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February 6, 2015

Delivered by RESS and Courier

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: Application for approval of the amalgamation of Niagara West Transformation Corporation and Grimsby Power Inc. under subsection 86(1)(c) of the *Ontario Energy Board Act, 1998* and related relief – Board File No. EB-2014-0344

We are counsel to Niagara West Transformation Corporation and Grimsby Power Incorporated, the Applicants in the above-captioned matter. Please find accompanying this letter the Applicants' responses to Board Staff and Niagara Peninsula Energy Inc. interrogatories, delivered in accordance with the Board's Procedural Order No. 1.

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

**Yours very truly,
BORDEN LADNER GERVAIS LLP**

Original signed by James C. Sidlofsky

James C. Sidlofsky

Copy to Doug Curtiss, CEO, GPI
 Shafee Bacchus, Chair, NWTC
 Brian Wilkie, NPEI
 Scott Stoll, Aird & Berlis LLP
 David Kelly

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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. and Niagara West Transformation Corporation under section 86(1)(c) of the *Ontario Energy Board Act*, 1998 for leave to amalgamate and continue as Grimsby Power Inc.;

AND IN THE MATTER OF an application by Grimsby Power Inc. and Niagara West Transformation Corporation under section 84 of the *Ontario Energy Board Act*, 1998 for a determination that the Niagara West Transformation Corporation transmission system which will become part of the amalgamated distributor, is deemed to be a distribution system;

AND IN THE MATTER OF an application by Grimsby Power Inc. and Niagara West Transformation Corporation under section 78 of the *Ontario Energy Board Act*, 1998 seeking approval for Grimsby Power Inc. to charge Niagara Peninsula Energy Inc., an electricity distributor that will be embedded within the amalgamated distributor, the Board-approved Niagara West Transformation Corporation's transmission rate as a distribution rate from the completion of the proposed transaction until the amalgamated distributor's next rebasing;

AND IN THE MATTER OF an application by Grimsby Power Inc. and Niagara West Transformation Corporation under section 78 of the *Ontario Energy Board Act*, 1998 seeking approval for the amalgamated distributor to charge its customer other than Niagara Peninsula Energy Inc. a retail transmission rate that includes the incremental contribution of the Niagara West Transformation transformer station assets as if they were part of the revenue requirement until the amalgamated distributor's next rebasing;

AND IN THE MATTER OF an application by Grimsby Power Inc. and Niagara West Transformation Corporation under section 77(5) of the *Ontario Energy Board Act*, 1998 for cancellation of Niagara West Transformation Corporation's transmission licence, upon completion of the proposed transaction.

**RESPONSES OF GRIMSBY POWER INC. AND NIAGARA
WEST TRANSFORMATION CORPORATION TO BOARD
STAFF INTERROGATORIES**

DELIVERED FEBRUARY 6, 2015

INTERROGATORY NO. 1

Reference: Application Form, Section 1.3.1, Page 4 of 17:

NWTC's transformation station is located in the Township of West Lincoln and consists of:

- A transformer station with connection to Hydro One Networks Inc.; and
- Transmission Lines Q23BM and Q25BM to supply power to the two local distribution companies – GPI and NPEI located at 3021 Regional Road #12, Grassie, Ontario.

1.1 Please confirm whether the transmission assets described above lie solely in Grimsby Power Inc.'s (GPI) service area or if some of the transmission assets also lie in Niagara Peninsula Energy Inc.'s(NPEI) service area. Please provide a detailed description of whose service area each of the above mentioned transmission assets lies in.

Answer:

For clarification purposes, transmission lines Q23BM and Q25BM, both of which are 230 kV lines, are owned by Hydro One Networks Inc. and supply electricity to the transformer station from the Hydro One transmission system. This is accomplished with two 230kV line taps from each tower line circuit into the transformer station. Those transmission lines are not NWTC assets. The transformer station assets include 230kV equipment but do not include any transmission lines. The 27.6kV feeders connected to the transformer station assets supply the two local distributors (GPI and NPEI) and those feeders are owned by the respective distributor being served by each feeder.

The Applicants confirm that the NWTC transmission assets referred to above are located in NPEI's service area.

Please refer to NPEI Interrogatory # 1 (b) for further clarification with respect to the physical location of transformer station equipment, metering, and distribution feeders.

1.2 If some of the transmission assets lie outside GPI's service area, please confirm whether GPI is also seeking a modification of its electricity distribution licence extending its authority to operating these transmission assets (which the applicants have requested be deemed distribution assets).

Answer:

GPI is not seeking an amendment to its Electricity Distributor Licence. It does not intend to serve distribution customers within NPEI's service area from these transmission assets, with the exception of NPEI itself, which will become a distribution customer of GPI. As discussed in the Applicants' response to NPEI Interrogatory 1(m), GPI is the physical distributor for a small number of NPEI customers through load transfers, but those customers are being served directly from GPI's distribution assets.

INTERROGATORY NO. 2

Reference: Application Form, Section 1.6.3, Page 11 of 17:

Through the amalgamation described herein, the NWTC assets will be fully integrated with GPI's distribution assets to ensure the safe and secure operations and system integrity of the NWTC assets and the GPI distribution system as a whole. The acquisition will not adversely affect operational safety or system integrity.

2.1 Please indicate the expected length of time that will be required to fully integrate the Niagara West Transformation Corporation (NWTC) transmission assets with GPI's distribution assets.

Answer:

NWTC has no staff; therefore there are no human resource aspects to the amalgamation. The integration will mostly involve transitioning NWTC financial processes and operational activities

into GPI's organizational processes. This will be an ongoing process after completion of the amalgamation. From a customer perspective the station will continue to be operated safely and reliably. Therefore, the integration will take place upon the completion of the amalgamation.

2.2. Please describe GPI's plans to ensure the safe and secure operations and system integrity of transmission assets and GPI's distribution system as a whole:

a) Please describe the current arrangements for the maintenance and operation of the transmission assets. Please confirm whether this is currently managed through a maintenance contract with any external company or whether this is managed internally by staff of NWTC.

Answer:

NWTC operates the assets of NWTC with the oversight of a Board of Directors and with third party service providers under service contracts. NWTC does not have any staff. The day to day management of NWTC is currently contracted to GPI through a services contract. Day to day operations and maintenance is executed through a number of key third party service providers. The controlling authority for the station is contracted to Hydro One and operating and maintenance activities are contracted to Rondar Inc., a local Hamilton based electrical services company. There are also many other third party service providers performing activities ranging from pest control to security monitoring.

b) Please confirm whether GPI will (a) continue with an external maintenance contract, if any; (b) retain NWTC staff who are presently directly involved in the operation and maintenance of the transmission assets; (c) hire/dedicate additional staff to ensure the safe and secure operations of the transmission assets, in particular, and the maintenance of the overall system integrity of GPI's distribution system.

Answer:

As stated in Interrogatory No. 2 question (a) NWTC does not have any staff.

In the short term GPI confirms that it will maintain all existing service contracts in place at NWTC. These contracts will very likely change over time. In early 2015 GPI hired a Professional Engineer in the position of Engineering Supervisor. This new position has the responsibility to manage the operation of the station and the distribution assets. In addition to this extra position, GPI's existing business processes can be leveraged to operate the station in the electric utility environment. GPI is confident that through dedicated internal resources and external third party service providers the safe reliable operation of the station will not only be maintained but will be enhanced.

INTERROGATORY NO. 3

Reference:

Application form, Section 1.6.2.6, page 10 of 17, "Distribution Cost Analysis" Application form, Section 1.6.2.8, page 10 of 17 Board staff notes that the applicants have estimated an increase of 25.3% in charges to NPEI resulting from the proposed amalgamation. This consists of the impact of recovery of current OM&A and debt servicing costs for NWTC; recovery of the full allowed return on equity for NWTC; and a change in the allocation of the NWTC costs from the current 42% NPEI/58% GPI to a proposed 50%/50% basis.

3.1 Please provide an estimate of the increase in cost to NPEI based on the current 42%/58% ratio of NWTC costs.

Answer:

As referenced in the MAAD Application Section 1.6.2 (3) rate making implications are the subject of GPI's next cost of service application, and interested parties will have an opportunity to participate in that proceeding. The proposed amalgamation is not driving the cost increase. The amalgamation itself does not change the current recovery of OM&A, debt servicing costs, rate of return, or the allocation of costs and as such does not increase the cost. The Applicants have clearly indicated in the Application that their intention is to maintain the *status quo* until GPI's next rebasing. It is for this reason that the Applicants have requested the Board's permission to charge NPEI a rate equal to NWTC's current Board-approved transmission rate and to charge GPI's other customers the Board-approved Retail Transmission Service Rate, which includes NWTC's transmission charge, until GPI's next rebasing.

The rate making changes anticipated to be proposed in GPI's next cost of service application are discussed in detail in the MAAD Application Section 1.6.2. The net effect of the rate making changes including the change in allocation to 50%:50% is stated in the MAAD Application Section 1.6.2 (7) is an increase in cost to NPEI of \$106,923 per annum.

If the cost allocation is maintained at 42%:58% the impact to NPEI would be an increase in cost of \$42,354. This assumes full cost recovery in respect of the assets, including (without limitation) recovery of the full OM&A needed in respect of the assets, cost savings of \$35,000 found from the transaction, and a return on the assets equal to the Board-approved capital parameters. Based on those assumptions, the revenue requirement related to the NWTC assets will increase by a total of \$177,471.

3.2 Have the applicants undertaken any consultation with NPEI regarding the cost allocation and rate design proposal for the Embedded Distributor class?

Answer:

The rate making changes will be the subject of GPI's next cost of service rate application and will be subject to OEB approval. In terms of the MAAD application GPI felt that it should be forthright in its intentions with respect to this next rebasing application so that the Board has a complete understanding of the amalgamation transaction and potential future rate implications. For the purposes of the MAAD Application GPI did not undertake any consultation with NPEI as it was expected that this would take place as part of the customer engagement process in GPI's next cost of service application.

3.3 If no consultation has taken place with NPEI, do the applicants propose to undertake any consultation with NPEI prior to the 2016 cost of service application? If not, please explain.

Answer:

GPI will consult with NPEI prior to submitting its next cost of service application, as part of the customer engagement process required by the Board.

ONTARIO ENERGY BOARD

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AND IN THE MATTER OF an application by Grimsby Power Inc. and Niagara West Transformation Corporation under section 77(5) of the *Ontario Energy Board Act*, 1998 for cancellation of Niagara West Transformation Corporation's transmission licence, upon completion of the proposed transaction.

**RESPONSES OF GRIMSBY POWER INC. AND NIAGARA
WEST TRANSFORMATION CORPORATION TO NIAGARA
PENINSULA ENERGY INC. INTERROGATORIES**

DELIVERED FEBRUARY 6, 2015

NPEI Interrogatory #1

Preamble:

NPEI wants to ensure the Board has an understanding of the location, operation and connection of the Transmission Station with respect to GPI and NPEI.

Reference: Application form 1.8.5
Attachment 1.4.3(a), page 10, note 7

Questions:

(a) Please confirm the transformer station is physically located within the NPEI service territory.

Answer:

The Applicants confirm that the Niagara West Transformer Station is physically located within NPEI's service territory.

(b) Can you provide an overview drawing of the transformer station and the distribution circuits exiting the transformer station, including metering and designation of location of ownership changes?

Answer:

The following drawings are attached which describe the various aspects of the station:

- NW1-100 Rev 12 – NWTS Station Single Line Diagram – This is an electrical overview of the station which includes the distribution feeders leaving the station.
- Niagara West MTS – MP ID # 104298 – This describes the primary metering at the station.

- Grimsby Power Inc. – Mountain Street PME – This describes GPI's and Peninsula West's metering arrangements for the 2508M4 26.7kv circuit.
- Grimsby Power Inc. – Mud St. – Park Road. PME – This describes GPI's and Peninsula West's metering arrangements for the 2508M3 26.7kv circuit.

Note: Peninsula West is now owned by Niagara Peninsula Energy Inc.(NPEI). Therefore, any references to Peninsula West on the above noted drawings now refer to NPEI.

On the 230kV high voltage side of the station the ownership demarcation point is noted on drawing NW1-100 Rev 12. This demarcation point is the 2508T1-MSO and 2508T2-MSO (230kv line jumpers from the Hydro One transmission line to the station) noted towards the top of the drawing – Hydro One/Pen West and Grimsby Hydro.

On the 27.6kv low voltage side of the station the ownership demarcation point for GPI is noted on drawings Grimsby Power Inc. – Mountain Street PME and Grimsby Power Inc. – Mud St. – Park Road. PME as on the load side of the 2508M3 and 2508M4 breakers. Note that the M4 is a shared feeder. On the 27.6kv side the ownership demarcation point for NPEI is noted on the Niagara West MTS – MP ID # 104298 drawing at the 27.6kV breakers.

The revenue metering inside the station is located on each of the 230kV incoming circuits. Four distribution feeders at 27.6kv leave the station via underground cables and terminate on four wood poles on road allowance in front of the station. At each of these termination poles the underground cables are connected to overhead 27.6kv line which distributes the electrical supply to GPI and NPEI customers. GPI has two primary metering units (PMU's) for revenue metering on each of its two 27.6kV circuits. Each of these PMU's is located inside GPI's service territory. NPEI has two 27.6kV circuits which are not revenue metered. The separation of the transmission asset to distribution asset is on the load side of each feeder breaker where the underground cable is connected to the switchgear in the station. This point is physically located inside the switchgear building of the station.

(c) Please confirm NPEI is the Meter Market Participant for the transformer station.

Answer:

The Applicants confirm that NPEI is the Metered Market Participant with respect to the metering at the station for the purposes of the IESO administered market.

(d) Please provide the load for each of GPI and NPEI for each month for 2014 expressed in MW and as a percentage of the total load.

Answer:

The following table contains data provided by NPEI in the course of its duties as NWTC's Transmission Customer Agent and in the course of processing of transmission service charges (Network & Line Connection) as well as the Transformation Connection charge:

Month	Total	GPI	GPI % of Total	NPEI	NPEI % of Total
December	33.0	19.1	57.8%	13.9	42.2%
January	35.2	18.1	51.5%	17.1	48.5%
February	31.7	16.4	51.7%	15.3	48.3%
March	31.0	16.1	51.7%	15.0	48.3%
April	26.2	13.5	51.6%	12.7	48.4%
May	28.5	15.4	54.1%	13.1	45.9%
June	31.8	17.4	54.7%	14.4	45.3%
July	33.8	18.6	55.1%	15.2	44.9%
August	31.2	17.6	56.5%	13.6	43.5%
September	31.9	19.5	60.9%	12.5	39.1%
October	23.9	12.8	53.6%	11.1	46.4%
November	24.3	14.8	60.8%	9.5	39.2%

Note - November data is currently under review. December 2014 data is not yet available. Data has been provided from December 2013 to November 2014 in order to provide a full 12 months of data.

(e) Please provide the total capacity of the station and provide the allocated capacity of GPI and NPEI.

Answer:

It is not clear what NPEI is referring to with the words “allocated capacity” because the phrase “allocated capacity” is not defined in the TSC. If NPEI is requesting the “assigned capacity” and the “available capacity” the answer is as follows:

Prior to April of 2014, the Applicants are not aware that any assigned capacity was established between NWTC and its two customers GPI and NPEI.

However, based on an evaluation by NWTC finalized in April of 2014 the assigned capacities of the NWTC TS are as follows:

Assigned Capacity:

- Grimsby Power Inc. 27.4MW
- Niagara Peninsula Energy Inc. 18.4MW
- Total Assigned Capacity on NWTS 45.8MW

The Total Normal Supply Capacity is equal to 60MW and the Available Capacity equal to 14.2MW.

The assigned and available capacity values are based on historical loading from January 2011 to December 2013.

(f) Please confirm the consulting services provided by GPI to NWTC (\$15,172 in 2013) were provided on a full cost recovery basis.

Answer:

GPI confirms that consulting services provided by GPI to NWTC were provided on a full cost recovery basis.

(g) Please confirm the Applicant's intent to allocate costs on a 50% NPEI and 50% GPI basis in the future? If so, please explain GPI's rationale for such allocation?

Answer:

As referenced in the Application at Section 1.6.2 (3) rate making implications are the subject of GPI's next cost of service application. The allocation of costs is explained fully in the Application in Section 1.6.2 (8).

The Applicants confirm GPI's intent to allocate costs on a 50% NPEI and 50% GPI basis in its next cost of service rate application.

(h) Please confirm that NWTC contracts out all operation and maintenance activities related to the transformer station.

Answer:

NWTC has no staff. The Applicants confirm that all operations and maintenance activities concerning the station are contracted to third party service providers.

(i) Please confirm that GPI has no transmission assets. Is it GPI's intent to maintain the same contracts for operation and maintenance to ensure at least the same level of reliability?

Answer:

GPI confirms that it currently has no transmission assets.

GPI's intent is to maintain at least the same level of reliability for the subject assets as in the past. This will be accomplished by the utilization of third party contractors where necessary. GPI cannot confirm that the same contracts will be maintained.

(j) Will the installation of the HAF Wind Project on NPEI's circuit further reduce NPEI's percentage of the demand on the transformer station?

Answer:

The applicant has not evaluated the effect of the HAF Wind Project on the station load profile. The analysis of the effect of the HAF Wind Project on NPEI's M2 circuit may be better suited to NPEI as the HAF Wind Project customer is an NPEI customer. It may also be premature to answer this question as the HAF Wind Project has not been in operation for a full 12 months and data to support a full analysis is not available.

(k) What happens to the proposed allocation of costs if NPEI shifts load to other supply points such as Beamsville and Vineland?

Answer:

As referenced in the Application at Section 1.6.2 (3) rate making implications are the subject of GPI's next cost of service application. The allocation of costs is explained fully in the Application in Section 1.6.2 (8).

The effects of bypassing the NWTC facility and shifting of load to other transformer stations by NPEI, would certainly have to be evaluated in the context of the allocation of costs and its relationship to revenue recovery.

If NPEI were to bypass the NWTC facility by shifting load to other transformer stations, this would in effect partially strand this asset. This practice, if deployed, would be contrary to the reasons for building the station in the first place. NWTC was established and jointly owned by the parent corporations of GPI and Peninsula West Utilities Limited (Peninsula West was a predecessor corporation to the current NPEI). The facility was built approximately 10 years ago to supply the needs of both LDCs and this was made clear to the OEB when NWTC obtained both a Transmitter Licence and an OEB-approved transmission rate in 2005. The shifting of load by NPEI to other transformation facilities may have cost implications for the remaining customers – GPI customers – and it may be appropriate to address with the OEB the matter of NPEI's bypass of the facility, and the need to hold GPI's remaining customers harmless for NPEI's actions.

(I) Please confirm that if the transformer station was owned by Hydro One Networks Inc., NPEI would be considered a low-voltage customer.

Answer:

The Applicants are not in the best position to answer a question clearly aimed at Hydro One Networks Inc.'s billing practices. However, based on the circuit configuration at the station the Applicants believe that NPEI would be a transmission connected customer. The reason for this is that the demarcation point for the transformer station is the load side of the station breaker and NPEI owns all the 27.6kv equipment associated with the NPEI's feeder(s) beyond this point.

(m) Please confirm that neither GPI nor NWTC currently serve any customers within NPEI's service territory?

Answer:

The Applicants confirm that NWTC has two customers who are distributors, GPI and NPEI.

GPI confirms that there is a small number of load transfer customers between the two distributors as described below:

Presently NPEI is the geographic distributor for the following customers in respect of which GPI is the physical distributor currently providing distribution services through Load Transfers:

- 4286 Walker Road (end of Ridge Rd. East)
- 4290 Walker Road (end of Ridge Rd. East)
- 5778 Valentino Road (end of Elmtree Rd.)
- 5699 Philp Road (end of Sobie Rd.)
- 8120 Mud St. West (3-phase service)
- 8120 Mud St. West (3-phase service)

Similarly, GPI is the geographic distributor for the following customers in respect of which NPEI is the physical distributor currently providing distribution services through Load Transfers:

- 325 Mud St. East
- 363 Mud St. East (Barn)
- 355 Mud St. East
- 363 Mud St. East
- 377 Mud St. East
- 387 Mud St. East
- 389 Mud St. East
- 395 Mud St. East
- 405 Mud St. East
- 441 Mud St. East

(n) Please confirm that GPI will not serve any customers within NPEI's service territory in the future.

Answer:

GPI's distribution licence does not permit GPI to serve any customers beyond its current boundaries. As noted in question (m) above there are a number of load transfer customers.

GPI confirms that it will not serve any customers within NPEI's service territory, with the exceptions of NPEI itself as an embedded distributor and those load transfer customers noted in the Applicants' response to question (m) above.

(o) How many GPI customers will be impacted by the Application and proposed changes in future rates? What is the magnitude of the change?

Answer:

The impact to GPI customers with respect to future rates, based on GPI's current plans, is noted in the Application at Section 1.6.2 (6). The number of GPI customers in each class is noted in the Application at Section 1.3.3. As noted in the Application and in other interrogatory responses, future rate-related matters will be the subject of GPI's next cost of service application.

(p) How many NPEI customers will be impacted by the Application and proposed changes in future rates? What is the magnitude of the change?

Answer:

The Applicants suggest that NPEI is in the best position to know how many customers it has, but in its current cost of service rate application (EB-2014-0096), NPEI indicates that it has a total of 52,314 customers. As stated in the Application, the Applicants are proposing to maintain

the *status quo* with respect to billing for the NWTC assets – that is why the Applicants are requesting approval for GPI to charge NPEI a rate equal to the current NWTC transformation rate; and to continue to charge GPI's other customers a Retail Transmission Service Rate that incorporates the NWTC transmission rate, until GPI's next rebasing. Accordingly, this Application will not have an impact on NPEI or its customers.

With the exception of the load transfer customers, GPI will have only one customer in the NPEI service area following the completion of the proposed amalgamation – that is NPEI itself. GPI anticipates it will allocate \$106,923 in additional revenue requirement related to the NWTC facilities to NPEI in GPI's next cost of service application. It would not be appropriate for GPI to suggest how NPEI should allocate the \$106,923 in incremental costs among its customers, but using NPEI's customer count GPI notes that that amount represents \$2.04 per customer per year, or \$0.17 per customer per month. It is not a material amount.

(q) Please provide the rationale for saying GPI's service territory will not change in section 1.3.4.

Answer:

As stated in Interrogatory 1(n) above, GPI does not intend to serve any customers beyond its current boundaries with the exception of NPEI itself, which will still be connected to the NWTC facilities, and the small number of load transfer customers for which GPI is the physical distributor. GPI's service territory will not change. The situation is similar to that of Oakville Hydro Electricity Distribution Inc., which constructed and owns a transformer station within the Milton Hydro service area. The station serves both Milton Hydro and Oakville Hydro, and Milton Hydro is an Embedded Distributor customer of Oakville Hydro. An Incremental Capital Module related to the station was considered and approved as part of Oakville Hydro's 2011 IRM distribution rate adjustment application (Board File EB-2010-0104); Oakville Hydro entered into a connection agreement with Milton Hydro in 2013; and the station was included in Oakville Hydro's rate base and an Embedded Distributor customer class was established as part of Oakville Hydro's 2014 Cost of Service rate proceeding (EB-2013-0159). No amendment to Oakville Hydro's licensed service area was required.

(r) If the future rates are not considered as part of this Application, how is the Applicant proposing the Board apply the "no harm test" to the impacts on customers?

Answer:

This Application will not have an impact on customers. As indicated in the Application and responses to other interrogatories, the Applicants are proposing to maintain the *status quo* with respect to the revenue requirement for the NWTC facilities at this time.

At the time of its next cost of service application, GPI intends to request that its revenue requirement include the full cost of operating and maintaining the NWTC facilities and the return on equity set out in the Board's cost of capital parameters applicable to applications for 2016 distribution rates; and that the revenue requirement related to the NWTC facilities be allocated on a 50%/50% basis as between NPEI and GPI's other customers. The Board will consider those requests at that time, and NPEI will have an opportunity to participate in that proceeding. What GPI can say at this time is that the impact of such a proposed approach is not material to NPEI or to the customers to whom NPEI will presumably pass on those costs. As noted above in response to NPEI Question 1(p), the \$106,923 in incremental costs that GPI currently anticipates that it will allocate to NPEI represents \$2.04 per customer per year, or \$0.17 per customer per month. It is not a material amount.

(s) Did the Applicants consider any alternatives to the current Application? If so, please provide those alternatives and include an explanation of the benefits that would have resulted for NPEI under each alternative and why such alternative was not chosen. If no alternatives were considered, why not?

Answer:

The current application is concentrated on amalgamating GPI and NWTC. An alternative to this amalgamation was to continue to operate NWTC as a stand-alone corporation. As stated in the Application the benefits of this proposal are:

- Section 1.6.2 (1) - to drive a significant cost reduction, and
- Section 1.6.4 -maintain the operation and maintenance of the assets, and
- Section 1.6.9 – provide for a more efficient and cost effective operation.

The status quo of maintaining NWTC as a stand-alone company would not result in cost reduction or a more efficient and cost effective operation. As a customer, NPEI is not impacted from the amalgamation itself. There are of course potential rate implications due to drivers as noted in the Application at Section 1.6.2 but these are subject to a future cost of service rate proceeding.

The former parent of Peninsula West Utilities, the LDC that is now part of NPEI, owned 50% of NWTC but sold its interest to the parent of GPI in 2012.

(t) What is the rate of return that NWTC has earned in each of the past 3 years based on its actual equity component and based upon the deemed equity structure?

Answer:

Based on the OEB's "Template for Calculation of ROE on a Deemed Basis" the Regulated Rate of Return on a deemed basis for the past three years is as follows:

- 2011 3.2%
- 2012 4.4%

- 2013 3.7%

NWTC's 2014's financial statements for year-end are not yet available and therefore, 2014's value cannot be provided at this time.

(u) If the transformer becomes a distribution asset of GPI, please confirm the Transmission System Code will not apply to GPI and its dealings with NPEI.

Answer:

Confirmed. Compliance with the Transmission System Code is a condition of a Transmitter Licence. GPI will not hold a Transmitter Licence. GPI's distribution activities (including the operation and maintenance of the NWTC assets, should the OEB make the determination requested by GPI) will be governed by the Distribution System Code and other codes referred to in GPI's Distributor Licence.

NPEI Interrogatory #2

Preamble:

There are a number of financial impacts that will ultimately result from this proposal and subsequent proposals. The Applicants have indicated that there is a revenue deficiency of \$177,471.00. NPEI is seeking to understand the derivation of the revenue deficiency, the savings, and the potential savings from the proposed amalgamation.

Reference:

Application, paragraphs 17 and 18;
Section 1.3.4 paragraphs 7, 8 and 9, page 10 of 17;
Attachment 1.4.3(a), page 11, note 8;
Attachment 1.4.3(b), page 7, note 5;
Attachment 1.9.1(b);
EB-2012-0355

Questions:

(a) How was the revenue deficiency calculated? Please provide the calculation, inputs and assumptions including but not limited to return on equity, working capital allowance, cost of debt.

Answer:

As referenced in the Application at Section 1.6.2 (3) rate making implications are the subject of GPI's next cost of service application. The calculation of the revenue deficiency of \$177,471 is provided below but this information was provided in the Application for illustrative purposes and will be updated for the most current information available at the time GPI's next cost of service application is prepared.

The following steps were taken to determine the revenue deficiency:

1. The revenue requirement model used to support GPI's 2012 cost of service application was updated to reflect 2013 actual capital and operating costs along with the assumptions provided below. This scenario was classified as Case A. The resulting revenue requirement was \$4,584,479
2. The revenue requirement model used in #1 was revised to include 2013 assets and costs associated with NWTC but also reflected the annual savings of approximately \$35,000. This scenario was classified as Case B. The resulting revenue requirement was \$5,506,066.
3. In 2013, NWTC received total revenues from NPEI and GPI of \$744,116.
4. Revenue deficiency equals (Case B – Case A) – minus 2013 NWTC revenues or

$$\$177,471 = (\$5,506,066 - \$4,584,479) - \$744,116$$

Assumptions:

Case A:

- Working Capital Allowance = 13%
- Return on Equity (GPI Approved 2012) = 9.42%
- Return on Short Term Debt (GPI Approved 2012) = 2.08%
- Return on Long Term Debt (GPI Approved 2012) = 4.53%
- Equity Deemed Capitalization = 40%
- Short Term Debt Deemed Capitalization = 4%
- Long Term Debt Deemed Capitalization = 56%
- Tax Rate (GPI Approved 2012) = 15.5%

Case B:

Same as Case A, except Return on Long Term Debt is assumed to be 5.05% to reflect the impact on the weighted average cost of long term debt when the NWTC term loan, with an interest rate swap, is included.

(b) Please confirm the \$150,000 in goodwill referenced in EB-2012-0355 was not incorporated into this revenue deficiency calculation.

Answer:

The Applicants confirm that the \$150,000 in goodwill referenced in EB-2012-0355 is not incorporated into the revenue deficiency calculation.

(c) Please confirm there are no transactional costs being recovered by GPI or NWTC from customers for NPEI. If not confirmed, what is the amount of costs being recovered and from which customers?

Answer:

As stated in the Application at Section 1.6.7 "Incremental costs associated with the transaction include costs incurred for due diligence, to negotiate and complete the transaction, and costs associated with all necessary regulatory approvals. These costs are being paid by Niagara Power Inc. and as such will not affect GPI's ratepayers".

The Applicants confirm that the transaction costs are being paid by Niagara Power Inc. and therefore, are not being recovered from GPI or NPEI ratepayers.

(d) Please provide a detailed list of savings to result from the proposed Application?

Answer:

A detailed list of annual savings is noted in the Application at Section 1.6.2 (1).

(e) Please provide NWTC and GPI's allocation of those savings as between NPEI and GPI?

Answer:

The savings have been allocated 50:50 between GPI and NPEI.

(f) Why will the cost to NWTC of \$16,500 paid to a Director of NWTC for "supervision of operating activities" not be saved? If not, why not?

Answer:

The \$16,500 paid to a Director of NWTC was for services rendered in the day to day operation of the station. This expense represents the resource utilized in managing the day to day operations of the station and these day to day operations must be maintained for the safe and reliable operation of the station. In the newly amalgamated GPI the day to day operation will be managed by existing and newly hired GPI resources. These resources have costs and therefore, no savings will result.

(g) Please confirm those savings were incorporated into the proposed rate impact to NPEI of 25%.

Answer:

The Applicants confirm that the savings noted in the Application at Section 1.6.2 (1) have been incorporated into the rate calculation.

(h) Have the Applicants considered rate mitigation because of the 25% impact to NPEI?

Answer:

This is a section 86 application, and not a rate application. However, while the anticipated rate proposal with respect to the incremental revenue requirement related to the NWTC facilities may represent a 25% change in rates, the value of that anticipated change is \$106,923. It is not a material amount. In rate proceeding EB-2014-0096 – NPEI's 2015 COS Rate Application currently underway – NPEI states in Exhibit 1, Tab 2, Schedule 2, Page 2 of 9 that its proposed service revenue requirement is \$30,971,328. The additional \$106,923 caused by a potential future rate increase, as an embedded distributor, is 0.345% of this total amount. In Exhibit 1, Tab 2, Schedule 6, Page 3 of 3 of that application, NPEI provides customer counts as follows:

- Residential 47,067
- GS<50kW 4,385
- GS>50kW 862

The addition of the above customer counts results in a total of 52,314 customers in these three customer classes. The impact of an additional \$106,923 on each of these customers per annum is \$2.04, or \$0.17 per month. This is not a material amount, and GPI would not anticipate proposing mitigation in respect of this amount in its cost of service application.

(i) How is the Applicant intending to allocate costs to NPEI under the proposed rate structure? Specifically, will GPI be bringing forward a detailed cost allocation study to support its rate case?

Answer:

As referenced in the Application at Section 1.6.2 (3) rate making implications are the subject of GPI's next cost of service application.

GPI will bringing forward a detailed cost allocation study to support its rate case and will be assigning costs to NPEI as being the only customer in the embedded distributor class.

(j) The Town of Grimsby's signature was not included in the shareholder resolution provided. Please provide an executed copy.

Answer:

The "Resolution of the Shareholders" is included in the Application as Attachment 1.9.1 (a) and it is signed by Robert Bentley the Mayor of the Town of Grimsby.

(k) Will GPI receive any tax benefits, such as NWTC non-capital losses, from the transaction? If so, please specify the benefits including the amount and how such benefits will be allocated to consumers.

Answer:

NWTC has non-capital losses available which could be applied to provide a tax benefit. However, it is not known at this time when it would be best to utilize these losses in a tax filing. As referenced in the Application at Section 1.6.2 (3) rate making implications are the subject of GPI's next cost of service application.

GPI will receive these non-capital losses as part of amalgamating both entities. It is anticipated that these non-capital losses will be incorporated into the test year of GPI's next cost of service application. They will be considered in the calculation of Payments In Lieu of Taxes (PILs) and allocated to each customer class consistent with the method to allocate PILs to each customer class.

It is noted that the analysis outlined above in 2(a) does not take into account any tax losses in Case B. The full details on how tax losses will be incorporated into the rate model are not currently available. As result, the impact of tax losses was not incorporated into the revenue requirement calculation for Case B referenced in 2(a). Regardless of their application the incorporation of tax losses into the revenue requirement would benefit all customer classes.

NPEI Interrogatory #3

Preamble:

The Board applies a "no harm test" to such transactions. NPEI wants to understand the Applicants' understanding of the "no harm test" and its application to the current proposal.

Reference: Application, paragraph 11.

Questions:

(a) Please confirm the "no harm test" should consider all customers impacted by the Application. If not, why not?

Answer:

Please see the Applicants' response to Question 1(r) above.

(b) Please confirm the "no harm test" should consider more than a one year time horizon.

Answer:

Please see the Applicants' response to Question 1(r) above.

(c) Please confirm NPEI and its customers interests should be considered under the "no harm test".

Please see the Applicants' response to Question 1(r) above.

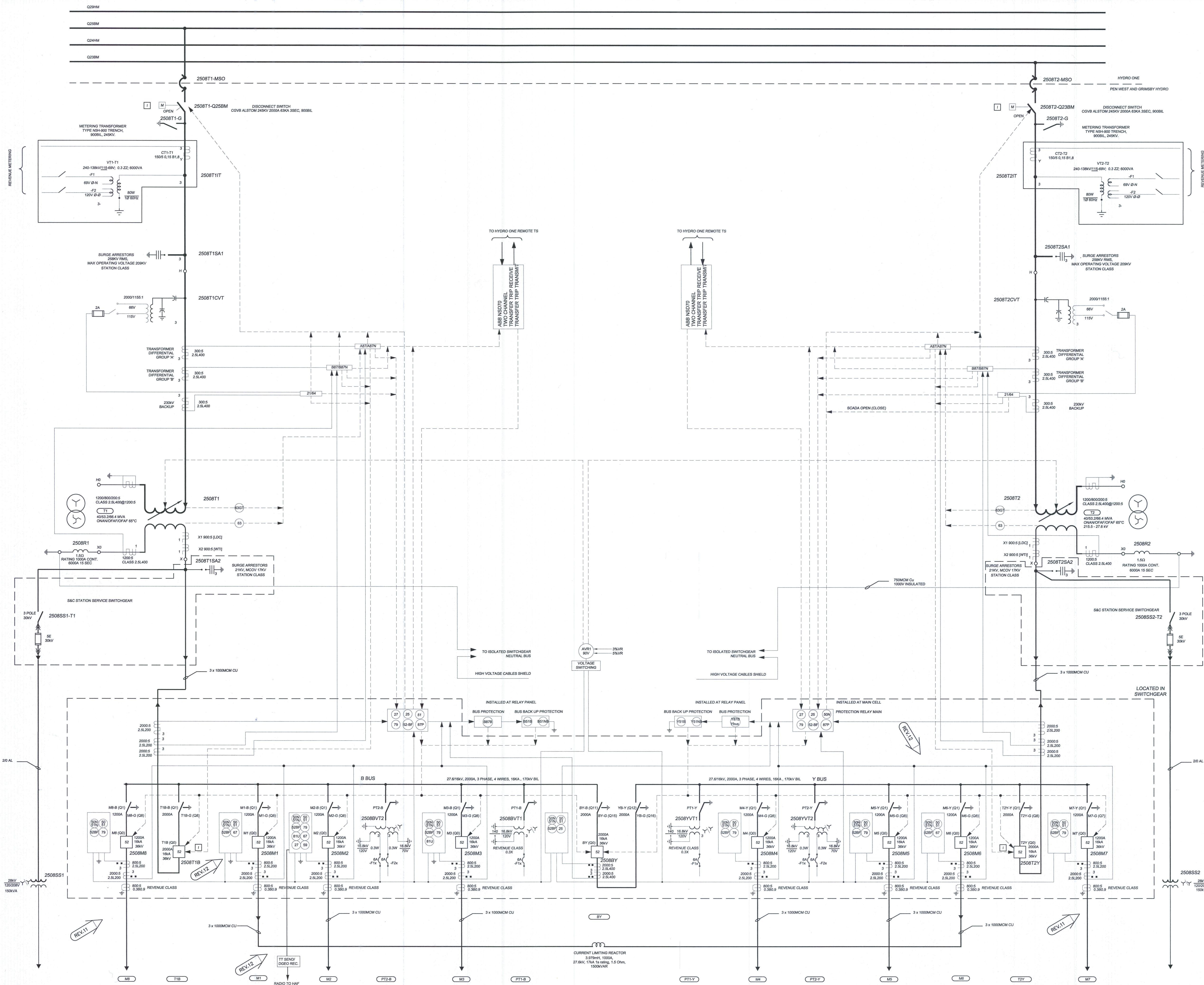
**ATTACHMENTS TO GPI/NWTC
RESPONSE TO NPEI INTERROGATORY #1(b)**

NWI-100 Rev 12 – NWTS Station Single Line Diagram

Niagara West MTS – MP ID #104298

Grimsby Power Inc. – Mountain Street PME

Grimsby Power Inc. – Mud St. – Park Road PME



CB TESTED TO 34.5KV IEC

PROTECTION FUNCTION	LINE ZT	TTR LOCAL	XFRM	BUS	B/F MV
TRIP MV BREAKERS	T	T	T	T	T
MV BREAKER FAILURE	I	I	I	I	I
MV AUTO-RECLOSE		I	C	C	C
TTT			S	C	S
OPEN XFR DISC			T		T
TRIP ADJACENT HV ZONES			I		I
TRIP ADJACENT MV ZONES				T	T

T - TRIP BREAKERS
I - INITIATE
C - CANCEL
S - SEND SIGNAL
HV - HIGH VOLTAGE

TTR/T - TRANSFER TRIP RECEIVE/TRANSMIT
Z/T - IMPEDANCE INSTANTANEOUS/TIMED
B/F - BREAKER FAILURE
MV - MEDIUM VOLTAGE

PROTECTION SUMMARY

1. L1/L2/L3 - LINE PROTECTION RELAY, PROTECTION FUNCTION 21,64, DISTANCE AND GROUND FAULT PROTECTION 230 KV RELAY GE UR D30

2. A87-T1(T2) - TRANSFORMER DIFFERENTIAL PROTECTION A, PROTECTION FUNCTION A87, A87N, 50.50N, 51.51N, A83, A83GT, TRANSFORMER DIFFERENTIAL PROTECTION A, PHASE INSTANTANEOUS AND OVERCURRENT PROTECTION, GROUND INSTANTANEOUS AND OVERCURRENT PROTECTION, GAS PROTECTION TANK, GAS PROTECTION TAP CHANGER, RELAY GE UR T80

3. B87-T1(T2) - TRANSFORMER DIFFERENTIAL PROTECTION B, PROTECTION FUNCTION B87, B87N, 50.50N, 51.51N, 51G, TRANSFORMER DIFFERENTIAL PROTECTION B, PHASE INSTANTANEOUS AND OVERCURRENT PROTECTION, GROUND INSTANTANEOUS AND OVERCURRENT PROTECTION, GROUND REACTOR OVERCURRENT, RELAY SEL 351A

4. AVR - TRANSFORMER AUTOMATIC VOLTAGE REGULATION WITH 3%, 5% VOLTAGE DROP, RELAY BETWTH M2001 B

5. B1Y1B7A - BUS PROTECTION, PROTECTION FUNCTION 87B, 51B, 51NB, BUS DIFFERENTIAL PROTECTION HIGH SPEED AND OVERCURRENT, RELAY GE T80

6. B1Y1B1B - BUS BACK UP, PROTECTION FUNCTION 51B, 51NB, BUS BACK UP OVERCURRENT PROTECTION, RELAY SEL 351A

7. T1B 51(T2V 51) - PROTECTION MAIN, PROTECTION FUNCTION 50.50N, 51.51N, 52BF, 87P, 79-25, TTR CH1, TTR CH2, MAIN 27.6 KV PHASE INSTANTANEOUS AND OVERCURRENT, GROUND FAULT INSTANTANEOUS AND OVERCURRENT, BREAKER FAIL, BUS PARTIAL DIFFERENTIAL PROTECTION FUNCTION B87P (Y87P), AUTO CLOSING WITH DEAD BUS OR SINCHROCHECK, TRANSFER TRIP RECEIVED CH1, CH2, RELAY GE UR F60

8. B1Y1 - TIE PROTECTION, PROTECTION FUNCTION 50.50N, 51.51N, 52BF, 87P, TIE PHASE INSTANTANEOUS AND OVERCURRENT, GROUND FAULT INSTANTANEOUS AND OVERCURRENT PROTECTION, BREAKER FAIL, RELAY GE UR F60

9. M1-41(M8 51) - FEEDER PROTECTION, PROTECTION FUNCTION 50.50N, 51.51N, 52BF, 87P, 79-25, FEEDER 27.6 PHASE INSTANTANEOUS AND OVERCURRENT PROTECTION, GROUND FAULT INSTANTANEOUS AND OVERCURRENT PROTECTION, BREAKER FAIL, AUTOCLOSING, UNDERFREQUENCY PROTECTION, RELAY GE UR F60

12	16.04.2014	TT WEI REVISED FOR CONSTRUCTION	JRR	AK
11	26.02.2014	TT WEI ISSUE FOR CONSTRUCTION	DRM	JRR
10	14.02.2014	ISSUE FOR REVIEW	NM	JRR
9	01.05.2004	AS BUILT	MN	JRR
8	09.01.2004	TRANSFORMER HIGH VOLTAGE NEUTRAL	MN	JRR
7	21.11.2003	OPERATIONAL DESIGNATION ADDED	MN	JRR
6	12.11.2003	CB RATING REVISED	MN	JRR
5	28.09.2003	EQUIPMENT DATA ADDED	MN	JRR
4	29.08.2003	STATION SERVICE SWITCHGEAR ADDED	MN	JRR
3	03.03.2003	PROTECTION RELAY FUNCTIONS ADDED	MN	JRR
2	08.11.2002	ADDED NOMENCLATURE, GENERAL EDIT	MG	JRR
1	16.10.2002	ISSUED FOR BID	MN	JRR
0	05.09.2002	PRELIMINARY ISSUED FOR INFORMATION	MN	JRR
NO		RECORD OF ALTERATIONS	MADE BY	APPD

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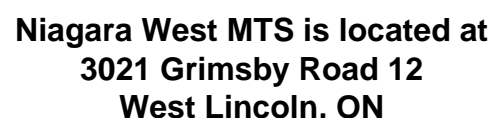
NIAGARA WEST TRANSFORMATION STATION SINGLE LINE DIAGRAM

NIAGARA WEST TRANSFORMATION COMPANY

GRASSIE	ONTARIO
DRAWN: MN	TRACED: CHECKED: GAR
SCALE: NONE	STARTED: 05.09.2002 FINISHED:
APPROVED	DRAWING NUMBER
	REVISION
	NW1-100
	12
	SHEET 1 OF 1

MP ID# 104298

14. Power Switching: This MI is not subject to Power Switching



Title	Niagara West MTS T1 & T2		Scale	NTS	Revisions		Date
			Job Cost		1	Add metering id's	Feb. 24, 2003
Address	3021 Grimsby Road 12, West Lincoln, ON		SO95-2-23		2	Add breaker switch nomen.	Feb. 26, 2003
Drawn By	Keith Rye		Drawing Number MSP-B000026 Rev.5	KBR 20031023	3	Change loaction name	Feb. 28, 2003
Approved By		Date April 14, 2004			4	Change CT ratio T1	March 1, 2003
					5	Change CT ratio T2	April 14, 2004

Grimsby Power Inc.

Mountain Street PME

(embedded of Niagara West MTS)

PME is located on pole G8129 on the East side of Mountain Rd. approx. 90m North of Mud Street, Grimsby ON

MP ID# 104471

Metering Installation Data

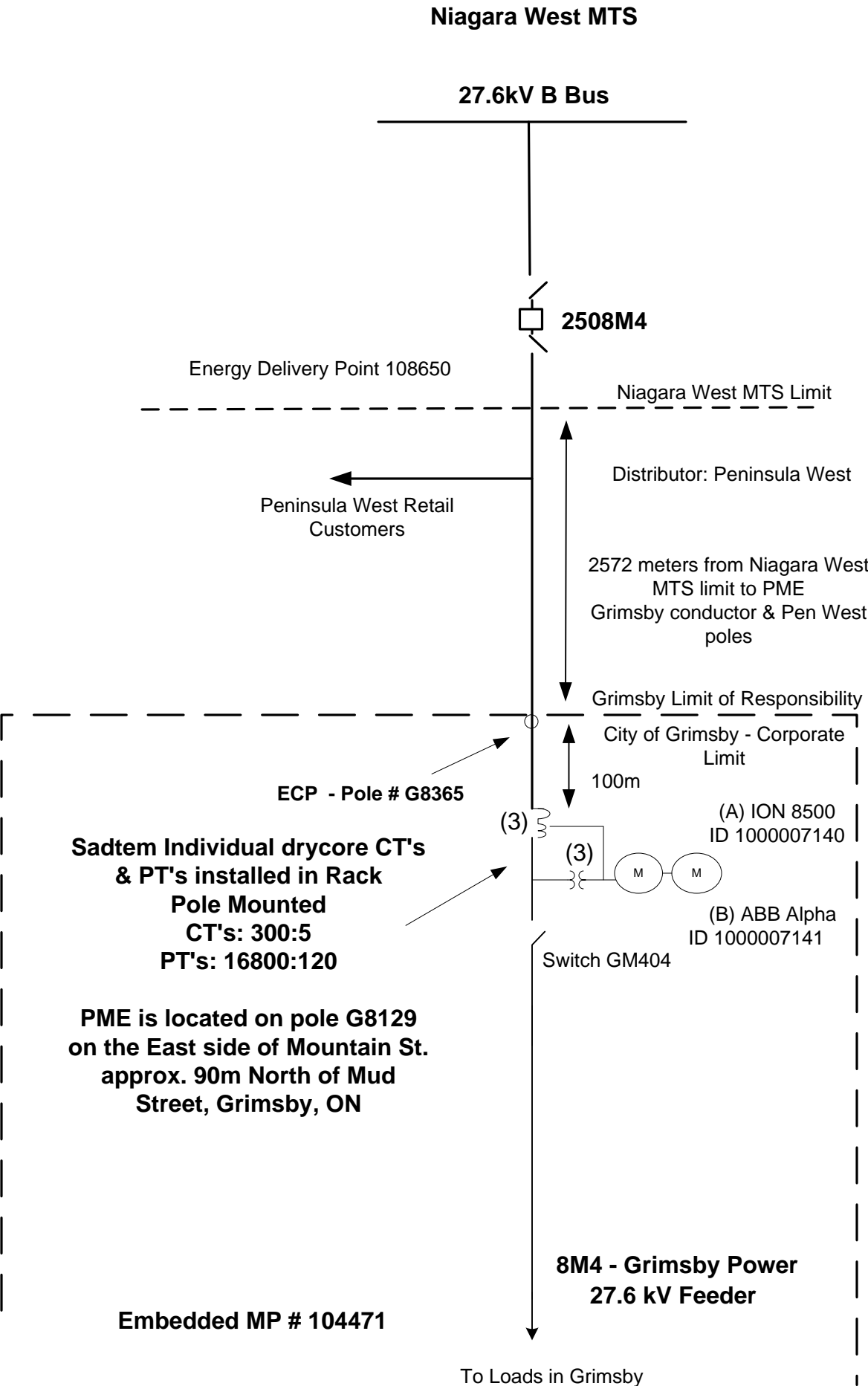
(to be provided for each MI displayed)

1. Meter Point IDs

A 1000007140
(ION 8500)

B..... 1000007141
(ABB Alpha)
2. IT RATIO:
CT ratio (3)
A/B meter available 300/600 : 5
in use 300 : 5 or 60 : 1
PT ratio (3)
A/B meter available 16800 :120
in use 16800 : 120 or 140:1
3. ANSI class:
A/B meter CT class 0.3B0.9 Low Ratio
0.3B1.8 Hi Ratio
MC Approval Number: AE-1037

A/B meter PT class 0.3 WXY, 0.6Z
MC Approval Number:AE-0842
- 4 Meter(s) Source of Auxillary Power
Main Meter: 120 VAC Auxillary Supply
Alternate Meter: 120 VAC supplied from A phase PT
5. MSP name: Peterborough Utilities Services Inc.
- 6 MSP ID #: 1002
7. Defined Meter Point ID: NIAGARAWEST-230.T1
(also referred as Defined Point of Sale)
8. Delivery Point ID: 108650
Delivery Point Name: NIAGARAWEST-LT_GRIMSBY
(also referred as Resource ID)
9. Is MI Blondel compliant (Y/N)? Y
10. Host Distributor's name: Peninsula West Limited MMP# 104298
11. Distance between CT's & PT's: Zero (0)
12. Power Switching: This MI is not subject to Power Switching



Peterborough Utilities Services Incorporated

Title	Grimsby Power Inc.- Mountain Street PME (embedded of Niagara West MTS)		Scale	NTS	Revisions		Date
			SO95-2-22		1	Add switch GM404	March 1, 2004
Drawn By	Keith Rye		Job Cost				
Approved By		Date March 1, 2004	Drawing Number	KBR			
			MSP-B000038 Rev. 1	20040120			

Grimsby Power Inc.

Mud St.-Park Rd. PME

(embedded of Niagara West MTS)

PME is located on pole G8367 on the East side of Mountain Road, 60m South of Mud Street, Grimsby, ON

MP ID# 104471

Metering Installation Data

(to be provided for each MI displayed)

1. Meter Point IDs

A 1000007130
(ION 8500)

B..... 1000007131
(ABB Alpha)
2. IT RATIO:

CT ratio (3)
A/B meter available 300/600 : 5
in use 300 : 5 or 60 : 1

PT ratio (3)
A/B meter available 16800 :120
in use 16800 : 120 or 140:1
3. ANSI class:

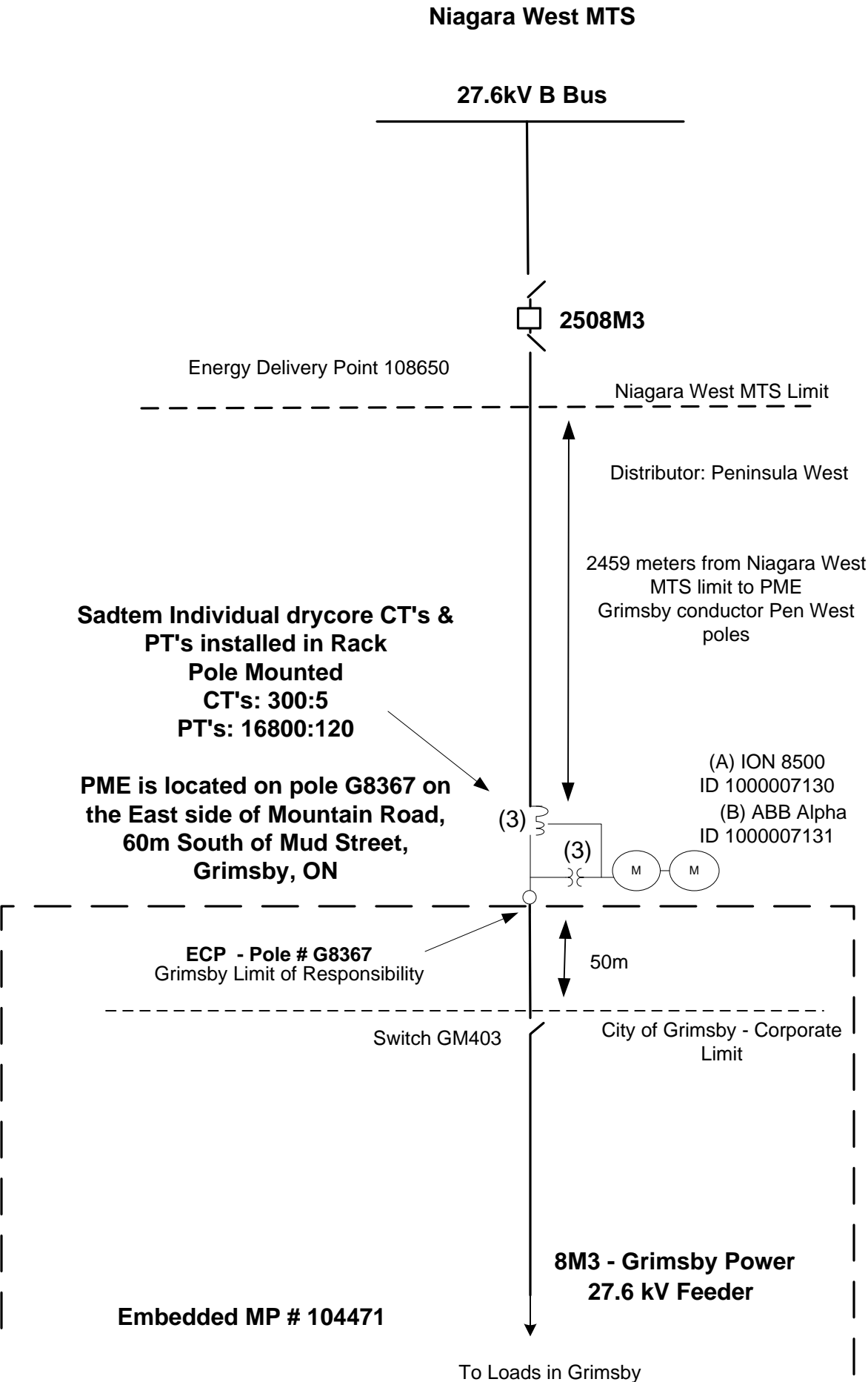
A/B meter CT class 0.3B0.9 Low Ratio
0.3B1.8 Hi Ratio

MC Approval Number: AE-1037

A/B meter PT class 0.3 WXY, 0.6Z
MC Approval Number:AE-0842
- 4 Meter(s) Source of Auxillary Power

Main Meter: 120 VAC Auxillary Supply

Alternate Meter: 120 VAC supplied from A phase PT
5. MSP name: Peterborough Utilities Services Inc.
- 6 MSP ID #: 1002
7. Defined Meter Point ID: NIAGARAWEST-230.T1
(also referred as Defined Point of Sale)
8. Delivery Point ID: 108650
Delivery Point Name: NIAGARAWEST-LT_GRIMSBY
(also referred as Resource ID)
9. Is MI Blondel compliant (Y/N)? Y
10. Host Distributor's name: Peninsula West Limited MMP# 104298
11. Distance between CT's & PT's: Zero (0)
12. Power Switching: This MI is not subject to Power Switching



Peterborough Utilities Services Incorporated

Title	Grimsby Power Inc. - Mud St.-Park Rd. PME (embedded of Niagara West MTS)		Scale	NTS	Revisions		Date
			SO95-2-22		1	Add switch GM403	March 1, 2004
Drawn By	Keith Rye		Job Cost				
Approved By			Drawing Number	KBR			
		Date March 1, 2004	MSP-B000037 Rev. 1	20040120			