,597,703 |
| Compensation - Average Yearly Base Wages | | | |
| Executive | | | |
| Management | | | |
| Non-Union | | | |
| Union | | | |
| Total | | | |
| Compensation - Average Yearly Overtime | | | |
| Executive | | | |
| Management | | | |
| Non-Union | | | |
| Union | | | |
| Total | | | |
| Compensation - Average Yearly Incentive Pay | | | |
| Executive | | | |
| Management | | | |
| Non-Union | | | |
| Union | | | |
| Total | | | |
| Compensation - Average Yearly Benefits | | | |
| Executive | | | |
| Management | | | |
| Non-Union | | | |
| Union | | | |
| Total | | | |
| Total Compensation | | | |
| | \$ 1,336,551 | \$ 1,460,012 | \$ 1,597,703 |
| Total Compensation Charged to OM&A | | | |
| | \$ 1,216,261 | \$ 1,258,531 | \$ 1,359,646 |
| Total Compensation Capitalized | | | |
| | \$ 120,290 | \$ 201,482 | \$ 238,058 |

The reconciliation of the labour component of the cost driver of \$140,000 cannot be directly related Table 4.24 because the OM&A split changes year to year based on the labour activity booked to it. In addition to this the budget process was not developed until 2011 and a direct comparison to 2010 cannot be made due to the different format.

In order to show the movement of labour Grimsby Power has restated its 2011 Budget assuming that the policies of 2010 are in place. The labour portion of Grimsby Power's budget broken down by Account type and split between OM&A and Capital is shown in the tables below:

Distribution of Labour Before and After Change in Capitalization Policy:

| | 2011 Accounts Prior to Change in Capitalization Policy | | 2011 Accounts After Change in Capitalization Policy | |
|--|--|-------------------|---|-------------------|
| Account Type | OM&A | Capital | OM&A | Capital |
| Accounts_Receivable_Recoverable_Work | \$ 2,174 | | \$ 2,174 | |
| Administrative_and_General_Expenses | \$ 398,278 | | \$ 446,905 | |
| Allocation_Accounts | \$ 98,159 | \$ 78,545 | \$ 98,159 | \$ 78,545 |
| Billing_and_Collecting | \$ 242,809 | | \$ 242,809 | |
| Capital_Distribution_Plant | | \$ 230,792 | | \$ 115,176 |
| Distribution_Expenses_Maintenance | \$ 154,132 | | \$ 154,132 | |
| Distribution_Expenses_Operations | \$ 97,690 | | \$ 164,616 | |
| Other_Accounts_Receivable_Streetlights | \$ 21,233 | | \$ 21,233 | |
| Renewable_Generation_Connection_Differal | \$ 1,159 | | \$ 1,159 | |
| Smart_Meters | \$ 1,932 | | \$ 1,932 | |
| Total | \$ 1,017,565 | \$ 309,337 | \$ 1,133,118 | \$ 193,721 |
| | \$ 1,326,902 | | \$ 1,326,839 | |
| | | | | |
| % Capital | 23.3% | | 14.6% | |
| %OM&A | 76.7% | | 85.4% | |

Undertaking J1.3

To provide a summary of the components that fit into the process meter data number for the 2012 test year of \$46,000.

Grimsby Power Inc.'s Response:

"Process Meter Data" is described in Exhibit 4 – Page 21 of 66 and describes a net increase in costs to process meter data of approximately \$46,000. In Board Staff Interrogatory # 14(b) a detailed accounting of meter reading expenses is given. Within the table, under the column "Description of Line Item" the "Contract Out Settlement Services – End to End Solution" is noted with a total cost of \$61,200.

Within this expense category "5310 – Meter Reading Expense" the existing service provider which incorporates part of the process meter data solution currently costs \$14,688. This existing solution would be eliminated by the new process and therefore, \$61,200 minus \$14,688 equals \$46,512. This value was rounded to \$46,000 for inclusion in the cost driver information provided in Exhibit 4.

In considering this undertaking Grimsby Power has considered its position and offers the following comments. The unified Process Meter Data solution involves processes which are incorporated in two accounts:

- 5310 – Meter Reading Expense
- 5315 – Customer Billing

In 2011 costs associated with third party service providers and internal labour to provide the settlement solution was distributed between these accounts as follows:

| | |
|--------------------------------|----------|
| • 5310 – Meter Reading Expense | \$28,093 |
| • 5315 – Customer Billing | \$24,162 |
| Total | \$52,255 |

The internal labour component of the \$52,255 cost for the existing settlement solution is intended to be redirected on other Grimsby Power

business functions. A more accurate account of the incremental increase in costs would follow as shown below:

| | |
|--|----------|
| • Cost of new settlement solution | \$61,200 |
| • Minus Third Party Service Provider in Account 5310 | \$14,688 |
| • Minus Third Party Service Provider in Account 5315 | \$8,772 |
| • Total Incremental Cost | \$37,740 |

Based on the above analysis this line item in the Cost Driver Table 4.9 in Exhibit 4 would change from \$46,000 to \$37,740.

Undertaking J1.4

To provide actual of the line item for training in table 4.9 cost drivers for the years 2010 and 2011.

Grimsby Power Inc.'s Response:

Grimsby Power's actual costs for 2010 and 2011 (year to date) are as follows:

2010 Actual:

| 2010 Training Cost Summary | Direct | Meals - Travel - Incidentals |
|--|------------------|---|
| <u>Operational Maintenance</u> | | |
| Supervision Training | | |
| Trades Training Level 3 | \$ 3,583 | |
| Sub Total | \$ 3,583 | \$ 1,323 |
| <u>Billing</u> | | |
| CPR, First Aid Training | \$ 200 | |
| Customer Service Techniques | \$ 586 | |
| Sub Total | \$ 786 | \$ 4 |
| <u>Administation</u> | | |
| Controller Congress | \$ 1,061 | |
| OEB-Annual Applications Training | \$ 1,700 | |
| Accounting Essentials in Utility Environment | \$ 990 | |
| Sub Total | \$ 3,751 | \$ 1,293 |
| <u>Engineering</u> | | |
| EDIST Conference | \$ 874 | |
| CPR, First Aid Training | \$ 160 | |
| EDA Spring Technical/Administration | \$ 200 | |
| Tuition Sean Pook | \$ 644 | |
| USF Line Design Training | \$ 900 | |
| ESRI Seminar | \$ 104 | |
| EDA Smart Grid Planning Approach | \$ 299 | |
| CPR, First Aid Training | \$ 130 | |
| USF Anchor Seminar | \$ 750 | |
| EDA Regulator & Opertions Forum | \$ 299 | |
| Meter Exhibition | \$ 500 | |
| Sub Total | \$ 4,860 | \$ 371 |
| TOTAL | \$ 12,980 | \$ 2,990 |
| | | |
| Overall Total | \$ 15,970 | |

2011 Actual (Year to Date):

| 2011 Training Cost Summary (Year to Date) | Direct | Meals - Travel - Incidentals |
|---|------------------|------------------------------------|
| <u>Operational Maintenance</u> | | |
| AODA Training | \$ 143 | |
| CPR, First Aid Training | \$ 500 | |
| Utility Work Protection Code | \$ 1,123 | |
| Chainsaw Course | \$ 2,694 | |
| Trades Training Level 3 | \$ 3,704 | |
| Sub Total | \$ 8,164 | \$ 1,251 |
| <u>Billing</u> | | |
| SAP-Fortis Training | | |
| AODA Training | \$ 50 | |
| CPR, First Aid Training | \$ 375 | |
| Sub Total | \$ 425 | \$ 548 |
| <u>Administration</u> | | |
| AODA Training | \$ 332 | |
| EDA Meetings | \$ 3,018 | |
| EDA Niagara Grand Annual General Meeting - Sept/Oct - CEO | \$ 129 | |
| Host NEPA Presidents Meeting | | |
| Regulatory Specialist Program | \$ 3,536 | |
| EDIST Conference | \$ 425 | |
| EDA Spring Technical/Administration | | |
| Meter Exhibition | \$ 250 | |
| EDA Finance Council | \$ 317 | |
| HR Conference | \$ 1,339 | |
| IESO Market Training | \$ 395 | |
| CDM Fundamentals | \$ 94 | |
| CPR, First Aid Training | \$ 125 | |
| Sub Total | \$ 9,961 | \$ 885 |
| <u>Engineering</u> | | |
| Remote Sensing-Continuing Education-Mohawk | \$ 316 | |
| AODA Training | \$ 72 | |
| EDIST Conference | \$ 425 | |
| DESS Seminar | \$ 300 | |
| Meter Exhibition | \$ 250 | |
| Electric Power Meter Course | \$ 320 | |
| Sub Total | \$ 1,683 | \$ 694 |
| Total | \$ 20,233 | \$ 3,378 |
| | | |
| Overall Total | \$ 23,610 | |

In considering this undertaking Grimsby Power has considered its position and offers the following comments with respect to training details and the value of the cost driver. In an effort to provide more detail about the training cost drivers, tables are being provided with line by line detail of the expenses in the "training" category. The expenses in the tables below are broken down into three components as follows:

- Meals, Travel, and Incidentals – mileage, hotel stays, etc.
- Seminars and Conferences
- Training and Educational

The costs in both tables do not include labour and therefore the difference represents incremental costs year to year.

2011 Expenses:

| Type of Expense (2011 Budget) | Cost | Total |
|---|----------|------------------|
| Total - Meals_Travel_and_Incidentals | | \$ 11,105 |
| Controllers Congress - Director of Finance | \$ 650 | |
| EDA - EDIST Conference - Director of Engineering | \$ 820 | |
| EDA Annual General Meeting/Enercom - March 28-30 - CEO | \$ 950 | |
| EDA Niagara Grand Annual General Meeting - Sept/Oct - CEO | \$ 95 | |
| EDA Niagara Grand Spring Technical Meeting - Director of Engineering | \$ 95 | |
| Engineering Technician EDA Metering Workshop | \$ 250 | |
| Engineering Technician EDIST | \$ 1,000 | |
| Host NEPA Presidents Meeting | \$ 900 | |
| MEARIE - Labour Relations Conference - Fall - Executive Assistant | \$ 810 | |
| Total - Seminars_and_Conferences | | \$ 5,570 |
| Chain Saw Training | \$ 1,300 | |
| Design Technician EUSA Training | \$ 1,000 | |
| Design Technician Tuition Reimbursement | \$ 500 | |
| Design Technician USF Training | \$ 900 | |
| Engineering Technician - Tuition reimbursement | \$ 500 | |
| Engineering Technician USF Training | \$ 900 | |
| IFRS Training - Director of Finance | \$ 1,495 | |
| Journeyman Apprenticeship Training - 4th Year | \$ 3,590 | |
| McMaster MVP - Leadership Development Course | \$ 1,580 | |
| MEARIE Customer Service Training | \$ 1,350 | |
| One Day of Training or Educational Activity - Director of Customer Accounts | \$ 750 | |
| Settlement Officer - Tuition Reimbursement - Mohawk College | \$ 300 | |
| Settlement Officer - Excel Training | \$ 300 | |
| Storekeeper -Excel Training | \$ 300 | |
| Work Protection Code Training - Full Certification | \$ 1,300 | |
| Work Protection Code Training - Re-Certification | \$ 1,300 | |
| Total - Training_and_Educational | | \$ 17,365 |
| Grand Total | | \$ 34,040 |

2012 Expenses:

| Type of Expense | Cost | Total |
|---|----------|------------------|
| Total - Meals_Travel_and_Incidentals | | \$ 14,945 |
| Controllers Congress - Director of Finance | \$ 663 | |
| EDA - EDIST Conference - Director of Engineering | \$ 836 | |
| EDA - Executive Symposium - Fall - CEO | \$ 714 | |
| EDA Annual General Meeting/Enercom - March 28-30 - CEO | \$ 969 | |
| EDA Annual General Meeting/Enercom - March 28-30 - Director of Finance | \$ 969 | |
| EDA Niagara Grand Annual General Meeting - Sept/Oct - CEO | \$ 102 | |
| EDA Niagara Grand Annual General Meeting - Sept/Oct - Director of Finance | \$ 102 | |
| EDA Niagara Grand Spring Technical Meeting - Director of Engineering | \$ 102 | |
| Engineering Technician EDA Metering Workshop | \$ 255 | |
| Engineering Technician EDIST | \$ 1,020 | |
| Host NEPA Presidents Meeting | \$ 900 | |
| MEARIE - Employee Labour Relations Conference - Executive Assistant | \$ 1,632 | |
| MEARIE - Risk Management Conference - Executive Assistant | \$ 1,785 | |
| Total - Seminars_and_Conferences | | \$ 10,049 |
| Air Break Switch/Load Interrupter Maintenance | \$ 2,244 | |
| Cable Testing and Fault Locating | \$ 3,366 | |
| Design Technician EUSA Training | \$ 1,020 | |
| Design Technician Tuition Reimbursement | \$ 510 | |
| Design Technician USF Training | \$ 918 | |
| Engineering Technician - Tuition reimbursement | \$ 510 | |
| Engineering Technician USF Training | \$ 918 | |
| Excel Level II - Storekeeper | \$ 408 | |
| McMaster MVP - 802 - Maximizing Personal Productivity - Executive Assistant | \$ 408 | |
| McMaster MVP - 802 - Maximizing Personal Productivity- Lines Superintendent | \$ 408 | |
| McMaster MVP - 803 - Using Outlook 2007 to Maximize Productivity - Executive Assistant | \$ 235 | |
| McMaster MVP - 902 - Coaching & Mentoring - Foreman | \$ 918 | |
| McMaster MVP 801 - Customer Service Excellence - Delivering Reliability and Responsiveness - Cashier | \$ 235 | |
| McMaster MVP 801 - Customer Service Excellence - Delivering Reliability and Responsiveness - Customer Accts Reps. | \$ 469 | |
| McMaster MVP 806 - Effective Delegation - Getting Things Done Right the First Time - Customer Accounts Rep | \$ 408 | |
| McMaster MVP 806 - Effective Delegation - Getting Things Done Right the First Time - Engineering Technician | \$ 408 | |
| McMaster MVP 834 - Giving and Receiving Constructive Feedback - Director of Customer Accounts | \$ 408 | |
| Mearie - Accounting Essentials in the Utility Environment - Accounting Assistant | \$ 1,122 | |
| Mearie - Effective Middle Management in Today's Energy Sector - Director of Finance | \$ 2,040 | |
| MEARIE - Managing Regulatory Affairs, Issues, and Applications (Module 3) | \$ 1,627 | |
| MEARIE - Presentation Skills/Media Training - CEO | \$ 510 | |
| MEARIE - Rate Making (Module - 2) | \$ 1,627 | |
| MEARIE/Schulich - Masters Certificate in Energy Sector Leadership - Module 1 - CEO | \$ 2,774 | |
| Settlement Officer - Tuition Reimbursement - Mohawk College | \$ 306 | |
| Settlement Officer - Excel Training - Level II | \$ 408 | |
| Total - Training_and_Educational | | \$ 24,205 |
| Grand Total | | \$ 49,199 |

With respect to the Cost Driver Table 4.9 in Exhibit 4 the line item for training indicates an incremental increase of \$32,071. This value included labour and was therefore not totally incremental. Based on the above tables the incremental increase from 2011 Budget to 2012 Budget is:

- 2011 Budget \$34,040
- 2012 Budget \$49,199
- Incremental Increase \$15,159

Undertaking J1.5

To provide review of account 5175.

Grimsby Power Inc.'s Response:

Grimsby Power's response to Board Staff Interrogatory # 15(a) indicated that the correct value in Table 4.10 under Smart Meter System Costs for the KTI/Sensus Meter Fees was \$12,730.

Grimsby Power confirms that the cost of \$12,730 for KTI/Sensus Meter Fees is included in Exhibit 4 - Table 4.1 under line item "Maintenance" in column "CGAAP 2012" and similarly is included in Exhibit - Table 4.4 in line item "5175 Maintenance of Meters" in column "2012 CGAAP Test".