

**Board Staff Interrogatories
Great Lakes Power Transmission LP (“GLPT”)
2015-2016 Cost of Service Revenue Requirement
EB-2014-0238**

1-Staff-1

Ref: E1-T2-S1 p.2 and Filing Requirements for Electricity Transmission Applications Chapter 2 p.11 section 2.4.2.1

GLPT indicates that it will initiate the Regional Planning Process for the East Lake Superior region on July 23, 2014.

- a) Please provide a copy of communication sent to all key stakeholders
- b) Did GLPT receive correspondence from the OPA identifying the status of the regional planning process? If so please provide it.
- c) In which future rate year does GLPT expect it will incur capital expenditures stemming from the Regional Infrastructure Plan?

2-Staff-2

Ref: E2-T1-S1 p.1

GLPT states that “[It] will review the need to complete a new working capital study prior to filing its next rate application.”

Please provide a brief description of the factors GLPT will consider when it decides whether or not a new working capital study should be completed.

2-Staff-3

Ref: E2-T1-S1

Board staff has prepared the table below which presents GLPT’s Board approved and actual capital expenditures for the years 2012, 2013, 2014 and the proposed expenditures for the 2015 and 2016 test years. The information was extracted from the fixed asset continuity tables.

		CAPITAL EXPENDITURES							
		EB-2012-0300			EB-2014-0238				
		2012 Bridge (FCST)	2013 Board Approved (IFRS)	2014 Board Approved	2012 Actual	2013 Actual	2014 Bridge	2015 Test Year	2016 Test Year
No.	Description								
1705	Land							\$ 380,000	\$ 580,000
1715	Station Equipment	\$ 25,926,428	\$ 1,969,996	\$ 514,200	\$ 22,326,216	\$ 1,218,805	\$ 618,262	\$ 1,827,800	\$ 5,455,404
1720	Towers and Fixtures								
1725	Poles and Fixtures	\$ 4,845,394	\$ 1,710,387	\$ 3,183,457	\$ 5,070,368	\$ 1,938,329	\$ 3,238,450	\$ 5,630,000	\$ 2,807,200
1730	Overhead Conductors and Devices	\$ 1,500,000				\$ 30,213			
1740	Underground Conductors and Devices								
1745	Roads and Trails								
1908	Buildings and Fixtures		\$ 170,000	\$ 172,857	\$ 26,824	\$ 15,542			
1910	Leasehold Improvements	\$ 255,000			\$ 300,698	\$ 36,097	\$ 46,300	\$ 180,000	\$ 250,000
1915	Office Furniture and Equipment				\$ 13,812	\$ 6,715	\$ 3,000		
1920	Computer Equipment - Hardware	\$ 151,000	\$ 215,375	\$ 223,660	\$ 200,942	\$ 215,890	\$ 223,022	\$ 258,500	\$ 276,000
1930	Transportation Equipment	\$ 62,000	\$ 240,000	\$ 200,000	\$ 56,472	\$ 179,287	\$ 160,000	\$ 250,000	\$ 250,000
1940	Tools, Shop and Garage Equipment				\$ 15,079	\$ 26,299	\$ 19,547		
1955	Communication Equipment	\$ 216,412	\$ 180,900	\$ 50,600	\$ 4,346,855	\$ 889,894	\$ 84,316	\$ 270,000	\$ 150,000
1960	Miscellaneous Equipment				\$ 143,234				
	<i>Intangibles</i>								
1706	Land Rights								
1925	Computer software	\$ 471,759			\$ 716,292		\$ 479	\$ 663,697	
1990	Other Tangible Property								
	TOTAL	\$ 33,427,993	\$ 4,486,658	\$ 4,344,774	\$ 33,216,792	\$ 4,557,071	\$ 4,393,376	\$ 9,459,997	\$ 9,768,604

- Please confirm that the numbers in the table are correct? If they are not correct please highlight the cell and insert the correct number.
- Please provide a description of the Leasehold Improvements totalling about \$812,000 over the 2012-2016 period.
- Please explain why GLPT is planning to spend \$250,000 in each of 2015 and 2016 on Transportation Equipment while over the 2012-2014 it spent about \$130,000 on average annually.

2-Staff-4
Ref: E2-T1-S1

Board staff has prepared the table below which presents GLPT's Board approved and actual capital rate base for the years 2012, 2013, 2014 and the proposed rate base for the 2015 and 2016 test years.

RATE BASE									
		EB-2012-0300			EB-2014-0238				
		2012 Bridge (FCST)	2013 Board Approved (IFRS)	2014 Board Approved	2012 Actual	2013 Actual	2014 Bridge	2015 Test Year	2016 Test Year
	Opening Net Fixed Assets	\$ 206,337.00	\$ 228,764.10	\$ 224,098.60	\$ 204,886.90	\$ 228,704.60	\$ 223,471.70	\$ 218,406.80	\$ 218,165.60
	Closing Net Fixed Assets	\$ 230,164.00	\$ 224,065.90	\$ 219,213.40	\$ 228,704.60	\$ 223,471.60	\$ 218,406.80	\$ 218,165.60	\$ 218,162.90
	Average Net Fixed Assets	\$ 218,250.50	\$ 226,415.00	\$ 221,656.00	\$ 216,795.75	\$ 226,088.10	\$ 220,939.25	\$ 218,286.20	\$ 218,164.25
	Working Capital Allowance	\$ 566.80	\$ 439.60	\$ 459.40	\$ 513.80	\$ 439.60	\$ 459.40	\$ 474.00	\$ 489.80
	Rate Base	\$ 218,817.30	\$ 226,854.60	\$ 222,115.40	\$ 217,309.55	\$ 226,527.70	\$ 221,398.65	\$ 218,760.20	\$ 218,654.05

Please confirm that numbers in the table are correct. If they are not correct please highlight the cell and insert the correct number.

2-Staff-5

Ref: E2-T1-S1 pp.4-15

GLPT in regard to its “Wood Structure Replacement” capital program indicated that it:

- Intends to continue with the existing “Wood Structure Replacement” capital program which GLPT initiated in 2012, and received Board approval in EB-2012-0300.
 - Seeks approval for capital expenditures in 2015 of \$5,630,000 and in 2016 of \$2,807,200.
 - In 2009 engaged Polecare International Inc. (“Polecare”) to perform condition assessments of the majority of the wood pole structures within GLPT’s transmission system.
 - Intends to continue with the recommendations of the Polecare report and complete a comprehensive wood structure replacement program that will extend beyond 2015 and 2016 – a nine year program to be completed in 2020.
- a) If the data is available, please provide a table summarizing the total number of wood poles on GLPT’s transmission system by type, the corresponding age in ranges of “5 years”, and the portions that according to the Polecare report are in need of replacement.
- b) If available, please provide GLPT’s plan for pole replacement covering the years 2017 – 2020, preferably in tabular form indicated the number of poles by type, and the total annual estimated cost for that period.

2-Staff-6

Ref: E2-T1-S1 pp.4-15

The table below summarizes the number of poles by type that GLPT intends to replace under the Wood Structure Replacement capital program in 2015 and 2016 as well as total costs.

Year	Number of tangent structures	Number of dead end and/or angle structures	Reference page at E2-T1-S1	Total Cost
2015	63	28	Page 7	\$5,630,000
2016	26	8	Page 15	\$2,807,200

Please explain why while the number of tangent structures and the number of dead-end and/or angle structures decrease by about 60% and 71% between 2015 and 2016, the total associated costs decrease by only 50%.

2-Staff-7

Ref: E2-T1-S1 pp. 8-11

GLPT indicates that for the “Station Service” part of the “Highway 101 TS 44 kV Upgrades - \$1,029,000” project in 2015:

- the main transformer that supplies AC power for the station-service load is owned by Algoma Power Inc., which is metered and GLPT is billed for the usage of power;
- the addition of a 44kV Station Service Voltage Transformer (“SSVT”) will result in some cost-savings for GLPT, and
- provides redundancy of supply, via a transfer switch to be used in the case of equipment failure or loss of supply on the SSVT.

Please provide the estimated installed cost of the new transformer and the expected annual maintenance cost of that new transformer as well as the annual GLPT saving under the option of continued use of the main transformer owned by Algoma Power Inc. that supplies AC power for the station service.

2-Staff-8

Ref: E2-T1-S1 pp.12-14

GLPT is planning to spend \$663,700 in 2015 to upgrade its Enterprise Resource Planning System. GLPT indicated that it is planning the implementation of a new work management system and the upgrade of the existing financial system, to a more efficient and user-friendly Graphical User Interface (“GUI”) system. GLPT intends to transition to the GUI system in parallel with implementing the new work management system to ensure the systems are integrated efficiently and properly.

- a) Did GLPT prepare a business case to support the \$663,700 investment to upgrade the Enterprise Resource Planning System? If so, please provide a copy.
- b) Have any of the efficiencies to be realized from this investment been reflected in the proposed revenue requirement for 2015 and 2016. If so, please indicate where and how these efficiencies were reflected (sample answer: Decrease of \$35,000 in OM&A due to the elimination of 0.5 FTE in Finance and Administration Group)
- c) Please describe how the new management system and the proposed new GUI system will make use of the existing GIS transmission circuit information.

2-Staff-9

Ref: E2-T2-S1 pp.1-6

GLPT describes its management of existing infrastructure as follows:

- for lines GLPT also makes use of recently acquired LiDAR data that provides detailed information on transmission lines, structures and vegetation as well as a GIS system that supports the collection and maintenance of information regarding the transmission circuits (pp.1-3)
 - for stations information from various tests (including visual inspections, functional tests, infrared inspections, oil sampling and dissolved gas analysis) are documented and reviewed (pp.3-4)
 - under “Asset Condition Assessment” in addition GLPT annually carries out asset condition assessments using internal staff, and periodically, GLPT retains external consultants to undertake additional asset condition assessments (p4)
 - Under “Optimizing Asset Replacement” that to optimize GLPT’s asset replacement strategy, the maintenance and condition assessment program documentation is reviewed and assessed, including the combination of the inspection and maintenance reports, as well as third party analyses and SCADA information. (pp4-5)
- a) Please describe the asset condition assessment approach used by GLPT. In that description please indicate whether quantitative scoring and relative weights are used based on multi-factored parameters or just qualitative assessment e.g., High, Medium, and Low in describing a given asset such as a circuit breaker.
- b) Does GLPT develop a health index (HI) for some or all its transmission asset groups? If yes for some or all its asset groups, does GLPT keep records for each asset on its GIS system? If not developed yet, please indicate whether GLPT is planning to adopt such an approach.
- c) In reference to end of life mentioned in the evidence, does that refer to the end of life of assets used in the depreciation schedules used to calculate depreciation amounts used the revenue requirement calculations?
- d) If the answer to c) above is affirmative, please indicate whether GLPT modifies the asset lives to reflect the asset condition assessment for any given asset. If yes please elaborate and describe the approach using an illustrative example.
- e) Does GLPT assess the probability of failure of assets? If yes, please describe the assumptions used, and provide the probability functions developed for any of the asset groups.
- f) If the answer to e) is affirmative, please provide a description of how the asset condition assessment or the HI modifies the probability of failure for asset groups.

2-Staff-10

Ref: E2-T1-S1 pp.23 – 25 and Appendix B “One Line Engineering Study – Mackay Grounding Transformer”, November, 2013.

In the Executive Summary of the One Line Engineering Study – Mackay Grounding Transformer, the author outlined some causes for the catastrophic failure of the Grounding Transformer (GT-4):

The investigations revealed some root causes that led the grounding transformer to failure. The detailed analysis and computer simulations showed that the grounding transformer insulation failed due to the combined effect of the following factors:

1. Transient overvoltages within the 34.5kV system due to switching of the reactor R1.
 2. External surges on the 230kV or 115kV system propagating into the tertiary of the main transformer T2 by transformation or capacitive coupling.
 3. The tnak (*sic*) and the core ground were not grounded.
 4. High GPR & touch voltages at Mackay TS.
-
- a) What was the age of the Grounding Transformer at the time of failure, and what year it came into service?
 - b) What is the estimated cost of the damage from the catastrophic failure incurred including the cost of the Grounding Transformer and damages to other station system elements and equipment?
 - c) Does GLPT insure its transmission assets against damage or loss? If yes, did GLPT claim for damages arising out of the noted transformer failure? If yes, how much did GLPT receive?

2-Staff-11

Ref: E2-T1-S1 p29

GLPT put a new transformer (Northern Ave. Transformer Station) into service in 2013 at a cost of \$242,600. The old transformer failed because of the incursion of a raccoon. Replacement rather than repair was the most economic option.

- a) To what extent was the then existing transformer “raccoon protected”?
- b) How frequently does a raccoon cause a failure?
- c) How many Transformer Stations protected for raccoon entry?

2-Staff-12

Ref: E2-T2-S1 and Filing Requirements for Electricity Transmission Applications

Chapter 2 p.11 section 2.4.2.1

GLPT indicates that its approach to asset management involves the managing of existing infrastructure and optimising the replacement of assets. GLPT further describes the programs and/or activities undertaken in this regard.

- a) Is this GLPT's evidence on its Asset Management Plan (per the Transmission Filing Requirements Chapter 2 p.11 section 2.4.2.1)?
- b) If not, please provide a copy of GLPT's Asset Management Plan.

3-Staff-13

Ref: E3-T1-S2 p4

The comparison of actual versus forecast (UTR) charge determinant amounts (MW) shows consistent over-forecasting i.e. actuals are less than the forecasted levels used to establish the UTR.

Please briefly describe the methodology used by the IESO to calculate the amounts it remits to GLPT for the transmission services actually rendered by GLPT. Please include the scenario where GLPT's charge determinant actuals are less than forecast, while the actuals of the other transmitters are the same as the forecasts used to derive the UTR for a particular year.

3-Staff-14

Ref: E3-T1-S3 p2

GLPT indicates that it is changing the way it records Net Revenue from Electric Property- Fibre Optic Attachment.

"The annual revenue that GLPT will receive for this pole rental in the test years is estimated to be \$32,500 for each of 2015 and 2016. This same arrangement existed when GLPT applied for its 2013 and 2014 13 revenue requirement in EB-2012-0300. However, in EB-2012-0300, GLPT accounted for the net benefit of this arrangement as Net Rent from Electric Property. However, to simplify the accounting for this arrangement, GLPT is accounting for the gross revenue as Net Rent from Electric Property, with any offsetting operating costs being accounted for directly in OM&A."

Under this new treatment how will GLPT accurately track/record the associated OM&A costs?

4-Staff-15

Ref: E4-T2-S1 pp.12-15

GLPT is proposing to increase its OM&A in 2015 by \$360,000 [(i) - \$205,000 for a 3rd party consultant to complete review of existing and upcoming standards & develop a comprehensive compliance program (ii) \$30,000 for annual system control operator training costs (for 4 operators not certified need to be by July 2016) for NERC certification (iii) \$125,000 for a compliance analyst].

- a) By when will the third party review/ compliance program development be completed by the consultant?
- b) Why would GLPT hire the compliance analyst before a) is completed?
- c) Will the training for the 4 operators be completed in 2015?

4-Staff-16

Ref: E4-T2-S1 p4 and pp. 15-17

For succession planning purposes GLPT is proposing to overlap three operator positions, one starting in 2015 and the other two in 2016 at a cost of \$150,000 each. GLPT indicates that the transition period is 12-18 months and the savings from the retirements will start after 2016.

- a) In that the “retirements” will only start after 2016, it appears that the transition period for the operator starting in 2015 is 24 months. Please explain why a 18 month transition period is not reflected.
- b) Are all of the 3 retirements expected to occur on January 1, 2017? If not, what are the estimated dates?

4-Staff-17

Ref: E4-T2-S1 p10 and E4-T2-S2 p4 table 4-2-2-A

At p.10 GLPT indicates that in 2013 there was a decrease in the allocation of internal labour to capital projects which resulted in upward pressure on OM&A of about \$500,000. Per table 4, there is no significant change in “compensation capitalized” between 2013 Application and 2013 actual i.e \$604.6K vs \$623.4K.

Please explain why 2013 actual compensation capitalized did not show a decrease.

4-Staff-18

Ref: E4-T2-S2 p1 lines 12-18

“ A decrease in overtime worked” is identified as a driver for the slight decrease in FTEs in 2013. Please clarify whether “overtime hours” are included in the calculation of Full Time Equivalents (FTEs).

4-Staff-19

Ref: E4-T2-S2 Appendix B

Please confirm that the unsigned Collective Agreement provided in Appendix B evidence does not differ from the signed version.

4-Staff-20

Ref: E4-T2-S2 p4 table 4-2-2-A

Table 4-2-2-A, titled Employee Compensation, includes the costs for Current and Accrued Benefits for the categories of Union, Management & Executive and Non-union for the years 2012 to 2016. Actuals for 2012 total \$1.7983M and the 2016 Test Year totals \$2.11155M

Please provide a table that breaks down the Current and Accrued Benefits Costs for the period 2012 to 2016 in the following categories for each of Union, Management & Executive and Non-union. Also identify which categories were affected when generation employees were transferred to GLPT.

- Current benefits paid
- Defined Benefit pension costs
- Defined Contribution pension costs
- Non-pension post-retirement benefit (OPEB - Other Pension and Employee Benefits) current service costs
- Non-pension post-retirement benefit (OPEB) past service costs

4-Staff-21

Ref: E4-T2-S2 Appendix C

MERCER (Canada) Limited (“MERCER”) prepared a report titled *Report on the Actuarial Valuation for Funding Purposes as at December 31, 2012 Retirement Plan of Great Lakes Power Transmission LP* (“Report”) at the request of GLPT.

- a) Please confirm whether Limited Partners are considered distinct legal persons. If they are not considered distinct legal persons, please fully explain how GLPT

can have a retirement plan that complies with Financial Services Commission of Ontario's ("FSCO") and with the Canada Revenue Agency's ("CRA") rules.

- b) MERCER at p.2 notes that "The information contained in this report was prepared for the internal use of the Great Lakes Power Transmission LP and for filing with the Financial Services Commission of Ontario and with the Canada Revenue Agency, in connection with our actuarial valuation of the Plan. This report will be filed with the Financial Services Commission of Ontario and with the Canada Revenue Agency. This report is not intended or suitable for any other purpose." *[Emphasis added]*
- i. Will GLPT file this exact Report with CRA and FSCO or will the information be used in preparing another actuarial report that will be filed with CRA and FSCO?
 - ii. If the answer to (i) is no, please file the actual pension valuation that will be filed with FSCO and CRA.
 - iii. If the actual valuation to be filed is for GLPL and not for GLPT, please file all the supporting documents used to allocate the assets, liabilities, current service costs, etc. between GLPL and GLPT LP.
- c) The Report states at p. 3 that GLPT instructed MERCER to use a margin for adverse deviations of 0.45% in calculating the going concern discount rate. The calculated discount rate, which includes 0.45% for adverse deviations, is 5.75% (see p.27)
- i. Please confirm that without a provision of "adverse deviations" the discount rate would be 6.2%.
 - ii. All else equal, does a lower discount rate increase the pension liability? If so, please explain why GLPT chose to create a higher liability by reducing the discount rate? Does this decision result in higher costs for ratepayers?
- d) The Report at p. 7 indicates that the current service cost during the year following the valuation date includes \$100,000 for "Expense Allowance".
- i. Please explain the purpose of the "Expenses Allowance" of \$100,000?
 - ii. Why did it increase from the \$60,000 used in the previous valuation?
 - iii. The discount rate calculation presented at p.27 of the Report shows a 0.5% reduction for "Investment Expense". Is this the same as the "Expense Allowance"? Are any of the Expense Allowance Costs also included in the calculation of the net discount rate?

- iv. Please explain why an Expense Allowance of \$100,000 is reasonable when this comprises about 23% of the total service cost.
 - v. It appears that the Expense Allowance was not deducted from the plan assets? If so, please explain why the Expense Allowance was not deducted from the plan assets as part of the cost of the plan, rather than increasing current service costs.
 - vi. Was the Expense Allowance allocated to GLPT by GLPL? If the answer is yes, what was the basis of the allocation? Is the allocation covered by any intercompany service purchase agreement?
- e) The Report at p. 7 shows that for 2013 the employer's estimated current service cost is \$304,800 and the estimated employees' contribution is \$133,800.
- i. Does this equate to an employer: employee contribution ratio of 3:1? If not, please provide the correct ratio.
 - ii. Has GLPT considered moving to a contribution ratio of 1:1? If not, please explain why a 1:1 contribution ratio would not be fairer for ratepayers?
 - iii. Do any of the employee contributions pay for the Expense Allowance or is it fully paid for by the employer?
- f) One of the columns in the Current Service Cost table at the bottom of p.7 is headed "2013". Does this mean that there is an evaluation for 2013. If so, please file it.
- g) At p. 23 of the Report, it is indicated that during 2012 there was a transfer of \$1,903,902 into the fund from the Generation Pension Plan.
- i. Why was this transfer made?
 - ii. How many generation staff were transferred to GLPT?
 - iii. What past service costs for pensions are associated with these generation staff? Please describe the nature of the past service costs and the dollar amounts.
 - iv. Does the transfer of \$1,903,902 fully cover all current and past service costs of the generation employees transferred to GLPT? If not, what additional past service costs have been recognized by GLPT but not paid for by GLPL Generation?

- h) In the audited financial statements, the post-retirement benefit liability was \$3,748,000 as at January 1, 2012, \$5,503,000 at the end of December 2012, and \$5,708,000 at December 31, 2013.
- i. What liability for non-pension benefit plans of the generation business has been transferred to the GLPT liability for non-pension benefit plans?
 - ii. Did the generation business transfer cash to cover 100% of the past service costs for non-pension benefits for the former generation employees? If not, please explain fully why GLPT is not harmed by such treatment?
 - iii. Please explain why GLPT ratepayers should be responsible for any past service liabilities for pensions and post-retirement benefits associated with employees transferred from the generation business.
- i) At p. 39 of the Report, MERCER states:
Effective July 1, 2009 employees of the "Distribution" and "Transmission" businesses of Great Lakes Power Limited (the "Company") were transferred to separate companies affiliated with the Company, Great Lakes Power Distribution Inc. ("GLPD") and Great Lakes Power Transmission LP ("GLPT"). These employees were members of the Plan prior to July 1, 2009. New pension plans were established for the current and future employees of GLPD and GLPT. An application is being submitted to the Financial Services Commission of Ontario for the transfer of assets and liabilities from the Plan to the new pension plans with respect to the transferred employees' benefits accrued prior to July 1, 2009 in the Plan as well as benefits in the Plan for inactive members formerly employed by the "Distribution and Transmission" businesses of the Company."
- i. Have the plan assets actually been transferred to a separate pension plan for the employees of GLPT?
 - ii. Has the pension plan been registered with FSCO? If not, please explain why.
- j) In the Employer Certification section, at p. 44 of the Report, an official of GLPT signed and certified that "The asset information summarised in Appendix B is reflective of the Plan's assets. [*Emphasis added*]. Actuaries normally use the actual asset dollar values presented in a statement provided by the trustee of the pension plan.
- i. Please provide the statement of plan assets from the trustee of GLPT's pension plan.
 - ii. If this statement of assets is not available or does not exist, please file the documents that support the asset dollar values and asset mix that MERCER relied on to prepare the valuation.

4-Staff-22

Ref: E4-T2-S2 pp.3-4 (Non-pension Benefit Plans, also known as “OPEBs”)

- a) Please file the actuarial valuations used for GLPT’s (or its predecessor company) year-end accounting for the financial years 2010, 2011, 2012 and 2013 for non-pension benefit plans (OPEBs).
If GLPT does not have actuarial valuations for year-end accounting, please provide the documents that support the liabilities in the financial statements and explain how the numbers were derived.
- b) Please provide the actuarial valuations that support the forecast non-pension benefit costs for 2014, 2015 and 2016.
- c) If GLPT does not have actuarial valuations for the years 2014-2016, please explain how the cost forecasts were developed. Please provide the working papers and calculations that GLPT relied on in making this application.
- d) How many employees in each group of union, management and non-union are eligible for non-pension benefits?
- e) How many retirees are eligible for non-pension benefits?
- f) Does GLPT LP recover non-pension benefit costs in rates based on accounting accrual forecasts?
- g) Please complete the following table from the date that GLPT first began recovering non-pension benefits from ratepayers using the accounting accrual forecast method.

Non-pension Benefit Plan	200X	2011	2012	2013	2014	2015	2016
Amounts included in rates							
OM&A							
Capital expenditures							
Sub-total							
Paid amounts							
Net excess amount included in rates greater than amounts actually paid							

- h) If the Board allows recovery of non-pension post-retirement benefit costs on a cash basis for the test period instead of the accounting accrual basis, what are the implications for GLPT? Please explain fully.
- i) For accounting purposes the non-pension post-retirement benefit liability is not offset by an asset since there is no fund similar to the pension fund. However, for regulatory purposes, GLPT LP and its predecessor have been recovering money from ratepayers related to this liability. The difference between the amounts recovered in rates and the amounts paid represents a regulatory asset that offsets

the liability. Any amount paid by or owing by the generation business to GLPT LP for past service costs would form part of this regulatory asset. Even though GLPT under IFRS wrote off regulatory assets and liabilities, for rate-making purposes they may still exist if they affect the derivation of rates.

- i. Who is responsible for the non-pension benefit deficit of \$5,708,000 at December 31, 2013?
- ii. Depending on the answer to (a) how will GLPT discharge its responsibilities for this liability?
- iii. Does GLPT expect the ratepayers to pay for the cost consequences of this liability?
- iv. Does GLPT agree that there is a missing regulatory asset for rate-making purposes that offsets the non-pension benefit liability? Please explain fully.

4-Staff-23

Ref: E4-T2-S2 pp.3-4 (Defined Benefit (DB) Retirement / Pension Plan)

- a) Please provide the actuarial valuations that support the amounts used in determining the forecast pension costs for 2014, 2015 and 2016.
- b) How many employees in each group of union, management and non-union are eligible for defined benefit pensions?
- c) Please complete the following table from the date that GLPT first began recovering pension costs from ratepayers using the accounting accrual forecast method.

DB Pension Costs	200X	2011	2012	2013	2014	2015	2016
Amounts included in rates							
OM&A							
Capital expenditures							
Sub-total							
Paid amounts							
Net excess amount included in rates greater than amounts actually paid into pension fund							

- d) If the Board allows recovery of defined benefit pension costs on a cash basis for the test period instead of the accounting accrual basis, what are the implications for GLPT? Please explain fully.

4-Staff-24

Ref: E4-T2-S2 pp.3-4 (Defined Contribution Pension Plan)

- a) How many employees in each group of union, management and non-union are eligible to participate in the defined contribution plan?
- b) Does GLPT recover defined contribution pension costs in rates based on the cash basis? Or in other words, the amount paid into the defined contribution plan is the amount recovered from ratepayers.

4-Staff-25

Ref: E4-T2-S3 – Corporate Cost Allocation

Please provide the Corporate Costs amounts allocated to GLPT's OM&A for the following years:

- 2012 Board Approved:
- 2012 Actual:
- 2013 Board Approved:
- 2013 Actual:
- 2014 Board Approved:
- 2014 Forecast:
- 2015 Test Year:
- 2016 Test Year:

5-Staff-26

Ref: E5-T1-S1pp.2-3 tables 5-1-1 A&B

GLPT indicates that as at December 31, 2013 it holds \$119 M in long term debt in the form of a third party Series 1 bond ("Bond") with interest payable at a rate of 6.6% and an effective rate of interest of 6.874%, with the debt amortizing to a 25 year mortgage style schedule. The long term capital component of 2015 and 2016 rate base is shown as \$122,505,700 and \$122,446,300 respectively.

- a) Is it correct that the "Deed of Trust" and "Indenture" for the Bond is between Great Lakes Power Limited ("GLPL") and CIBC Mellon Trust Company.
- b) Do the Bond's terms and conditions include the option for early redemption, in whole or in part? If so, please briefly describe the redemption price calculation.
- c) What will be the principal balance outstanding of the Bond as of January 1, 2015, January 1, 2016 and December 31, 2016?

- d) If GLPT or GLPL on its behalf, were to issue debt, in December 2014 for a 10 year term, to fund the difference between the balance indicated in c) and \$120M, what would the interest rate be?

6-Staff-27

Ref: E6-T1-S2

The Board in its EB-2012-0300 decision the Board approved a new sub-account of Account 1574 for GLPT to record deficiency/ sufficiency variances. There doesn't seem to be any evidence in the current application regarding this sub-account.

- a) Please explain why this sub-account is not addressed in the evidence.
b) Please provide a continuity analysis of the balance, if any, starting with the year the sub-account was approved by the Board.

6-Staff-28

Ref: E6-T1-S2

GLPT is seeking the disposition of \$2,354,305, including carrying charges, which is recorded in deferral account 1508/sub-account Comstock Claim.

- a) Please provide a detailed breakdown of all costs recorded in the sub-account, such as legal fees, engineering consultants, carrying charges.
b) Please provide a schedule of legal fees and the legal invoices to support the charges identified in part (a) above.
c) Does GLPT have commercial insurance coverage for such claims, such as Comstock's. If not, please explain why.

6-Staff-29

Ref: E6-T1-S2 p. 10-12

GLPT is seeking to recover \$451,345 recorded in the East-West Tie-Line GLPT sub-account under account 1508. This account was established in the last proceeding to track any difference between the reduction made to core OM&A to reflect the forecasted allocation of GLPT resources to the East-West Tie Line project, ie. EWT-LP, and the actual level of costs allocated to EWT-LP. GLPT indicates that up to the date on which the Board designated Next Bridge Infrastructure, August 7, 2013, GLPT had allocated \$275,036 to EWT-LP.

- a) Please provide the detailed calculations which under-pinned/supported the forecasted reduction to 2013 and 2014 OM&A as applied for in the last proceeding.

- b) Please provide the cost components and calculations which comprise the \$275,036 in actual costs allocated to EWT-LP.

6-Staff-30

Ref: E6-T1-S1 p1

GLPT is proposing the continuation in 2015 and 2016 of the "IFRS Gains and Losses sub-account" under the D/V account 1508.

- a) Please confirm that the account is not intended to record amounts resulting from the adoption of IFRS in 2013, such as would be captured in Account 1575- IFRS-CGAAP Transitional PP&E amounts.
- b) Please provide the rationale for the "IFRS" reference in the description of the sub-account?
- c) In that GLPT adopted IFRS in 2013, why is it necessary to continue with the "IFRS" reference in the sub-account description?
- d) Is it GLPT's expectation that this sub-account should be in-place indefinitely, as long as there are situations where the book value of an asset to be retired is not zero?

6-Staff-31

Ref: E6-T1-S2 p. 8 table 6-1-2B (Details on Gains & Losses from premature asset component retirements) and E2-1-2 p5 (2013 Fixed Asset Continuity Schedule)

GLPT is proposing to recover a balance of \$634,138 recorded in D/V account 1508 sub account IFRS Gains and Losses (resulting from premature asset component retirements). In table 6-1-2b an amount of \$268,619 is shown as the loss on the sale of Northern Ave T2 Transformer in 2013.

Please indicate where this amount is reflected in the 2013 Fixed Asset Continuity Schedule.

6-Staff-32

Ref: E6-T1-S3 re: account 1575 IFRS-CGAAP Transitional PP&E amounts

GLPT notes that it adopted IFRS in 2013; and that the 2013 revenue requirement approved in the last proceeding (which also incorporates the amounts for the disposition of deferral and variance account balances) included a debit balance of \$297,495 for IFRS-CGAAP Transitional PP&E amounts respecting 2012.

GLPT indicates that using actuals for 2012, as compared to what was forecasted in the last proceeding, results in a credit balance of \$136,450 as compared to a debit balance of \$297,495. GLPT proposes to return \$433,945 to ratepayers, being the sum of over-recovery of \$297,495 and the \$136,450 credit balance.

GLPT provided the table below to summarize the results of the calculation using 2012 actuals. (It is assumed that in the table below bracketed numbers comprising the \$136,452 are debits i.e to be recovered from ratepayers)

Table 6-1-3 A – Reconciliation of December 31, 2012 PP&E

2012 CGAAP Closing NBV	\$228,568,197
<i>Variances:</i>	
Construction Interest	544,155
Depreciation	(407,676)
Asset Disposals	(27)
Total Variances	136,452
2012 IFRS Closing NBV	\$228,704,649

- a) Please confirm that the table below (from the EB-2012-0330 application, E1-T1-S1 p.1) sets out the components of the \$297,495 debit.

Table 9-1-5 A – Calculation of IFRS-CGAAP PP&E Variances

Driver	Reference	2012 CGAAP Amount	2012 IFRS Amount	Variance for Account 1575
Depreciation Expense	4-2-6	\$8,439,429	\$8,730,470	\$291,041
Account 1505 Retirement	9-1-2	863,368	869,822	6,454
Total Variance				\$297,495

- b) Please prepare Table 9-1-5A using 2012 Actuals.
c) Please prepare the calculation of IFRS-CGAAP Variances using the template below.

	2012	
	EB-2012-0300 (Forecasted)	EB-2014-0238 (Actual)
PP&E Values under CGAAP		
Opening net PP&E		
*Additions		
*Depreciation (amounts should be negative)		
Closing net PP&E (1)		
PP&E Values under IFRS		
Opening net PP&E		
*Additions		
*Depreciation (amounts should be negative)		
Closing net PP&E (2)		
Difference in Closing net PP&E (1) minus (2)		
*Note: Net additions are additions net of disposals; Net depreciation is additions to depreciation net of disposals.		

6-Staff-33

Ref: E6-T2-S1

GLPT is requesting the establishment of a new deferral account, an OM&A sub-account and a Capital sub-account within account 1508, to record incremental costs related to new customer connections to GLPT's system. GLPT states that through the initial stages of the regional planning process it has received information indicating that there may be one or more new customer connections that are likely to trigger upgrades to GLPT's transmission facilities and that GLPT does not have a capital budget available or built into revenue requirement for new connections, given the rarity of this type of activity for GLPT.

- a) What further information can GLPT provide to support the establishment of this new deferral account, for example estimated additional load, capital expenditure and operating expenses, the in-service date and the timing impact of the Regional Infrastructure Planning and Integrated Regional Resource Planning?
- b) What regulatory "comfort" does GLPT expect that this new deferral account will provide regarding any amounts that are recorded in the account?
- c) In the event that the Board does not approve the new deferral account, will GLPT decline to connect the customer(s)?