



**Grimsby Power Incorporated**

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December 20, 2011

**Delivered by RESS and Courier**

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

Dear Ms. Walli:

Re: **EB-2011-0273 – Grimsby Power Incorporated**  
**Application to the Ontario Energy Board for Electricity Distribution**  
**Rates and Charges as of January 1, 2012**

Please find accompanying this letter Grimsby Power Incorporated's Reply Submission in this proceeding.

Should you have any questions or require further information, please do not hesitate to contact me.

Yours very truly,

*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.

**REPLY SUBMISSION OF GRIMSBY POWER INC.**

**Delivered Tuesday, December 20, 2011**

**INTRODUCTION**

1. Grimsby Power Incorporated ("Grimsby Power") owns and operates the electricity distribution system in the Town of Grimsby, and serves approximately 10,062 customers.
2. In August of this year, Grimsby Power filed its cost of service application for 2012 electricity distribution rates effective January 1, 2012. Energy Probe, the School Energy Coalition ("SEC") and the Vulnerable Energy Consumers Coalition ("VECC") requested and were granted Intervenor status. As noted in the Evidence in Chief Tr. Vol. 1 p.15 l. 17-22 Grimsby Power has not rebased since 2006 and the 2006 applications were based on historical information from 2004.
3. The evidence in this proceeding consists of the Application, Grimsby Power's responses to interrogatories and the questions provided to Grimsby Power prior to the Technical Conference; the Appendices to the Settlement Agreement; Grimsby Power's testimony during the hearing conducted December 12, 2011; and Grimsby Power's responses to undertakings given during the hearing. As

Mr. Curtiss mentioned in his evidence in chief, Grimsby may have run alternative scenarios for the purpose of responding to interrogatories or technical conference questions, but Grimsby does not necessarily support those alternative approaches.

4. The Settlement Conference in this proceeding concluded on November 24, 2011 with a comprehensive partial settlement – all matters with the exception of certain matters relating to OM&A have been settled, and the Board approved the Parties' Settlement Proposal in Procedural Order No.3, issued on December 9, 2011. Appendix J to the Settlement Agreement is a Revenue Requirement Work Form.. Customer Bill impacts on that basis are 3.71% for a Residential customer consuming 800 Kwh of electricity per month, and 1.02% for a GS<50 kW customer consuming 2000 kwh of electricity per month. Distribution impacts on the same basis are 10.95% for a Residential customer consuming 800 kWh of electricity per month, and -0.34% for a GS<50 kW customer consuming 2000 kwh of electricity per month.
5. These impacts will decline slightly as a result of the reductions in OM&A identified in the Evidence in Chief and in this reply submission. Grimsby Power submits that even at the level of OM&A used for the preparation of Appendix J, the impacts resulting from this application are reasonable.
6. As discussed in the Settlement Agreement<sup>1</sup> and Grimsby Power's reply submission the parties have agreed that the effective date of the rates arising out of this proposed agreement, and the Board's Decision on OM&A, should be January 1, 2012. If the Board's Decision on Grimsby Power's rates cannot be implemented for January 1<sup>st</sup>, Grimsby Power will calculate a rate rider for the remainder of the test year that will enable Grimsby Power to recover the difference between its incremental Board-approved revenue, and its revenue at existing rates, for any months in 2012 in which its new rates are not in effect.

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<sup>1</sup> Issue 1.4, at pages 8-9

Grimsby Power will provide the appropriate calculation in conjunction with its Draft Rate Order following the Board's Decision in this proceeding.

7. Grimsby Power has considered the submissions of Board Staff, Energy Probe, the School Energy Coalition and VECC and offers the following submissions in response thereto. For the Board's assistance, Grimsby Power has organized its submissions as follows:

- Relief Sought
- Operations, Maintenance and Administration
- Cost Drivers – Third Party Service Providers
  - HR Consulting Fees
  - Training
  - Network Security Audit
  - CIS-related Costs
  - Process Meter Data
  - Cost Driver Table
- Compensation
  - Line Maintainer
  - Accounting Assistant
  - Additional FTEs
  - Overall Compensation
- Conclusion

8. Grimsby Power repeats and relies upon its Argument-in-Chief, subject to any revisions set out in this reply submission.

## **RELIEF SOUGHT**

9. In its Application, Grimsby Power proposed an OM&A value (which includes property taxes) of \$2,459,977.<sup>2</sup> based on CGAAP. Through the process of

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<sup>2</sup> E4/p.3/Table 4.1

Interrogatories, Technical Conference Questions, the Oral Hearing and Undertakings, Grimsby Power agreed to a number of adjustments to that value.

10. The updated OM&A sought by Grimsby Power in this Application was set out in the Argument-in-Chief, at \$2,375,758 based on CGAAP. With the two additional adjustments addressed in Grimsby Power's responses to Undertakings J1.3 and J1.4, Grimsby Power's total requested OM&A is reduced from \$2,375,758 to \$2,350,586 based on CGAAP.
11. The details of the various adjustments are noted in the table below, complete with references to the evidence.

**Table – OM&A Adjustments through Hearing and Undertakings**

Description	Question number	Distribution Expenses - Operation	Distribution Expenses - Maintenance	Billing and Collecting	Community Relations	Administrative and General Expenses	Taxes Other Than Income Taxes	Extraordinary & Other Items LEAP	TOTAL
Application		283,721	489,114	590,270	12,500	1,052,715	27,540	4,117	2,459,977
MDMR	Board Staff IR# 15(a)			(60,588)					
HST Saving	Board Staff IR# 55	(11,240)							
<b>Subtotal</b>		<b>272,481</b>	<b>489,114</b>	<b>529,682</b>	<b>12,500</b>	<b>1,052,715</b>	<b>27,540</b>	<b>4,117</b>	<b>2,388,149</b>
Retailer Expenses	Oral Hearing			(12,391)					
<b>Subtotal</b>		<b>272,481</b>	<b>489,114</b>	<b>517,291</b>	<b>12,500</b>	<b>1,052,715</b>	<b>27,540</b>	<b>4,117</b>	<b>2,375,758</b>
Process Meter Data	Undertaking J1.3			(8,260)					
Training	Undertaking J1.4					(16,912)			
<b>TOTAL</b>		<b>272,481</b>	<b>489,114</b>	<b>509,031</b>	<b>12,500</b>	<b>1,035,803</b>	<b>27,540</b>	<b>4,117</b>	<b>2,350,586</b>

## **OPERATIONS, MAINTENANCE, AND ADMINISTRATION COSTS**

12. As noted above, Grimsby Power's proposed OM&A component of its 2012 Test Year revenue requirement (including property taxes), as revised through its undertaking responses, is \$2,350,586 based on CGAAP.

### *Submissions of the Parties:*

13. Board Staff and SEC submit that Grimsby Power's OM&A should be set at \$2,258,372 based on CGAAP, on the basis of their respective submissions.

Energy Probe submits that Grimsby Power's OM&A should be \$2,206,692 based on CGAAP. VECC submits that Grimsby Power's OM&A should be set at \$2,232,873 based on CGAAP.

14. Energy Probe, VECC, and SEC all refer to one or more methods of calculating OM&A based on an "envelope approach" using various factors such as inflation, customer growth, and system reliability. Energy Probe references previous Board decisions for Burlington, Brampton, and Horizon where a mechanistic approach was taken to set OM&A.

*Grimsby Power's Reply*

15. At page 3 of Chapter 2 of the Board's Filing Requirements for Transmission and Distribution Applications, the Board states:

*"An application to the Board by a regulated company should provide sufficient detail to enable the Board to make a determination as to whether the proposed rates are just and reasonable. The material presented is the applicant's evidence and the onus is on the applicant to prove the need for and prudence of the costs that are the basis of the proposed new rates. A clearly written application that demonstrates the need for the proposed rates, complete with sufficient evidence and justification for those rates, is essential to facilitate an efficient regulatory review and a timely decision."*

16. Grimsby Power has prepared its evidence *"to enable the Board to make a determination as to whether the proposed rates are just and reasonable"*. Grimsby Power's OM&A costs, as described in Exhibit 4 of the Application and elaborated upon in Grimsby Power's responses to interrogatories and technical conference questions and its testimony during the hearing, are supported by a robust budgeting process which details all tasks, activities and projects as outlined on page 5 of Exhibit 4.. References to other utilities, as suggested by various parties, are not appropriate because Grimsby's costs are a reflection of the cost pressures affecting its operation which have no relationship to those cost pressures in other utilities. Throughout the application process and in particular the interrogatory, technical conference question set, oral hearing, and

undertakings Grimsby Power has openly accepted various reductions in its OM&A evidence. These reductions were agreed to because the revisions proposed by the intervenors and Board staff were appropriate or that they involved corrections to the evidence. The reductions in OM&A which Grimsby has agreed are detailed below in paragraph 38. Grimsby Power submits to the Board that its OM&A should be determined based on the merits of its application and the evidence provided.

17. Grimsby Power submits that the resultant OM&A cost of \$2,350,586, reflective of the reductions noted in the evidence, is just and reasonable. Grimsby Power acknowledges that Board Staff and parties such as SEC have proposed an OM&A increase that exceeds that allowed by the Board in various other cost of service cases, but Grimsby Power submits that any application of a mechanistic approach based on factors such as those noted above and put forth by the Intervenor is not appropriate. Rather, it is contrary to the cost of service application process where the evidence in the proceeding itself is, and should be, used to determine just and reasonable rates. Grimsby Power has supported its proposed level of OM&A expenditures, and respectfully submits that its proposed OM&A value should not be arbitrarily reduced in order to conform to a range of increases approved in other proceedings.

## **COST DRIVERS – THIRD PARTY SERVICE PROVIDERS**

- **Cost Drivers – HR Consulting Fees**

18. Grimsby Power has included the sum of \$26,880 in its 2012 OM&A for fees related to a third party Human Resources consultant. Grimsby Power has explained the need for these outside services at page 22 of Exhibit 4 and in its response to Energy Probe Interrogatory 20(a). In the 2012 Test Year, Grimsby Power will require the consultant's services for collective bargaining and a compensation review referred to in the hearing Tr. Vol. 1 p.44 l.3 to p.45 l.14. Grimsby Power does not have this expertise in-house and it anticipates needing

similar services through the IRM period as referred to in the hearing Tr. Vol.1 p.45 l.7.

*Submissions of the Parties*

19. Board staff submit “that the amount of \$26,880 should not be constituted as an ongoing cost. Board staff submits that this cost should be amortized over four years.” Energy Probe takes a similar position with respect to the amortization of the cost over four years. VECC submits that a reduction of 50%, so that \$13,440 is included in the 2012 Test Year revenue requirement, would reflect the non-recurring nature of the expenditure.

*Grimsby Power’s Reply*

20. As noted above, Grimsby Power has described specific needs for the HR consulting resource in 2012 at Page 22 of Exhibit 4 of the Application, and in its response to Energy Probe Interrogatory 20(a). Planning for 2013 and beyond has not yet begun for Grimsby Power, and it would be overly punitive to set the HR consultant cost for each year at 25% of the total 2012 expenditure, or \$6,720. As stated in its application and interrogatory response, Grimsby Power has no internal expert in this area and utilizing a contracted party on an as required basis is a very efficient way of doing business.

- **Cost Drivers – Training**

21. Grimsby Power has included the sum of \$49,199 (not including salary, wages, and payroll burdens) in its 2012 OM&A for training, which includes attendance at utility conferences, meetings, and workshops as well as educational sessions over a broad range of topics from trades training to executive development. These items are noted in detail in response to Undertaking J1.4. Grimsby Power has explained the need for these expenditures at page 28 & 34 of Exhibit 1 and page 27 of Exhibit 4 in its responses to EP Interrogatory 20(a) and its response to Undertaking J1.4.



*Submissions of the Parties*

22. Board Staff agree with Grimsby Power's submission in response to undertaking J1.4 that the incremental cost related to this activity should be \$15,159. .SEC submits that the training cost driver of \$32,071 should be reduced, and provides a rationale based on figures derived from the Oral Hearing. VECC submits that Grimsby's training costs should be reduced by 50%; and Energy Probe proposes reducing Grimsby Power's training costs by \$16,912.

*Grimsby Power's Reply*

23. In its response to Undertaking J1.4, Grimsby Power provided detailed descriptions of training to take place in 2012. This training as discussed in the evidence represents a sustainable level of training and education for Grimsby Power's employees, and Grimsby Power intends to maintain this level of spending on training through the IRM period. Grimsby Power acknowledges that there are numerous monetary values for training referenced in the evidence, but some of the values, such as the value used by SEC in its submission (using an amount discussed in the *in camera* portion of the hearing, at Tr. Vol. 1 p.52 l.4), include the salary, wages, and payroll burden of those staff participating in the training and therefore are not relevant to the discussion of cost drivers for training because the cost drivers for salary, wages, and payroll burden are included in the cost driver table under their own line item. The cost driver for training should therefore be exclusive of salary, wages, and payroll burden. To use the value used by SEC would double count the salary, wages, and payroll burden. Grimsby Power submits that the correct value is as set out in Grimsby Power's response to Undertaking J1.4 – specifically, the correct value for the training cost driver as set out in that response is \$15,159. This represents a decrease of \$16,912 from the amount originally shown in the Application, and that reduction is in turn consistent with the reduction proposed by Energy Probe.

- **Cost Drivers – Network Security Audit**

24. Grimsby Power has included the sum of \$10,000 in its 2012 OM&A for its network security audit, which includes a condition assessment complete with a report on recommended action items. Grimsby Power has explained the need for these expenditures at page 22 of Exhibit 4 and in its response Board Staff Interrogatory No. 16(c).

*Submissions of the Parties*

25. Energy Probe submitted that this cost is a onetime cost and that it should be amortized over 4 years.

*Grimsby Power's Reply*

26. Details of this expense are set out at page 22 of Exhibit 4 of the Application. The nature of the cost in terms of ongoing or one time is discussed by Grimsby Power in its response to Board Staff Interrogatory No.16(c). By their very nature, audits highlight areas of risk upon which companies decide to act. As stated in the evidence at page 22 of Exhibit 4 a network security audit has never been conducted at Grimsby Power. Grimsby Power anticipates that there will be expenses resulting from this network security audit, related to measures required to address the findings of the audit. Grimsby Power further submits that these expenditures will be required on an ongoing basis through the IRM period and, as a result, this cost should be treated as ongoing.

- **Cost Drivers – CIS Related Costs**

27. Grimsby Power has included an increased expenditure in its 2012 OM&A for CIS-related expenditures, which are required to keep the CIS system current with all required business tasks such as the implementation of time of use rates.

*Submissions of the Parties*

28. Energy Probe submits that CIS related costs incurred in 2011 and 2012 should not be allowed.

*Grimsby Power's Reply*

29. Grimsby Power has not specifically detailed this cost increase but can confirm that these costs are increasing. Changes to CIS systems such as those to accommodate new TOU rates, to accommodate new reporting requirements and to accommodate the billing of renewable energy providers has resulted in increasing costs to provide the service. These are ongoing costs for the utility
30. Grimsby Power respectfully submits that the proposed expenditure is reasonable and appropriate.

- **Cost Drivers – Process Meter Data**

31. Grimsby Power has included the sum of \$61,200 in its 2012 OM&A for “process meter data”-related expenditures, which include consolidating the meter data to settlement process and meter data to bill process. Grimsby Power has explained the need for these expenditures at page 21&26 of Exhibit 4 and Board staff Interrogatory 18.

*Submission of the Parties*

32. Energy Probe submits that that only approximately \$19,000 of the proposed \$37,740 should be allowed as part of OM&A. VECC submits that an equivalent reduction of \$52,255 should be notionally applied to a reduction in OM&A to compensate for the redirection of internal labour.

*Grimsby Power's Reply*

33. As stated by Grimsby Power in its response to Undertaking J1.3, "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". The value of \$52,255 has been misinterpreted by VECC as being the total amount of internal labour assigned to the process meter data function. Grimsby Power states that this labour component is "part of the cost", but it is not the total cost. Grimsby Power therefore disagrees with VECC's proposed reduction of \$52,255 from OM&A, and submits that its request for approval of an incremental amount of \$37,740 remains appropriate and supported by the evidence.
34. Energy Probe is submitting a major reduction of 50% of the proposed expenditure. Grimsby Power submits that the cost outlined in Undertaking J1.3 of \$37,740 is an accurate reflection of the incremental cost to undertake the end to end solution to process meter data.

- **Cost Drivers – Cost Driver Table**

35. In addition to the parties' submissions on specific OM&A expenditures discussed above, Energy Probe, SEC and VECC are proposing reductions in the "remaining balance" area of the cost driver table originally set out at page 20 of Exhibit 4. Grimsby Power's summary version of this table incorporating all the evidence is shown below. The remaining balance is \$58,282.

*Submissions of the Parties*

36. Board Staff had no comments on this matter. Intervenors have requested reductions in the requested value ranging from the elimination of the entire amount through to a 50% reduction. Specifically, SEC submits that the miscellaneous value in their cost driver table of \$117,386 is unsupported and the entire amount should be excluded from OM&A. Energy Probe submits that a

\$100,000 reduction in OM&A from the remaining balance line is appropriate. VECC submits a 50% reduction in this “remaining balance” line item.

*Grimsby Power's Reply*

37. Grimsby Power created the cost driver table with the objective of identifying all significant cost drivers. The remaining balance of the table is intended to capture miscellaneous expenditures which on their own don't fit into the cost driver categories or are not significant on their own. The intervenors have suggested, in various forms, that this remaining balance should be subtracted from Grimsby's OM&A requirement. Grimsby Power submits that the very nature of the table creates a natural “unsubstantiated” remaining balance. An updated cost driver table has been included in paragraph 38. SEC has created a remaining balance of \$117,386 and Energy Probe has a remaining balance of \$84,165. The comparative costs are shown in the table below – Comparative Cost Driver Table. SEC's balance is contingent on three differences - the value for Third Party Service Providers is \$44,114 instead of \$77,335, the value for HST Savings is \$29,963 instead of \$29,252, and the Closing Balance is \$2,375,758 instead of \$2,350,586. The difference between SEC's remaining balance and Grimsby Power's remaining balance is \$59,104 and this equals the difference in the disparate line items. Energy Probe's balance is contingent on two differences - the value for HST Savings is \$29,963 instead of \$29,252, and the Closing Balance is \$2,375,758 instead of \$2,350,586. The difference between Energy Probe's remaining balance and Grimsby Power's remaining balance is \$25,883 and this equals the difference in the disparate line items. Grimsby Power submits that its remaining balance is correct and reducing OM&A by any of the amounts suggested would be unduly punitive.

**Comparative Cost Driver Table:**

OM&A	2012		
	Grimsby	SEC	EP
Opening Balance	2080519	2080519	2080519
(1) Staffing (Payroll and Benefits)	101115	101115	101115
(2) Change in Allocation Method	14314	14314	14314
(3) Third Party Service Providers	77335	44114	77335
(4) Smart Meter System Costs	51484	51484	51484
(5) Computer Network & Web Site	28568	28568	28568
(6) Meter Maintenance & ODS Meter Fees	-31922	-31922	-31922
(7) LEAP Program	143	143	143
(8) HST Saving	-29252	-29963	-29963
(9) Remaining Balance	58282	117386	84165
Closing Balance	2350586	2375758	2375758

38. Based on the agreed to adjustments the Cost Driver table has been re-calculated and is shown on the following page. The remaining balance is \$58,282 which Grimsby Power submits as a reasonable balance.

### 39. Cost Driver Table – with Adjustments:

OM&A	2010	2011 Bridge Year	2012 Test Year (CGAAP)
Opening Balance	1,770,474	1,805,716	2,080,519
(1) Staffing (Payroll and Benefits)	159,224	42,270	101,115
Staffing (Payroll and Benefits) - Initial		58,624	130,663
Staffing (Payroll and Benefits) - Undertaking # J1.2		(16,354)	(29,548)
(2) Change in Allocation Method		139,820	14,314
(3) Third Party Service Providers	(120,637)	12,744	77,335
FortisOntario (Financial Services)	0	0	0
Financial Audit Services	(5,277)	(7,557)	670
Canada Post	4,407	6,724	1,500
Line Contractor (Maintenance 5120 & 5125)	43,848	7,557	(29,090)
Line Contractor (Maintenance 5160)			12,240
NPI Board Fees	(54,525)	(11,000)	0
NPI Management Fees	(121,000)		
Canadian Niagara Power (CIS Related Costs)	11,910	5,100	900
Health & Safety	0	11,920	11,336
Process Meter Data			46,000
Process Meter Data - Undertaking # J1.3			(8,260)
HR Consultant			26,880
Training			32,071
Training - Undertaking # J1.4			(16,912)
(4) Smart Meter System Costs			51,484
MDMR			60,588
MDMR - Board Staff IR# 15(a)			(60,588)
AMI Software Support			6,930
KTI/Sensus Meter Fees			30,618
KTI/Sensus Meter Fees - Board Staff IR# 15(a)			(17,888)
KTI/Sensus TGB Fees			31,824
(5) Computer Network & Web Site			28,568
Network Security Audit			10,000
Web Site Maintenance			10,000
Increase Internet Capacity			8,568
(6) Meter Maintenance & ODS Meter Fees		52,500	(31,922)
Meter Base Conversions		52,500	(52,500)
Web Presentment			4,200
Operational Data Store			16,378
(7) LEAP Program		3,974	143
(8) HST Saving			(29,252)
HST Saving - initial			(18,723)
HST Saving - Board Staff IR# 55 (b) (i) (b) (iii)			711
HST Saving - Board Staff IR# 55 (b) (i) (b) (iii)			(11,240)
(9) Remaining Balance	(3,344)	23,495	58,282
Initial Remaining Balance		7,141	23,237
KTI/Sensus Meter Fees - Board Staff IR# 15(a)			17,888
Retailer Expenses - Oral Hearing			(12,391)
Staffing (Payroll and Benefits) - Undertaking # J1.2		16,354	29,548
Closing Balance	1,805,716	2,080,519	2,350,586

## COMPENSATION

40. Grimsby Power has added two FTEs in 2011 – a Line Maintainer and an Accounting Assistant – and is seeking to include the OM&A related to those two positions in its 2012 Test Year revenue requirement. In the paragraphs that follow, Grimsby Power WILL ADDRESS THE COMMENTS OF Board Staff and the Intervenors with respect to those positions specifically, and with respect to Grimsby Power's overall compensation.

- **Cost Drivers – Additional FTE's – Line Maintainer**

### *Submissions of Board Staff*

41. At page 4 of their submission, Board Staff request that "In its reply submission, Grimsby should clearly map and identify the reductions it expects to realize" by the addition of one Line Maintainer.

### *Grimsby Power's Reply*

42. Grimsby discusses the benefits of adding a Line Maintainer at page 50 of Exhibit 4, stating that "Contract line work currently costs the corporation \$100,000's of dollars each year. Additional line staff to Grimsby Power Inc. will reduce this spend by the amount of one full time equivalent (FTE) lineman". Grimsby Power cannot quantify the impacts of this position into separate OM&A and capital cost components. However, the addition of the Line Maintainer will enhance Grimsby Power's operation in areas beyond costs. These areas are extremely important to Grimsby Power's justification for this position.. This justification includes reduced on call duty, a more versatile work crew which makes work safer & more productive, and fits in with succession planning within the Line Department.



- **Cost Drivers – Additional FTE's – Accounting Assistant**

*Submissions of Board Staff*

43. Board Staff submit that "It is not clear to Board staff that if the stability in the Finance Department was already achieved with the hiring of a Director of Finance, why this new Accounting Position is required."

*Grimsby Power's Reply*

44. Grimsby submits that the stability was achieved by staffing this position with an employee who has been in place since October 2008 as opposed to a few different individuals prior to this. The reference to stability is not indicative in any way of the workload of the Director of Finance. Grimsby has described the need for this position fully in its Application, at page 47 of Exhibit 4. The Accounting Assistants role is to perform the day to day accounting functions of the business. Grimsby submits that the addition of this position is just and reasonable.

- **Cost Drivers – Additional FTE's**

*Submissions of the Parties*

45. While VECC submits that Grimsby has provided reasonable justification for the positions added since 2006, Board staff submit that OM&A should be reduced by \$177,000 in the absence of support for these positions.

*Grimsby Power's Reply*

46. Grimsby Power has fully described the need for these positions in its Application, at pages 47-50 of Exhibit 4, and reiterates that these additions are just and reasonable.

- **Cost Drivers – Overall Compensation**

*Submissions of the Parties*

47. VECC submits that “the Applicant did not provide sufficient evidence supporting the above inflation growth the average compensation levels”. VECC submits that OM&A growth should be 3.5% per year over the 2006 to 2010 period.

*Grimsby Power’s Reply*

48. With respect to Table 4.24 (Appendix 2K TO THE Board’s Filing Requirements) set out at page 43 of Exhibit 4, Grimsby Power submits that the inputs to this table are not described well in the Chapter 2 Filing Requirements and a number of assumptions needed to be made to complete the table. As a result of answering Undertaking J1.2 Table 4.24 was modified for the years 2010 through 2012. As noted in Undertaking J1.2, using this table to compare or reconcile with other evidence is not possible and to use it to compare with overall compensation increases is at best misleading. The specific costs or inputs to this table should be isolated and analyzed on their own.
49. The single most significant contributory factor to increases in this table is salary and wages. Increases for salary and wages as shown in Table 4.25 at page 44 clearly indicate that percentage increases have been contained between 2.5% and 3.25% in all of the historic years 2004 to 2010, and in the 2011 Bridge Year, and are projected to be contained to 3% in 2012. Grimsby Power submits that these increases are just and reasonable, and no evidence has been submitted to indicate otherwise. In addition to this an increasing FTE count over the years from 2006 to 2012 contributes significantly to the total compensation set out in the table.

## CONCLUSION

50. Grimsby Power submits that the OM&A requested, as updated and set out in this reply submission, of \$2,350,586 is just and reasonable, and requests that the Board approve this value and direct Grimsby Power to prepare a draft Rate Order that implements the requested OM&A into the rate model.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 20<sup>TH</sup> DAY OF DECEMBER, 2011.

*Doug Curtiss*

Doug Curtiss, P.Eng.

Chief Executive Officer  
Grimsby Power Inc.